AT&T INC.
Form DEF 14A
March 12, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

AT&T Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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To Our Stockholders

Letter from the Chairman, CEO

and President

Dear Stockholders:

I m pleased to invite you to join us for our 2018 Annual Meeting of Stockholders on Friday, April 27, 2018, at 9:00 a.m., at the Moody Performance Hall, 2520 Flora Street, Dallas, Texas 75201.

At this year s meeting, we will discuss our business and strategy to *create the best entertainment and communications experiences in the world*.

Everything we ve done is about executing that strategy: From our wildly popular DIRECTV NOW video streaming service to the success of our bundled video, wireless and broadband offerings, to being named by the U.S. First Responder Network Authority to build a best-in-class nationwide network for first responders and public safety officials. The next step in executing our strategy is our pending acquisition of Time Warner. Despite the U.S. Department of Justice s decision to challenge the acquisition in court, we remain confident we will complete this merger, and we look forward to bringing its benefits to both our customers and investors.

Our goal is to deliver strong results for our stockholders while positioning AT&T for the long term. On behalf of the Board and our management team, thank you for your continued support.

Sincerely,

Randall Stephenson

Letter from the Lead Director

Dear Stockholders:

As your company s Lead Independent Director, I m proud of the commitment to strong governance that is a hallmark of AT&T. The Board s role is to keep our company focused on the long term and protect the interests of our stockholders. We do that by challenging conventional thinking and offering different points of view, while maintaining a sharp focus on creating value for stockholders.

As the marketplace around us has changed, so too has the composition of our Board. Since 2013, we have elected seven new directors, resulting in a Board with the rich diversity of knowledge, experience and perspectives across technology, finance, marketing and public policy that AT&T needs to continue creating value for you, our stockholders.

I hope you are able to join us at our Annual Meeting. And as always, the entire Board thanks you for your confidence and support.

Sincerely,

Matthew Rose

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AT&T Inc.

One AT&T Plaza

Whitacre Tower

208 S. Akard Street

Dallas, TX 75202

NOTICE OF 2018 ANNUAL MEETING

OF STOCKHOLDERS AND PROXY STATEMENT

To the holders of Common Stock of AT&T Inc.:

The 2018 Annual Meeting of Stockholders of AT&T Inc. will be held as follows:

When: 9:00 a.m. local time, Friday, April 27, 2018

Where: Moody Performance Hall

2520 Flora Street

Dallas, Texas 75201

The purpose of the annual meeting is to consider and take action on the following:

1. Election of Directors

2. Ratification of Ernst & Young LLP as independent auditors

3. Advisory approval of executive compensation

4. Approve Stock Purchase and Deferral Plan

5. Approve 2018 Incentive Plan

6. Any other business that may properly come before the meeting, including certain stockholder proposals

Holders of AT&T Inc. common stock of record at the close of business on February 27, 2018, are entitled to vote at the meeting and any adjournment of the meeting. Please sign, date, and return your proxy card or submit your proxy and/or voting instructions by telephone or through the Internet promptly so that a quorum may be represented at the meeting. Any person giving a proxy has the power to revoke it at any time, and stockholders who are present at the meeting may withdraw their proxies and vote in person.

By Order of the Board of Directors.

Your Vote is Important

Please sign, date and return your proxy card or submit your proxy and/or voting instructions by telephone or through the Internet promptly so that a quorum may be represented at the meeting. Any person giving a proxy has the power to revoke it at any time, and stockholders who are present at the meeting may withdraw their proxies and vote in person.

Attending the Meeting

If you plan to attend the meeting in person, please bring the admission ticket (attached to the proxy card or the Annual Meeting Notice) to the Annual Meeting. If you do not have an admission ticket or if you hold your shares in the name of a bank, broker, or other institution, you may obtain admission to the meeting by presenting proof of your ownership of AT&T stock as of February 27, 2018 (the record date).

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To Be Held on April 27, 2018:

The proxy statement and annual report to security holders are available at www.edocumentview.com/att

Stacey Maris

Senior Vice President   Assistant General Counsel and Secretary

March 12, 2018

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Important Notice Regarding the Availability of Proxy Materials for the

Stockholder Meeting To Be Held on April 27, 2018:

The proxy statement and annual report to security holders

are available at www.edocumentview.com/att.

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Please sign, date and return your proxy card or submit your proxy and/or voting instructions by telephone or through the Internet promptly so that a quorum may be represented at the meeting. Any person giving a proxy has the power to revoke it at any time, and stockholders who are present at the meeting may withdraw their proxies and vote in person.

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Proxy Statement Summary

Proxy Statement Summary

This summary highlights information contained elsewhere in this Proxy Statement. Please read the entire Proxy Statement carefully before voting.

Attending the Annual Meeting of Stockholders

If you plan to attend the meeting in person, please bring the admission ticket (attached to the proxy card or the Annual Meeting Notice) to the Annual Meeting. If you do not have an admission ticket or if you hold your shares in the name of a bank, broker, or other institution, you may obtain admission to the meeting by presenting proof of your ownership of AT&T stock as of February 27, 2018 (the record date).

Agenda and Voting Recommendations

Item	Description	Board Recommendation	Page
1	Election of Directors	**FOR** each nominee	8
2	Ratification of Ernst & Young LLP as auditors for 2018	**FOR**	18
3	Advisory Approval of Executive Compensation	**FOR**	19
4	Approve Stock Purchase and Deferral Plan	**FOR**	20
5	Approve 2018 Incentive Plan	**FOR**	23
6	Stockholder Proposal: Prepare Lobbying Report	**AGAINST**	25
7	Stockholder Proposal: Modify Proxy Access Requirements	**AGAINST**	27
8	Stockholder Proposal: Independent Chair	**AGAINST**	29
9	Stockholder Proposal: Reduce Vote Required for Written Consent	**AGAINST**	30

Corporate Governance Highlights

We are committed to good corporate governance, which promotes the long-term interests of stockholders, strengthens Board and management accountability, and helps build public trust in the Company. The Corporate Governance section beginning on page 32 describes our governance framework, which includes the following highlights:

Independent Lead Director	**Adopted proxy access**	**Stockholder right to call special meetings**
12 independent Director nominees	**Independent Audit, Human Resources, and Corporate Governance and Nominating Committees**	**Directors required to hold shares until they leave the Board**
Demonstrated Board refreshment and diversity	**Robust Board, Committee, and Director evaluation process**	**Clawback policy in place**
Annual election of Directors by majority vote	**Long-standing commitment to sustainability**	**Regular sessions of non-management Directors**

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Proxy Statement Summary

Director Nominees*

Snapshot of 2018 Director Nominees

Our Director nominees exhibit an effective mix of skills, experience, diversity, and perspectives

Name	Age	Director Since	Principal Occupation
Randall L. Stephenson	57	2005	Chairman, CEO, and President, AT&T Inc.
Samuel A. Di Piazza, Jr.	67	2015	Retired Global CEO, PricewaterhouseCoopers International Limited
Richard W. Fisher	68	2015	Former President and CEO, Federal Reserve Bank of Dallas
Scott T. Ford	55	2012	Member and CEO, Westrock Group, LLC
Glenn H. Hutchins	62	2014	Co-Founder, North Island and Co-Founder, Silver Lake
William E. Kennard	61	2014	Former United States Ambassador to the European Union and former Chairman of the Federal Communications Commission
Michael B. McCallister	65	2013	Retired Chairman and CEO, Humana Inc.
Beth E. Mooney	63	2013	Chairman and CEO, KeyCorp
Joyce M. Roché	70	1998	Retired President and CEO, Girls Inc.
Matthew K. Rose	58	2010	Chairman and CEO, Burlington Northern Santa Fe, LLC
Cynthia B. Taylor	56	2013	President and CEO, Oil States International, Inc.
Laura D Andrea Tyson	70	1999	Distinguished Professor of the Graduate School, Haas School of Business, and Chair of the Blum Center for Developing Economies Board of Trustees at the University of California at Berkley
Geoffrey Y. Yang	59	2016	Founding Partner and Managing Director, Redpoint Ventures

** All Director nominees are independent, except for Mr. Stephenson*

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Proxy Statement Summary

Executive Compensation Highlights

Over the last few years, we have made several key enhancements to our compensation programs to continue to improve the link between compensation and the Company s business and talent strategies as well as the long-term interests of our stockholders:

Pay and Performance at a Glance*

2017 Short Term Award

Metric	Metric Weight	Attainment	Payout%
2017 Earnings per Share (***EPS***)	70%	94%	84%
2017 Free Cash Flow (***FCF***)	30%	103%	106%
Weighted Average Payout			90%

* *See performance adjustments beginning on page 61*

Long Term Award Performance Share Component

2015-2017 Performance Period

Metric	Metric Weight	Attainment	Payout%
3-Year Return on Invested Capital (***ROIC***)	75%	7.75%	104%
3-Year Relative Total Stockholder Return (***TSR***)	25%	Level 3	100%
Weighted Average Payout			103%

What We Do

ü **Multiple Performance Metrics and Time Horizons:** Use multiple performance metrics and multi-year vesting timeframes to discourage unnecessary short-term risk taking.

ü **Stock Ownership and Holding Period Requirements:** NEOs must comply with stock ownership guidelines and hold 25% of post-2015 stock distributions until retirement.

ü **Dividend Equivalents:** Paid at the end of performance period on earned performance shares only.

ü **Annual Compensation-Related Risk Review:** Performed annually to confirm that our programs do not encourage excessive risk taking and are not reasonably likely to have a material adverse effect on the Company.

ü **Clawback Policy:** The Company has a policy on the recovery of previously paid executive compensation for any fraudulent or illegal conduct.

ü **Severance Policy:** Limits payments to 2.99 times salary and target bonus.

What We Don t Do

û **No Single Trigger Change in Control Provisions:** No accelerated vesting of equity awards upon change in control.

û **No Tax Gross-Ups:** No excise tax gross-up payments except in extenuating circumstances.

û **No Credit for Unvested Shares** when determining stock ownership guideline compliance.

û **No Repricing or Buy-Out** of underwater stock options.

û **No Hedging or Short Sales** of AT&T stock by executive officers.

û **No Supplemental Executive Retirement Benefits** for officers promoted/hired after 2008.

û **No Guaranteed Bonuses:** The Company does not guarantee bonus payments.

û **No Excessive Dilution:** Our annual equity grants represent 1% of the total outstanding Common Stock each year. As of July 31, 2017, our total dilution was 1.0% of outstanding Common Stock.

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Information About the Meeting and Voting

Information About the Meeting and Voting

General

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of AT&T Inc. (***AT&T***, the ***Company***, or ***we***) for use at the 2018 Annual Meeting of Stockholders of AT&T. The meeting will be held at 9:00 a.m. local time on Friday, April 27, 2018, at the Moody Performance Hall, 2520 Flora Street, Dallas, Texas 75201.

The purposes of the meeting are set forth in the Notice of Annual Meeting of Stockholders (see page i). This Proxy Statement and form of proxy are being sent or made available beginning March 12, 2018, to stock-

holders who were record holders of AT&T s common stock, $1.00 par value per share, at the close of business on February 27, 2018. These materials are also available at www.edocumentview.com/att. Each share entitles the registered holder to one vote. As of January 31, 2018, there were 6,495,231,088 shares of AT&T common stock outstanding.

To constitute a quorum to conduct business at the meeting, stockholders representing at least 40% of the shares of common stock entitled to vote at the meeting must be present or represented by proxy.

Voting

Stockholders of Record

Stockholders whose shares are registered in their name on the Company records (also known as stockholders of record) will receive either a proxy card by which they may indicate their voting instructions or a notice on how they may obtain a proxy. Instead of submitting a signed proxy card, stockholders may submit their proxies by telephone or through the Internet. Telephone and Internet proxies must be used in conjunction with, and will be subject to, the information and terms contained on the form of proxy. Similar procedures may also be available to stockholders who hold their shares through a broker, nominee, fiduciary or other custodian.

All shares represented by proxies will be voted by one or more of the persons designated on the form of proxy in accordance with the stockholders directions. If the proxy card is signed and returned or the proxy is submitted by telephone or through the Internet without specific directions with respect to the matters to be acted upon, it will be treated as an instruction to vote such shares in accordance with the recommendations of the Board of Directors. Any stockholder giving a proxy may revoke it at any time before the proxy is voted at the meeting by giving written notice of revocation to the Secretary of AT&T, by submitting a later-dated proxy, or by attending the meeting and voting in person. The Chairman of the Board will announce the closing of the polls during the Annual

Meeting. Proxies must be received before the closing of the polls in order to be counted.

A stockholder may designate a person or persons other than those persons designated on the form of proxy to act as the stockholder s proxy by striking out the name(s) appearing on the proxy card, inserting the name(s) of another person(s), and delivering the signed card to that person(s). The person(s) designated by the stockholder must present the signed proxy card at the meeting in order for the shares to be voted.

Shares Held Through a Bank, Broker, or Other Custodian

Where the stockholder is not the record holder, such as where the shares are held through a broker, nominee, fiduciary or other custodian, the stockholder must provide voting instructions to the record holder of the shares in accordance with the record holder s requirements in order to ensure the shares are properly voted.

Shares Held on Your Behalf under Company Benefit Plans or under The DirectSERVICE Investment Program

The proxy card, or a proxy submitted by telephone or through the Internet, will also serve as voting

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instructions to the plan administrator or trustee for any shares held on behalf of a participant under any of the following employee benefit plans: the AT&T Savings and Security Plan, the AT&T Puerto Rico Retirement Savings Plan, the AT&T Retirement Savings Plan, and the BellSouth Savings and Security Plan. Subject to the trustee s fiduciary obligations, shares in each of the above employee benefit plans for which instructions are not received will not be voted. To allow sufficient time for voting by the trustees and/or administrators of the plans, your voting instructions must be received by April 24, 2018.

In addition, the proxy card or a proxy submitted by telephone or through the Internet will constitute voting

instructions to the plan administrator under The DirectSERVICE Investment Program sponsored and administered by Computershare Trust Company, N.A. (AT&T s transfer agent) for shares held on behalf of plan participants.

If a stockholder participates in the plans listed above and/or maintains stockholder accounts under more than one name (including minor differences in registration, such as with or without a middle initial), the stockholder may receive more than one set of proxy materials. To ensure that all shares are voted, please submit proxies for all of the shares you own.

Attending the Meeting

Only AT&T stockholders may attend the meeting.

Stockholders of Record (shares are registered in your name)

An admission ticket is attached to your proxy card or Annual Meeting Notice and Admission Ticket. If you plan to attend the Annual Meeting, please retain the admission ticket and bring it with you to the meeting. A stockholder of record who does not have an admission ticket will be admitted upon presentation of photo identification at the door.

Other Stockholders (shares are held in the name of a bank, broker, or other institution)

You may obtain admission to the meeting by presenting proof of your ownership of AT&T common stock and photo identification. To be able to vote at the meeting, you will need the bank, broker, or record holder to give you a proxy.

Voting Results

The voting results of the annual meeting will be published no later than four business days after the annual meeting on a Form 8-K filed with the Securities

and Exchange Commission, which will be available in the investor relations area of our website at www.att.com.

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Information About the Meeting and Voting

Voting Procedures

Each share of AT&T common stock represented at the Annual Meeting is entitled to one vote on each matter properly brought before the meeting. All matters, except as provided below, are determined by a majority of the votes cast, unless a greater number is required by law or our Certificate of Incorporation for the action proposed. A majority of votes cast means the number of votes cast for a matter exceeds the number of votes cast against such matter.

If the proxy is submitted and no voting instructions are given, the person or persons designated on the card will vote the shares for the election of the Board of Directors nominees and in accordance with the recommendations of the Board of Directors on the other subjects listed on the proxy card and at their discretion on any other matter that may properly come before the meeting.

The Board of Directors is not aware of any matters that will be presented at the meeting for action on the part of stockholders other than those described in this Proxy Statement.

Election of Directors: In the election of Directors, each Director is elected by the vote of the majority of the votes cast with respect to that Director s election. Under our Bylaws, if a nominee for Director is not elected and the nominee is an existing Director standing for re-election (or ***incumbent*** Director), the Director must promptly tender his or her resignation to the Board, subject to the Board s acceptance. The Corporate Governance and Nominating Committee will make a recommendation to the Board as to whether to accept or reject the tendered resignation or whether other action should be taken. The Board will act on the tendered resignation, taking into account the Corporate Governance and Nominating Committee s recommendation, and publicly disclose (by a press release, a filing with the SEC, or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. The Corporate Governance and Nominating Committee in making its recommendation and the Board of Directors in making its decision may each consider any factors or other information that they consider appropriate and relevant. Any Director who tenders his or her resignation as described above will not participate in the recommendation of the Corporate Governance and Nominating Committee or the decision of the Board of Directors with respect to his or her resignation.

If the number of persons nominated for election as Directors as of ten days before the record date for determining stockholders entitled to notice of or to vote at such meeting shall exceed the number of Directors to be elected, then the Directors shall be elected by a plurality of the votes cast. Because no persons other than the incumbent Directors have been nominated for election at the 2018 Annual Meeting, each nominee must receive a majority of the votes cast for that nominee to be elected to the Board.

Advisory Vote on Executive Compensation: The advisory vote on executive compensation is non-binding, and the preference of the stockholders will be determined by the choice receiving the greatest number of votes.

Approval of Stock Purchase and Deferral Plan and 2018 Incentive Plan: NYSE listing standards require listed companies to seek stockholder approval of plans that provide for the distribution of company stock to employees. When such approval is sought, the standards require that abstentions count as votes against approval of the proposal. These NYSE listing standards apply only to approval of the Stock Purchase and Deferral Plan and the 2018 Incentive Plan at the Annual Meeting.

All Other Matters to be Voted Upon: All other matters at the 2018 Annual Meeting will be determined by a majority of the votes cast.

Abstentions: Except as noted above, shares represented by proxies marked abstain with respect to the proposals described on the proxy card and by proxies marked to deny discretionary authority on other matters will not be counted in determining the vote obtained on such matters.

Broker Non-Votes: Under the rules of the NYSE, on certain routine matters, brokers may, at their discretion, vote shares they hold in street name on behalf of beneficial owners who have not returned voting instructions to the brokers. On all other matters, brokers are prohibited from voting uninstructed shares. In instances where brokers are prohibited from exercising discretionary authority (so-called ***broker non-votes***), the shares they hold are not included in the vote totals.

At the 2018 Annual Meeting, brokers will be prohibited from exercising discretionary authority with respect to each of the matters submitted other than the ratification of the auditors. As a result, for each of the matters upon which the brokers are prohibited from voting, the broker non-votes will have no effect on the results.

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Voting Items

Voting Items

Management Proposal

Item 1. Election of Directors

Under our Bylaws, the Board of Directors has the authority to determine the size of the Board and to fill vacancies. Currently, the Board is comprised of 13 Directors, one of whom is an executive officer of AT&T. There are no vacancies on the Board. Under AT&T s Corporate Governance Guidelines, a Director will not be nominated by the Board for re-election if the Director would be 72 or older at the time of the election.

The Board of Directors has nominated the 13 persons listed below for election as Directors to one-year terms of office that would expire at the 2019 Annual Meeting. Each of the nominees is an incumbent Director of AT&T recommended for re-election by the Corporate Governance and Nominating Committee. In making these nominations, the Board reviewed the background of the nominees (each nominee s biography can be found beginning on page 9) and determined to nominate each of the current Directors for re-election.

The Board believes that each nominee has valuable individual skills, attributes, and experiences that, taken together, provide us with the variety and depth of

knowledge, judgment and vision necessary to provide effective oversight of a large and varied enterprise like AT&T. As indicated in the following biographies, the nominees have significant leadership skills and extensive experience in a variety of fields, including telecommunications, technology, public accounting, health care, education, economics, financial services, law, consumer marketing, operations, logistics, government service, public policy, academic research, consulting and nonprofit organizations, each of which the Board believes provides valuable knowledge about important elements of AT&T s business. A number of the nominees also have extensive experience in international business and affairs, which the Board believes affords it an important global perspective in its deliberations.

If one or more of the nominees should at the time of the meeting be unavailable or unable to serve as a Director, the shares represented by the proxies will be voted to elect the remaining nominees and any substitute nominee or nominees designated by the Board. The Board knows of no reason why any of the nominees would be unavailable or unable to serve.

Name	Age	Director Since	Principal Occupation
Randall L. Stephenson	57	2005	Chairman, CEO, and President, AT&T Inc.
Samuel A. Di Piazza, Jr.	67	2015	Retired Global CEO, PricewaterhouseCoopers International Limited
Richard W. Fisher	68	2015	Former President and CEO, Federal Reserve Bank of Dallas
Scott T. Ford	55	2012	Member and CEO, Westrock Group, LLC
Glenn H. Hutchins	62	2014	Co-Founder, North Island and Co-Founder, Silver Lake
William E. Kennard	61	2014	Former United States Ambassador to the European Union and former Chairman of the Federal Communications Commission
Michael B. McCallister	65	2013	Retired Chairman and CEO, Humana Inc.
Beth E. Mooney	63	2013	Chairman and CEO, KeyCorp
Joyce M. Roché	70	1998	Retired President and CEO, Girls Inc.
Matthew K. Rose	58	2010	Chairman and CEO, Burlington Northern Santa Fe, LLC
Cynthia B. Taylor	56	2013	President and CEO, Oil States International, Inc.
Laura D Andrea Tyson	70	1999	Distinguished Professor of the Graduate School, Haas School of Business, and Chair of the Blum Center for Developing Economies Board of Trustees at the University of California at Berkley
Geoffrey Y. Yang	59	2016	Founding Partner and Managing Director, Redpoint Ventures

All Director nominees are independent, except for Mr. Stephenson

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Director Biographies

The Board recommends you vote FOR each of the following candidates:

Randall L. Stephenson **Age** 57 **Director since** 2005

Mr. Stephenson is Chairman of the Board, Chief Executive Officer, and President of AT&T Inc. and has served in this capacity since 2007. He has held a variety of high-level finance, operational, and marketing positions with AT&T, including serving as Chief Operating Officer from 2004 until his appointment as Chief Executive Officer in 2007 and as Chief Financial Officer from 2001 to 2004. He began his career with the Company in 1982. Mr. Stephenson received his B.S. in accounting from Central State University (now known as the University of Central Oklahoma) and earned his Master of Accountancy degree from the University of Oklahoma.

AT&T Board Committees

Executive (Chair)

Past Directorships

The Boeing Company (2016-2017);

Emerson Electric Co.

(2006-2017)

Qualifications, Attributes, Skills, and Experience

Mr. Stephenson s qualifications to serve on the Board include his more than 35 years of experience in the telecommunications industry, his intimate knowledge of our Company and its history, his expertise in finance and operations management, and his years of executive leadership experience across various divisions of our organization, including serving as Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Senior Vice President of Finance, and Senior Vice President of Consumer Marketing.

Senior Leadership/Chief Executive Officer Experience

Extensive Knowledge of the Company s Business and/or Industry

High Level of Financial Experience

Public Company Board Service and Governance Experience

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Samuel A. Di Piazza, Jr. **Age** 67 **Director since** 2015

Mr. Di Piazza served as Global Chief Executive Officer of PricewaterhouseCoopers International Limited (an international professional services firm) from 2002 until his retirement in 2009. Mr. Di Piazza began his 36-year career with PricewaterhouseCoopers (PwC, formerly Coopers & Lybrand) in 1973 and was named Partner in 1979 and Senior Partner in 2000. From 1979 to 2002, Mr. Di Piazza held various regional leadership positions with PwC. After his retirement from PwC, Mr. Di Piazza joined Citigroup where he served as Vice Chairman of the Global Corporate and Investment Bank from 2011 until 2014. Since 2010, Mr. Di Piazza has served as the Chairman of the Board of Trustees of The Mayo Clinic. He received his B.S. in accounting from the University of Alabama and earned his M.S. in tax accounting from the University of Houston. He served as a Director of DIRECTV from 2010 until the company was acquired by AT&T Inc. in 2015.

AT&T Board Committees

Audit (Chair); Executive; Public Policy and Corporate Reputation

Other Public Company Directorships

Jones Lang LaSalle Incorporated; ProAssurance Corporation; Regions Financial Corporation

Qualifications, Attributes, Skills, and Experience

Mr. Di Piazza s qualifications to serve on the Board include his executive leadership skills, his vast experience in public accounting with a major accounting firm, and his experience in international business and affairs, all strong attributes for the Board of AT&T. His qualifications also include his prior service as a Director of DIRECTV, a digital entertainment services company that we acquired.

Senior Leadership/Chief Executive Officer Experience	**Extensive Knowledge of the Company s Business and/or Industry**
High Level of Financial Experience	**Global Business/Affairs Experience**

Past Directorships

DIRECTV (2010-2015)

Richard W. Fisher **Age** 68 **Director since** 2015

Mr. Fisher served as President and Chief Executive Officer of the Federal Reserve Bank of Dallas from 2005 until March 2015. He has been Senior Advisor to Barclays PLC (a financial services provider) since July 2015. From 2001 to 2005, Mr. Fisher was Vice Chairman and Managing Partner of Kissinger McLarty Associates (a strategic advisory firm). From 1997 to 2001, Mr. Fisher served as Deputy U.S. Trade Representative with the rank of Ambassador. Previously, he served as Managing Partner of Fisher Capital Management and Fisher Ewing Partners LP (investment advisory firms) and prior to that was Senior Manager of Brown Brothers Harriman & Co. (a private banking firm). He is an Honorary Fellow of Hertford College, Oxford University, and a Fellow of the American Academy of Arts and Sciences. Mr. Fisher received his B.A. in economics from Harvard University and earned his M.B.A. from Stanford University.

AT&T Board Committees

Corporate Development and Finance; Corporate Governance and Nominating

Other Public Company Directorships

PepsiCo, Inc.;

Tenet Healthcare Corporation

Qualifications, Attributes, Skills, and Experience

Mr. Fisher s qualifications to serve on the Board include his extensive financial, trade and regulatory expertise, and a deep understanding of Mexico and Latin America, all of which enable him to provide valuable financial and strategic insight to AT&T.

Senior Leadership/Chief Executive Officer Experience	**Government/Regulatory Expertise**
High Level of Financial Experience	**Global Business/Affairs Experience**

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Scott T. Ford **Age** 55 **Director since** 2012

Mr. Ford founded Westrock Group, LLC (a private investment firm in Little Rock, Arkansas) in 2013, where he has served as Member and Chief Executive Officer since its inception. Westrock Group operates Westrock Coffee Company, LLC (a fully integrated coffee company), which Mr. Ford founded in 2009, and where he has served as Chief Executive Officer since 2009. Westrock Group also operates Westrock Asset Management, LLC (a global alternative investment firm), which Mr. Ford founded in 2014, and where he has served as Chief Executive Officer and Chief Investment Officer since 2014. Mr. Ford previously served as President and Chief Executive Officer of Alltel Corporation (a provider of wireless voice and data communications services) from 2002 to 2009, and served as an executive member of Alltel Corporation s board of directors from 1996 to 2009. He also served as Alltel Corporation s President and Chief Operating Officer from 1998 to 2002. Mr. Ford led Alltel through several major business transformations, culminating with the sale of the company to Verizon Wireless in 2009. Mr. Ford received his B.S. in finance from the University of Arkansas, Fayetteville.

AT&T Board Committees

Corporate Development and Finance (Chair); Executive; Human Resources

Other Public Company Directorships

Bear State Financial, Inc.

Qualifications, Attributes, Skills, and Experience

Mr. Ford s qualifications to serve on the Board include his extensive experience and expertise in the telecommunications industry, his strong strategic focus, his leadership experience in the oversight of a large, publicly traded company, and his experience in international business and private equity, all of which bring valuable contributions to AT&T s strategic planning and industry competitiveness.

Senior Leadership/Chief Executive Officer Experience

Public Company Board Service and Governance Experience

Extensive Knowledge of the Company s Business and/or Industry

Investment/Private Equity Experience

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Glenn H. Hutchins **Age** 62 **Director since** 2014

Mr. Hutchins is Co-Founder of North Island (a financial services technology investment firm based in New York, New York) which was founded in 2017. Mr. Hutchins has served as Chairman of Tide Mill, LLC (the Hutchins family office, formerly North Island, LLC, in New York, New York) since 2004. He is also Co-Founder of Silver Lake (a technology investment firm based in New York, New York and Menlo Park, California) which was founded in 1999, and where Mr. Hutchins served as Co-CEO until 2011 and as Managing Director from 1999 until 2011. Prior to that, Mr. Hutchins was Senior Managing Director at The Blackstone Group (a global investment firm) from 1994 to 1999. Mr. Hutchins served as Chairman of the Board of SunGard Data Systems Inc. (a software and technology services company) from 2005 until 2015. He is a Director of the Federal Reserve Bank of New York and Vice Chairman of the Brookings Institution. Previously, Mr. Hutchins served as a Special Advisor in the White House on economic and health-care policy from 1993 to 1994 and as Senior Advisor on the transition of the Administration from 1992 to 1993. He holds an A.B. from Harvard College, an M.B.A. from Harvard Business School, and a J.D. from Harvard Law School.

AT&T Board Committees

Corporate Development and Finance; Public Policy and Corporate Reputation

Other Public Company Directorships

Virtu Financial, Inc.

Qualifications, Attributes, Skills, and Experience

Mr. Hutchins qualifications to serve on our Board include his extensive experience and expertise in the technology and financial sectors, his public policy experience, and his strong strategic focus, all of which enable him to provide valuable financial and strategic insight to AT&T.

Senior Leadership/Chief Executive Officer Experience

Government/Regulatory Expertise

Technology Expertise

Investment/Private Equity Experience

Past Directorships

Nasdaq, Inc. (2005-2017)

William E. Kennard **Age** 61 **Director since** 2014

Mr. Kennard served as the United States Ambassador to the European Union from 2009 to 2013. From 2001 to 2009, Mr. Kennard was Managing Director of The Carlyle Group (a global asset management firm) where he led investments in the telecommunications and media sectors. Mr. Kennard served as Chairman of the U.S. Federal Communications Commission from 1997 to 2001. Before his appointment as FCC Chairman, he served as the FCC s General Counsel from 1993 until 1997. Mr. Kennard joined the FCC from the law firm of Verner, Liipfert, Bernhard, McPherson and Hand (now DLA Piper) where he was a partner and member of the firm s board of directors. Mr. Kennard received his B.A. in communications from Stanford University and earned his law degree from Yale Law School.

AT&T Board Committees

Corporate Governance and Nominating; Public Policy and Corporate Reputation

Other Public Company Directorships

Duke Energy Corporation; Ford Motor Company; MetLife, Inc.

Qualifications, Attributes, Skills, and Experience

Mr. Kennard s qualifications to serve on our Board include his expertise in the telecommunications industry, his understanding of public policy, and his international perspective, as well as his background and experience in law and regulatory matters, all strong attributes for the Board of AT&T.

Senior Leadership/Chief Executive Officer Experience

Government/Regulatory Expertise

Extensive Knowledge of the Company s Business and/or Industry

Legal Experience

Michael B. McCallister **Age** 65 **Director since** 2013

Mr. McCallister served as Chairman of Humana Inc. (a health care company in Louisville, Kentucky) from 2010 to 2013. He also served as Humana s Chief Executive Officer from 2000 until his retirement in 2012. During Mr. McCallister s tenure, he led Humana through significant expansion and growth, nearly quadrupling its annual revenues between 2000 and 2012, and led the company to become a FORTUNE 100 company. Mr. McCallister received his B.S. in accounting from Louisiana Tech University and earned his M.B.A. from Pepperdine University.

AT&T Board Committees

Audit; Human Resources

Other Public Company Directorships

Fifth Third Bancorp;

Zoetis Inc.

Past Directorships

Humana Inc. (2000-2013)

Qualifications, Attributes, Skills, and Experience

Mr. McCallister s qualifications to serve on the Board include his executive leadership experience in the oversight of a large, publicly traded company and his depth of experience in the health care sector, which is of increasing importance to a company like AT&T.

Senior Leadership/Chief Executive Officer Experience

Public Company Board Service and Governance Experience

Healthcare Expertise

High Level of Financial Experience

Beth E. Mooney **Age** 63 **Director since** 2013

Ms. Mooney is Chairman and Chief Executive Officer of KeyCorp (a bank holding company in Cleveland, Ohio) and has served in this capacity since 2011. She previously served as KeyCorp s President and Chief Operating Officer from 2010 to 2011. Ms. Mooney joined KeyCorp in 2006 as a Vice Chair and head of Key Community Bank. Prior to joining KeyCorp, beginning in 2000 she served as Senior Executive Vice President at AmSouth Bancorporation (now Regions Financial Corporation), where she also became Chief Financial Officer in 2004. Ms. Mooney served as a Director of the Federal Reserve Bank of Cleveland in 2016 and was appointed to represent the Fourth Federal Reserve District on the Federal Advisory Council beginning in 2017. She received her B.A. in history from the University of Texas at Austin and earned her M.B.A. from Southern Methodist University.

AT&T Board Committees

Corporate Development and Finance; Corporate Governance and Nominating

Other Public Company Directorships

KeyCorp

Qualifications, Attributes, Skills, and Experience

Ms. Mooney s qualifications to serve on the Board include her executive leadership skills in the oversight of a large, publicly traded and highly-regulated company and her more than 30 years of experience in the banking and financial services industry, which bring valuable financial and strategic insight to AT&T.

Senior Leadership/Chief Executive Officer Experience

Government/Regulatory Expertise

High Level of Financial Experience

Public Company Board Service and Governance Experience

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Joyce M. Roché **Age** 70 **Director since** 1998

Ms. Roché is an author and served as President and Chief Executive Officer of Girls Incorporated (a national nonprofit research, education, and advocacy organization in New York, New York) from 2000 until her retirement in 2010. Ms. Roché was an independent marketing consultant from 1998 to 2000. She was President and Chief Operating Officer of Carson, Inc. from 1996 to 1998 and Executive Vice President of Global Marketing of Carson, Inc. from 1995 to 1996. Prior to that, Ms. Roché held various senior marketing positions, including Vice President of Global Marketing for Avon Products, Inc. from 1993 to 1994. Ms. Roché received her B.A. in math education from Dillard University and earned her M.B.A. in marketing from Columbia University. Ms. Roché served as a Director of Southern New England Telecommunications Corporation from 1997 until the company was acquired by AT&T (then known as SBC Communications Inc.) in 1998.

AT&T Board Committees

Corporate Governance and Nominating; Executive; Human Resources (Chair)

Other Public Company Directorships

Macy s, Inc.; Tupperware Brands Corporation

Past Directorships

Qualifications, Attributes, Skills, and Experience

Ms. Roché s qualifications to serve on the Board include her executive leadership experience and operations management skills in dealing with complex organizational issues. Her expertise in general management and consumer marketing are key benefits to AT&T. Her qualifications also include her prior service as a director of a telecommunications company that we acquired.

Senior Leadership/Chief Executive Officer Experience

Marketing Expertise

Extensive Knowledge of the Company s Business and/or Industry

Public Company Board Service and Governance Experience

Dr Pepper Snapple Group, Inc. (2011-2017)

Matthew K. Rose

Age 58 **Director since** 2010

Mr. Rose is Chairman of the Board and Chief Executive Officer of Burlington Northern Santa Fe, LLC (a freight rail system based in Fort Worth, Texas and a subsidiary of Berkshire Hathaway Inc., formerly known as Burlington Northern Santa Fe Corporation) and has served in this capacity since 2002, having also served as President until 2010. Before serving as its Chairman, Mr. Rose held several leadership positions there and at its predecessors, including President and Chief Executive Officer from 2000 to 2002, President and Chief Operating Officer from 1999 to 2000, and Senior Vice President and Chief Operations Officer from 1997 to 1999. Mr. Rose also serves as Executive Chairman of BNSF Railway Company (a subsidiary of Burlington Northern Santa Fe, LLC), having served as Chairman and Chief Executive Officer from 2002 to 2013. He earned his B.S. in marketing from the University of Missouri.

AT&T Board Committees

Corporate Governance and Nominating (Chair); Executive; Human Resources

Other Public Company Directorships

BNSF Railway Company; Burlington Northern Santa Fe, LLC; Fluor Corporation

Past Directorships

AMR Corporation (2004-2013)

Qualifications, Attributes, Skills, and Experience

Mr. Rose s qualifications to serve on the Board include his extensive experience in the executive oversight of a large, complex and highly-regulated organization, his considerable knowledge of operations management and logistics, and his experience and skill in managing complex regulatory and labor issues comparable to those faced by AT&T.

Senior Leadership/Chief Executive Officer Experience

Government/Regulatory Expertise

Labor Experience

Operations/Logistics Experience

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Voting Items

Cynthia B. Taylor **Age** 56 **Director since** 2013

Ms. Taylor is President, Chief Executive Officer and a Director of Oil States International, Inc. (a diversified solutions provider for the oil and gas industry in Houston, Texas) and has served in this capacity since 2007. She previously served as Oil States International, Inc. s President and Chief Operating Officer from 2006 to 2007 and as its Senior Vice President-Chief Financial Officer from 2000 to 2006. Ms. Taylor was Chief Financial Officer of L.E. Simmons & Associates, Inc. from 1999 to 2000 and Vice President-Controller of Cliffs Drilling Company from 1992 to 1999, and prior to that, held various management positions with Ernst & Young LLP, a public accounting firm. She received her B.B.A. in accounting from Texas A&M University and is a Certified Public Accountant.

AT&T Board Committees

Audit; Public Policy and Corporate Reputation

Other Public Company Directorships

Oil States International, Inc.

Past Directorships

Tidewater Inc. (2008-2017)

Qualifications, Attributes, Skills, and Experience

Ms. Taylor s qualifications to serve on the Board include her executive leadership skills in the oversight of a large, publicly traded company, her vast experience in finance and public accounting, and her experience in international business and affairs, all of which bring a broad spectrum of management experience to our Board.

Senior Leadership/Chief Executive Officer Experience

Global Business/Affairs Experience

High Level of Financial Experience

Operations/Logistics Experience

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Voting Items

Laura D Andrea Tyson **Age** 70 **Director since** 1999

Dr. Tyson is Distinguished Professor of the Graduate School, Haas School of Business, at the University of California at Berkeley (UC Berkeley) and has served in this capacity since July 2016. She is also the Chair of the Blum Center for Developing Economies Board of Trustees, UC Berkeley, and has served in this capacity since 2007. She has also been Faculty Director of the Institute for Business and Social Impact at the Haas School of Business, UC Berkeley, since 2013. Dr. Tyson was Professor of Business Administration and Economics at the University s Haas School of Business from 2007 until June 2016 and was Professor of Global Management at the Haas School of Business from 2008 until 2013. Prior to that, Dr. Tyson was Dean of London Business School, London, England, from 2002 until 2006. In her previous roles at UC Berkeley, Dr. Tyson served as Dean of the Haas School of Business from 1998 to 2001 and Professor of Economics and Business Administration from 1997 to 1998. Dr. Tyson has also served in various government roles, including serving as a member of the U.S. Department of State Foreign Affairs Policy Board (2011-2013), the Council on Jobs and Competitiveness for the President of the United States (2011-2013), and the Economic Recovery Advisory Board to the President of the United States (2009-2011), and has also served as National Economic Adviser to the President of the United States (1995-1996) and as Chair of the White House Council of Economic Advisers (1993-1995). Since 2007, Dr. Tyson has served as an adviser and faculty member of the World Economic Forum. Dr. Tyson received her B.A. in economics from Smith College and earned her Ph.D. in economics at the Massachusetts Institute of Technology. Dr. Tyson served as a Director of Ameritech Corporation from 1997 until the company was acquired by AT&T (then known as SBC Communications Inc.) in 1999.

AT&T Board Committees

Audit; Executive; Public Policy and Corporate Reputation (Chair)

Qualifications, Attributes, Skills, and Experience

Dr. Tyson s qualifications to serve on the Board include her expertise in economics and public policy, her experience as an advisor in various business and political arenas, and her vast knowledge of international business and affairs, all strong attributes for the Board of AT&T. Her qualifications also include her prior service as a director of a telecommunications company that we acquired.

Government/Regulatory Expertise

Other Public Company Directorships CBRE Group, Inc. **Past Directorships** Morgan Stanley (1997-2016); Silver Spring Networks, Inc. (2009-2018)	**Senior Leadership/Chief Executive Officer Experience** **High Level of Financial Experience**	 **Public Company Board Service and Governance Experience**

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Geoffrey Y. Yang **Age** 59 **Director since** 2016

Mr. Yang is a founding partner and Managing Director of Redpoint Ventures (a global private equity and venture capital firm based in Menlo Park, California) and has served in this capacity since 1999. Prior to founding Redpoint, Mr. Yang was a General Partner with Institutional Venture Partners (a private equity investment firm in Menlo Park, California), which he joined in 1987. Mr. Yang has over 30 years of experience in the venture capital industry and has helped found or served on the boards of a variety of consumer media, internet, and infrastructure companies. Mr. Yang holds a B.S.E. in engineering from Princeton University and an M.B.A. from Stanford University.

AT&T Board Committees

Corporate Development and Finance; Human Resources

Qualifications, Attributes, Skills, and Experience

Mr. Yang s qualifications to serve on the Board include his extensive experience in technology and emerging forms of media and entertainment, his decades of experience and expertise in venture capital, his strong strategic focus, as well as his vast experience in serving on the boards of private and public technology companies, all of which enable him to provide valuable contributions to AT&T s financial and strategic planning and industry competitiveness.

Senior Leadership/Chief Executive Officer Experience

Investment/Private Equity Experience

Global Business/Affairs Experience

Technology Expertise

Other Public Company Directorships

Franklin Resources, Inc.

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Management Proposal

Item 2. Ratification of the Appointment of Ernst & Young LLP as Independent Auditors

This proposal would ratify the Audit Committee s appointment of Ernst & Young LLP (***EY***) to serve as independent auditors of AT&T for the fiscal year ending December 31, 2018. The Audit Committee s decision to re-appoint our independent auditor was based on the following considerations:

- quality and performance of the lead audit partner and the overall engagement team,
- knowledge of the telecommunications industry and company operations,
- global capabilities and technical expertise,
- auditor independence and objectivity, and
- the potential impact of rotating to another independent audit firm.

The Audit Committee s oversight of EY includes regular private sessions with EY, discussions about audit scope and business imperatives, and as described above a comprehensive annual evaluation to determine whether to re-engage EY. Considerations concerning auditor independence include:

- **Limits on non-audit services:** The Audit Committee preapproves audit and permissible non-audit services provided by EY in accordance with its pre-approval policy.
- **Audit partner rotation:** EY rotates the lead audit partner and other partners on the engagement consistent with independence requirements. The Audit Committee oversees the selection of each new lead audit partner.

EY s internal independence process: EY conducts periodic internal reviews of its audit and other work and assesses the adequacy of partners and other personnel working on the Company s account.

Strong regulatory framework: EY, as an independent registered public accounting firm, is subject to PCAOB inspections, Big 4 peer reviews and PCAOB and SEC oversight.

Based on these considerations, the Audit Committee believes that the selection of Ernst & Young LLP is in the best interest of the company and its stockholders. Therefore, the Audit Committee recommends that stockholders ratify the appointment of Ernst & Young LLP. If stockholders do not ratify the appointment, the Committee will reconsider its decision. One or more members of Ernst & Young LLP are expected to be present at the Annual Meeting, will be able to make a statement if they so desire, and will be available to respond to appropriate questions.

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Management Proposal

Item 3. Advisory Approval of Executive Compensation

This proposal would approve the compensation of executive officers as disclosed in the Compensation Discussion and Analysis, the compensation tables, and the accompanying narrative disclosures (see pages 51 through 90). These sections describe our executive compensation program.

The Human Resources Committee is responsible for executive compensation and works to structure a balanced program that addresses the dynamic, global

marketplace in which AT&T competes for talent. The compensation structure includes pay-for-performance and equity-based incentive programs and seeks to reward executives for attaining performance goals.

AT&T has implemented a number of changes to its compensation and benefits program in recent years to better serve its stockholders.

Guiding Pay Principles (discussed in detail on page 55)

Alignment with Stockholders

Provide compensation elements and set performance targets that closely align executives interests with those of stockholders. For example, approximately 68% of target pay for NEOs is tied to stock price performance. In addition, we have executive stock ownership guidelines and stock holding requirements, as described on page 76. Each of the NEOs exceeds the minimum stock ownership guidelines.

Competitive and Market Based

Evaluate all components of our compensation and benefits program in light of appropriate peer company practices to ensure we are able to attract and retain world-class talent with the leadership abilities and experience necessary to develop and execute business strategies, obtain superior results, and build long-term stockholder value in an organization as large and complex as AT&T.

Pay for Performance

Tie a significant portion of compensation to the achievement of predetermined goals and recognize individual accomplishments that contribute to our success. For example, in 2017, 93% of the CEO s target compensation (and, on average, 89% for other NEOs) was variable and tied to short- and long-term performance incentives, including stock price performance.

Balanced Short- and Long-Term Focus

Ensure that the compensation program provides an appropriate balance between the achievement of short- and long-term performance objectives, with a clear emphasis on managing the sustainability of the business and mitigating risk.

Alignment with Generally Accepted Approaches

Provide policies and programs that fit within the framework of generally accepted approaches adopted by leading major U.S. companies.

AT&T submits this proposal to stockholders on an annual basis. While this is a non-binding, advisory vote, the Committee intends to take into account the outcome of the vote when considering future executive compensation arrangements. AT&T is providing

this vote as required pursuant to Section 14A of the Securities Exchange Act.

The Board recommends that our stockholders approve the program.

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Management Proposal

Item 4. Approve Stock Purchase and Deferral Plan

The Stock Purchase and Deferral Plan (the ***Plan***) offers mid-level and above management employees the opportunity to defer income through the purchase of deferred shares of AT&T common stock (***AT&T Stock***) with payroll deductions. The shares are distributed in the years elected by the participants. Based on the number of shares purchased, participants also receive limited matching employer contributions in the form of additional deferred shares. The Plan is designed to encourage managers to invest in AT&T Stock and, thereby, give these managers an even greater interest in the continued success of the Company.

The Plan is administered by the Human Resources Committee of the Board of Directors (the ***Committee***), which is composed entirely of independent Directors. The Committee has authority to amend the Plan and adopt rules for its operation.

The Plan was initially approved by stockholders in 2005, replacing a similar program originally adopted in 1991. Stockholders approved a revised plan in 2013 that, among other things, increased the number of authorized shares (exclusive of shares from the exercise of options) from 21 million to 46 million.

Subject to stockholder approval of the Plan at the 2018 Annual Meeting, the Board has increased the number of shares that may be acquired under the Plan through employee contributions, matching contributions and reinvested dividend equivalents from 46 million to 76 million. The number of shares that may be issued pursuant to options remains unchanged at 34 million. Under New York Stock Exchange Listing Standards, material amendments to the Plan, including increases in the number of authorized shares must be submitted to stockholders for approval.

The terms of the Plan are summarized below. In addition, the full text of the Plan is set forth in Annex A to this Proxy Statement, and the following summary is qualified in its entirety by reference to the text of the Plan.

Plan Summary

The Plan is offered to mid-level and above management employees, which currently total approximately 6,500 managers.

Each year, a participant may elect to establish a Share Deferral Account to purchase share units through payroll deductions during an upcoming year. The purchase price of a share unit is equal to the price of a share of AT&T Stock at the time of purchase. Each share unit is converted into a share of AT&T Stock at distribution. Share units earn dividend equivalents at the same rate as common stock and are reinvested in additional share units. AT&T may refuse or terminate, in whole or in part, any election to participate in the Plan.

In the annual enrollment, a participant may elect to contribute from 6% to 30% of the participant s annual Base Compensation, which includes base salary, lump sum payments in lieu of base salary increases, and annual bonus. The Committee has authority to add or subtract different types of compensation to or from the definition of Base Compensation.

Share units are credited to a participant s account based upon the closing price of AT&T Stock as of the last day of the month in which the contributions are credited. The share units are distributed up to five calendar years after a Share Deferral Account commences, as elected by the participant. A distribution may be further deferred by an employee for additional five-year periods, so long as each election is made while the participant is still an employee. In the event of the death of a participant, all unpaid deferrals of the participant under the Plan are promptly distributed.

In order (1) to generally offset the loss of Company match in the 401(k) plan caused by participation in the Plan or by participation in the Company s Cash Deferral Plan (described on page 88) and (2) to provide match on compensation that exceeds Federal compensation limits for 401(k) plans, the Company provides Makeup matching contributions in the form of additional deferred shares. The Makeup Match is an 80% match on contributions from the first 6% of base salary and annual bonus (the same rate as used in the 401(k) plan), reduced by the amount of matching contributions an employee would have been eligible to receive in the 401(k) plan (regardless of whether the employee actually participates or is eligible to participate in the 401(k) plan). Officer level employees do not receive a Makeup Match on the contribution of their short-term awards (discussed

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below). For participants hired on or after January 1, 2015, the Makeup Match uses a 100% match instead of an 80% match to reflect the increased company match in the 401(k) plan for these participants.

Participants who, in lieu of an annual bonus, receive an annual award under the Short Term Incentive Plan or a successor plan and/or another cash award so designated by the Committee (collectively, ***STIP Award***) may make a separate election to contribute up to 95% of their STIP Award to the Plan and purchase share units. A STIP Award is typically limited to officer level employees. The STIP Award is not considered Base Compensation and is not eligible for the Makeup Match. If an award under the Short Term Incentive Plan is designated as an annual bonus, which typically is limited to employees below officer level, it is treated as Base Compensation and not as a STIP Award.

In accordance with the terms of the Plan, beginning with 2010 contributions of salary and 2011 contributions of annual bonus, the Company contributes a Bonus Match (in addition to the Makeup Match) to participant accounts in the form of additional deferred shares. The Bonus Match equals 20% of the participant s contributions. However, the Bonus Match is not paid on employee contributions of STIP Awards in excess of the target award.

Previously, instead of the Bonus Match, AT&T issued stock options based on participation in the Plan. The Plan permits the Company to issue two nonqualified stock options for each share unit purchased by a participant. The Committee may only offer the Bonus Match if it reduces the number of options issued for each share unit purchased. As noted above, beginning with 2010 salary and 2011 annual bonus contributions, the Company stopped offering stock options and replaced them with the 20% Bonus Match. At this time the Company does not intend to resume the issuance of options under the Plan but may do so in the future.

Each option permits the holder to purchase one share of AT&T Stock with an exercise price equal to the fair market value of AT&T Stock at the time of the issuance of the option. (Reinvestments of dividend equivalents derived from participant-purchased share units, where the reinvestments are made during the first 13 months of a Share Deferral Account, also earn stock options). Stock options issued under the Plan may not be re-priced. When offered, stock options are issued

twice a year and are exercisable no earlier than one year (or upon termination of employment, if earlier), and no later than 10 years, after issuance. Unless otherwise provided by the Committee, in the event the employee terminates employment, the options expire on the earlier of the regular expiration date or as follows: retirement five years, death or disability three years, other termination-one year. Stock options are not transferable except by will or the laws of descent and distribution and are exercisable during the optionee s lifetime only by the optionee.

The Committee may permit an employee to purchase share units with amounts other than Base Compensation or STIP Awards from time to time; however, these purchases may not earn matching contributions or stock options.

Federal Income Tax Matters Relating to Stock Options. The following is a summary of the principal U.S. Federal income tax consequences under present law of the issuance and exercise of stock options granted under the Incentive Plan. This summary is not intended to be exhaustive and, among other things, does not describe state or local tax consequences.

A participant will not be deemed to have received any income subject to tax at the time a nonqualified stock option is granted, nor will AT&T be entitled to a tax deduction at that time. When a nonqualified stock option is exercised, the participant will be deemed to have received an amount of ordinary income equal to the excess of the fair market value of the shares of common stock purchased over the exercise price. AT&T will be allowed a tax deduction in the year the option is exercised in an amount equal to the ordinary income which the participant is deemed to have received.

Available Shares. As noted above, the Company has amended the Plan to increase the number of shares of AT&T Stock that may be distributed as a result of deferrals (including employee and matching employer contributions and reinvested dividend equivalents) from 46 million to 76 million shares, subject to stockholder approval of the Plan. Shares withheld for taxes in connection with a distribution are returned to authorized status and may be reissued. All matching contributions are immediately vested. As of December 31, 2017, the total number of shares issued under the Plan as a result of deferrals or represented by purchased but undistributed share units (including matching contributions) was 29,483,116, leaving 16,516,884 shares available before the increase in authorized shares.

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The Plan also provides for the issuance of up to 34 million shares that may be issued pursuant to the exercise of stock options, which was not modified by the Company. When an Option is exercised (including but not limited to a Stock-Settled exercise), the number of shares available for issuance under the Plan shall be reduced by the gross number of shares for which the Option is exercised. In the event a stock option is canceled, expires or otherwise terminates, it is returned to authorized status and may be reissued. When offered, no participant may receive more than 400,000 stock options during a calendar year. As of December 31, 2017, 11,790,354 options had been exercised and 4,530,343 options were outstanding, leaving 17,679,303 shares available for the exercise of options. Since the Plan commenced in 2005, the following persons or groups have received the number of options set out below: Mr. Stephenson 1,046,938; Mr. Stankey 18,190; Mr. Stephens 200,754; Mr. Donovan 4,183; and all current executive officers as a group 1,327,664.

In the event of a stock split, stock dividend, or other change in the corporate structure of the Company, as described in the Plan, affecting the shares that may be issued under the Plan, an adjustment shall be made in the number and class of shares which may be delivered under the Plan (including but not limited to individual limits) as may be determined by the Committee.

Other Information. The Plan contains certain loyalty provisions . In exchange for being permitted to participate in the Plan, officer level employees and senior managers agree that for two years after termination of employment they will refrain from engaging in certain activities that are competitive with or disloyal to AT&T, including, among other things, competing with AT&T, soliciting its customers or interfering in its relationships with vendors, or improperly disclosing certain confidential information.

The closing price of AT&T s common stock reported on the New York Stock Exchange for February 15, 2018, was $37.00.

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Management Proposal

Item 5. Approve 2018 Incentive Plan

Your Board of Directors has adopted the 2018 Incentive Plan (***Incentive Plan***) for the purpose of replacing the 2016 Incentive Plan, previously approved by our stockholders in 2016. The Incentive Plan, like the prior plan, permits AT&T to compensate eligible managers with equity and cash awards. New awards will not be made under the Incentive Plan until stockholder approval is obtained for the Plan.

The Incentive Plan provides your Directors with the flexibility to compensate managers through a variety of possible awards. These awards may, for example, be tied to the financial or operational performance of the Company, to the performance of the stock, or other measures, in each case as determined by your Directors. Because of the key role the Incentive Plan plays in the compensation of your executives, your Directors urge you to vote for approval of the Incentive Plan.

The terms of the Incentive Plan are summarized below. In addition, the full text of the Incentive Plan is set forth in Annex B to this Proxy Statement. The following summary is qualified in its entirety by reference to the text of the Incentive Plan.

Plan Summary

Eligible for Participation. Management employees of AT&T or its subsidiaries are eligible to be selected to participate in the Incentive Plan. Currently, there are approximately 100,000 managers who are eligible to participate in the plan; however, the Company expects participation to be generally limited to approximately 6,500 mid-level and above managers. Actual selection of any eligible manager to participate in the Incentive Plan is within the sole discretion of the Plan Committee.

Performance Awards. The Incentive Plan allows certain committees of your Directors (each, a ***Plan Committee***) to issue performance shares and performance units. These are contingent incentive awards that are converted into stock and/or cash and paid out to the participant if specific performance goals are achieved over performance periods established by the Plan Committee. If the performance goals are not achieved, the awards are forfeited or reduced. Performance shares are each equivalent in value to a share of common stock (payable in cash and/or stock), while performance units are equal to a specific amount of cash. The terms and conditions of the Awards are determined by the Plan Committee in its sole discretion. Unless otherwise

provided by the Plan Committee, participants receive dividend equivalents on performance shares.

In establishing Performance Goals, the Plan Committee is authorized, in its sole discretion, to use any criteria it determines. The performance goals set by the Plan Committee may include payout tables, formulas or other standards to be used in determining the extent to which the performance goals are met and, if met, the number of performance shares and/or performance units that would be converted into stock and/or cash (or the rate of such conversion) and distributed to participants. The Plan Committee may modify the performance goals or other terms of any performance shares or performance units or reduce or cancel such Awards at any time prior to distribution of such Awards.

Restricted Stock. The Incentive Plan also permits the Plan Committee to grant restricted stock awards. Each share of restricted stock shall be subject to such terms, conditions, restrictions, and/or limitations, if any, as the Plan Committee deems appropriate, including, but not by way of limitation, restrictions on transferability and continued employment. Holders of shares of restricted stock may vote the shares and receive dividends on such shares. The vesting period for restricted stock shall be determined by the Committee, which may accelerate the vesting of any such award.

The Plan Committee may also grant restricted stock units, which have substantially the same terms as restricted stock, except that units have no voting rights, may or may not receive dividend equivalents, and may be paid in cash or stock. The Plan Committee may also grant unrestricted stock.

Annual Individual Limits. In a calendar year no participant may receive performance shares, restricted stock, restricted stock units, or any combination thereof which would, in the aggregate, have a potential payout equivalent to more than 5% of the shares authorized to be issued under the Incentive Plan.

Stock Options. The Incentive Plan permits the Plan Committee to issue nonqualified stock options to managers, which directly link their financial success to that of AT&T s stockholders. Incentive Stock Options, which are more costly for a company to issue, are not permitted under the Incentive Plan. The Plan Committee shall determine the number of shares subject to options and all other terms and conditions of the

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options, including vesting requirements. In no event, however, may the exercise price of a stock option be less than 100% of the fair market value of AT&T common stock on the date of the stock option s grant, nor may any option have a term of more than ten years. During any calendar year, no single employee may receive options on shares representing more than 2% of the shares authorized for issuance under the Incentive Plan. Except for adjustments based on changes in the corporate structure or as otherwise provided in the Incentive Plan, the terms of an Option may not be amended to reduce the exercise price nor may Options be cancelled or exchanged for cash, other awards or Options with an exercise price that is less than the exercise price of the original Options.

Available Shares. The Incentive Plan authorizes the issuance, over a 10-year period, of up to 150 million shares of common stock to participants, net of lapsed awards. Shares shall not be deemed to have been issued with respect to any portion of an Award that is settled in cash, other than an Option. When an Option is exercised (including but not limited to a Stock-Settled exercise), the number of shares available for issuance under the Plan shall be reduced by the gross number of shares for which the Option is exercised. In the event of a stock split, stock dividend, or other change in the corporate structure of the Company, as described in the Plan, affecting the shares that may be issued under the Plan, an adjustment shall be made in the number and class of shares which may be delivered under the Plan (including but not limited to individual grant limits) as may be determined by the Human Resources Committee.

After April 30, 2028, no further awards may be issued under the Incentive Plan.

Federal Income Tax Matters Relating to Stock Options. The following is a summary of the principal U.S. Federal income tax consequences under present law of the issuance and exercise of stock options granted under the Incentive Plan. This summary is not intended to be exhaustive and, among other things, does not describe state or local tax consequences.

A participant will not be deemed to have received any income subject to tax at the time a nonqualified stock option is granted, nor will AT&T be entitled to a tax deduction at that time. When a nonqualified stock option is exercised, the participant will be deemed to

have received an amount of ordinary income equal to the excess of the fair market value of the shares of common stock purchased over the exercise price. AT&T will be allowed a tax deduction in the year the option is exercised in an amount equal to the ordinary income which the participant is deemed to have received.

Other Information. The Incentive Plan may be amended in whole or in part by the Board of Directors or the Human Resources Committee. In the event of a Change in Control (as defined in the Incentive Plan), the payout of performance units and performance shares shall be determined exclusively by the attainment of the performance goals established by the Plan Committee, which may not be modified after the Change in Control, and AT&T shall not have the right to reduce the awards for any other reason unless the holder of the award is terminated for Cause.

The Incentive Plan contains certain loyalty provisions . In exchange for being permitted to participate in the Plan, officer level employees and senior managers agree that for two years after termination of employment they will refrain from engaging in certain activities that are competitive with or disloyal to AT&T, including, among other things, competing with AT&T, soliciting its customers or interfering in its relationships with vendors, or improperly disclosing certain confidential information.

A recipient of an award shall be required to repay the Company for any amount received under an award or an award may be cancelled, in each case to the extent required under any policy adopted by the Company at any time pursuant to any applicable stock exchange listing standards established under Section 10D of the Securities Exchange Act of 1934. This does not limit the Company s right to seek recovery or cancellation of an award for any other reason including but not limited to misconduct.

This Incentive Plan does not limit the ability of AT&T to pay any form of compensation in lieu of or in addition to the Awards or other compensation provided by the Plan.

The closing price of AT&T s common stock reported on the New York Stock Exchange for February 15, 2018, was $37.00 per share.

Stockholder Proposals

Certain stockholders have advised the Company that they intend to introduce at the 2018 Annual Meeting the proposals set forth below. The names and addresses of, and the number of shares owned by, each such stockholder will be provided upon request to the Senior Vice President and Secretary of AT&T at 208 S. Akard Street, 29th floor, Dallas, Texas 75202.

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Item 6. Prepare Lobbying Report

Whereas, we believe in full disclosure of our company s direct and indirect lobbying activities and expenditures to assess whether our company s lobbying is consistent with AT&T s expressed goals and in the best interests of shareholders.

Resolved, the stockholders of AT&T request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.

2. Payments by AT&T used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.

3. AT&T s membership in and payments to any tax-exempt organization that writes and endorses model legislation.

4. Description of management s and the Board s decision making process and oversight for making payments described in section 2 and 3 above.

For purposes of this proposal, a grassroots lobbying communication is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. Indirect lobbying is lobbying engaged in by a trade association or other organization of which AT&T is a member.

Both direct and indirect lobbying and grassroots lobbying communications include efforts at the local, state and federal levels.

The report shall be presented to the Audit Committee or other relevant oversight committees and posted on AT&T s website.

Supporting Statement

As stockholders, we encourage transparency and accountability in AT&T s use of corporate funds to influence legislation and regulation, both directly and indirectly. According to Senate reports, AT&T spent $80.3 million between 2012 and 2016 on federal lobbying activities. This figure does not include lobbying expenditures to influence legislation in states where AT&T also lobbies, but disclosure is uneven or absent. For example, AT&T spent $4.2 million lobbying in California in 2015 and 2016. (http://cal-access.ss.ca.gov/).

AT&T does not disclose its memberships in, or payments to trade associations, or the portions of such amounts used for lobbying. Company assets could be used for objectives contrary to AT& T s longterm interests. AT&T sits on the board of the Chamber of Commerce, which has spent approximately $1.3 billion on lobbying since 1998. While AT&T recognizes climate change is a serious concern warranting meaningful action, the Chamber publicly attacked the EPA s solutions addressing climate change.

AT&T is also actively involved in the Business Roundtable (BRT) which is lobbying and leading a campaign attacking investor s righst to file shareholder resolutions. AT&T s dues to the BRT help support questionable campaigns like the BRT s.

And AT&T does not disclose its membership in tax-exempt organizations that write and endorse model legislation, such as American Legislative Exchange Council (ALEC). ALEC has promoted legislation to repeal state renewable energy standards. More than 100 companies, including Emerson Electric, General Electric, Google, Sprint and T-Mobile, have publicly left ALEC because of their public policy advocacy

This resolution received over 35% vote in 2017.

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× ***The Board recommends you vote AGAINST this proposal.***

The Board believes that the reports it publishes on its website, along with the reports it files with the Federal government, provides shareholders and the public with ample transparency and accountability with respect to lobbying activities. It believes that the preparation and publication of another report as called for by this proposal is neither necessary nor an efficient use of Company resources. AT&T received a nearly identical shareholder proposal for both its 2017 and 2016 Annual Meetings, and over 64% and 66%, respectively, of the votes cast at the meeting were against the proposal.

As a participant in a highly regulated industry, AT&T is significantly impacted by public policy decisions at the local, state, and national levels. Accordingly, the Company actively participates in the legislative processes in order to protect and further stockholders interests by contributing prudently to lobbying organizations that constructively advocate positions which advance the Company s business objectives and stockholders interests. Similarly, the Company belongs to industry associations and coalitions, where it benefits from the general business, technical, and industry standard-setting expertise these organizations provide.

AT&T publishes its AT&T Political Engagement Report semiannually; it contains an itemized list of corporate contributions and employee PAC contributions to candidates and candidate committees; national, state, and local party committees and other groups; and PACs and other committees. This report is available on the Company s website (at https://investors.att.com/~/media/Files/A/ATT-IR/governance-documents/ATT-PoliticalEngagementReport2017-1stHalf%20F and currently covers January through June 2017. In addition to the AT&T Political Engagement Report, the Company is required to file other reports with various state and federal agencies. Pursuant to the federal Lobby Disclosure Act, the Company files federal lobbying reports quarterly with the Office of the Clerk of the U.S. House of Representatives and the Secretary of the U.S. Senate. These reports are publicly available and disclose corporate expenditures related to lobbying and issues lobbied. Publicly available contribution and lobbying data can be found at the below sources:

Federal Lobbying Disclosure Report, US Senate: Search Registrant Name: AT&T; available at http://www.senate.gov/legislative/Public_Disclosure/LDA_reports.htm;

Federal Lobbying Disclosure Report, US House of Representatives: Search Registrant Name: AT&T; available at http://disclosures.house.gov/ld/ldsearch.aspx;

Federal Lobbying Contribution Report: Search Organization Name: AT&T; available at http://disclosures.house.gov/lc/lcsearch.aspx;

Federal Election Commission: Search: AT&T; available at https://www.fec.gov/data/

California State Lobbying Report: Search: AT&T; available at http://cal-access.sos.ca.gov/Lobbying/Employers/

AT&T is committed to adhering to the highest ethical standards when engaging in any political activities. AT&T s policies and procedures with respect to political contributions are clearly set forth on the Company s website in the Corporate Governance section (available at https://investors.att.com/~/media/Files/A/ATT-IR/governance-documents/att-inc-political-contribution-statement.pdf).

The Board is confident that the Company s lobbying activities are aligned with its stockholders long-term interests. As described above, the Company already makes available information concerning its political and lobbying activities to its stockholders and the public. The proposal would impose requirements on the Company that are not dictated by law and that are not standard among other companies. Any new requirements should be addressed by lawmakers and uniformly imposed on all entities. The Board believes that an additional report beyond the Company s current disclosures is neither necessary nor an efficient use of Company resources.

For these reasons, the Board recommends that you vote against this proposal.

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Item 7. Modify Proxy Access Requirements

Proposal 7 Stockholder Proxy Access Amendments

RESOLVED: Stockholders of AT&T Inc. (the Company) ask the board of directors (the Board) to amend its proxy access bylaw provisions and any associated documents, to include the following changes for the purpose of (1) decreasing the average amount of Company common stock the average member of a nominating group would be required to hold for three years to satisfy the aggregate ownership requirements to form a nominating group, (2) decreasing the barriers for renomination, and (3) increasing the potential number of nominees:

1. No limitation shall be placed on the number of stockholders that can aggregate their shares to achieve the 3% of common stock required to nominate directors under our Company s proxy access provisions.

2. No limitation shall be placed on the re-nomination of stockholder nominees based on the number or percentage of votes received in any election.

3. The number of stockholder nominees eligible to appear in proxy materials shall be one quarter of the directors then serving or two, whichever is greater.

Supporting Statement:

Under current provisions, even if the 20 largest public pension funds were able to aggregate their shares, they would not meet the 3% holding criteria at most of companies examined by the Council of Institutional Investors. Allowing an unlimited number of shareholders to aggregate shares would facilitate greater participation by individuals and institutional investors in meeting the stock ownership requirements, 3% of the outstanding common stock entitled to vote.

The SEC s universal proxy access Rule 14a-11 (https://www.sec.gov/rules/final/2010/33-9136.pdf) was vacated after a court decision regarding the SEC s cost-benefit analysis. Therefore, proxy access rights must be established on a company-by-company basis. Subsequently, a cost-benefit analysis by CFA Institute, *Proxy Access in the United States: Revisiting the Proposed SEC Rule* (http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2014.n9.1), found proxy access would benefit both the markets and corporate boardrooms, with little cost or disruption, raising US market capitalization by up to $140.3 billion.

Proxy Access: Best Practices 2017 (http://www.cii.org/files/publications/misc/Proxy_Access_2017 FINAL.pdf) by the Council of Institutional Investors (CII), notes that while proxy access has gained broad acceptance, some adopting companies have included, or are considering including, provisions that could significantly impair shareholders ability to use it. The report highlights the best practices CII recommends for implementing proxy access.

Although the Company s Board adopted a proxy access bylaw, it contains troublesome provisions that significantly impair the ability of shareholders to participate because of the large average amount of common shares each is required to hold for three years given the current aggregation limit of 20, the ability of shareholder nominees to run again, and the ability of shareholder nominees to effectively serve if elected. Adoption of all the requested amendments would come closer to meeting best practices as described by CII. Last year dozens of funds voted FOR a similar proposal at our Company, including Wells Fargo Advisors, Invesco Advisors and PNC Capital Advisors.

Increase Stockholder Value

Vote for Stockholder Proxy Access Amendments Proposal 7

× ***The Board recommends you vote AGAINST this proposal.***

The Board recommends that you vote against this proposal. The Company s current proxy access bylaw strikes an appropriate balance between the benefits and risks of proxy access. The proposal seeks the adoption of provisions that would unnecessarily disrupt that balance.

In December of 2015, the Board of Directors adopted a proxy access bylaw for the Company after reviewing the provisions adopted by other companies and con-

sulting with investors regarding their views on proxy access and the specific provisions they considered important. The bylaw adopted allows a group of up to 20 stockholders holding an aggregate of 3% of the outstanding shares of the Company for at least three years to have Director nominees representing up to 20% of the Board or two Directors, whichever is greater, included in the Company s proxy statement.

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In crafting the bylaw, the Board sought to achieve the appropriate balance between accommodating investors interests in proxy access while protecting against the disruption that investors and the Board acknowledged could arise from a contested election. In so doing, the Board considered and rejected the three provisions set out in the proposal for the reasons related below. The provisions adopted by the Board were and remain consistent with the best practices of other significant U.S. public companies with proxy access rights.

The changes to the Company s proxy access right requested by this proposal would upset the balance reflected in the current bylaw. In the following paragraphs, we address each change requested by this proposal.

Number of stockholder nominee Directors. The proposal requests an increase in the number of permitted stockholder nominees from 20% of the Board to 25% of the Board. In selecting Director nominees, the Corporate Governance and Nominating Committee of the Board seeks to achieve a mix of experience, qualifications and personal backgrounds relevant to the Company s business, as well as attain independent representation and a reflection of the diversity of our stockholders, employees, customers and communities in which we do business. The limit of 20% of the Board or two Directors for stockholder nominees through the proxy access provision ensures that stockholders have a meaningful right without overly disrupting the balance of characteristics the Board seeks to achieve through the regular nomination process. The limit also helps address concerns that a stockholder could use the process to lay the groundwork for effecting a change of control that is not in the interest of all stockholders or to pursue other special interests that are not broadly supported by all stockholders.

Aggregation limit. The proposal requests removal of the limitation on the number of stockholders that can be aggregated to reach the 3% shareholding requirement. The 20 stockholder limit included in the Company s proxy access bylaw is a reasonable limitation to control the administrative burden of confirming and monitoring share ownership within the group by the Company. The limitation also ensures that the proxy access mechanism is not driven by a large number of stockholders, no one of which has a substantial economic stake in the Company. Moreover, a general solicitation of stockholders to meet the 3% test could trigger the filing requirements that the proxy access bylaw was designed to avoid.

Limit on re-nomination. The Company s proxy access bylaw prohibits re-nomination of a candidate who was nominated using proxy access provisions at either of the preceding two annual meetings and did not receive support of at least 25% of the shares voted in the prior election. The proposal requests that this limitation be removed. This reasonable limitation prevents the renomination of a candidate who failed to receive significant stockholder support, and it avoids putting the company and stockholders to the expense and disruption from unnecessarily invoking the proxy access process. The provision also prevents a stockholder or group of stockholders from using such a candidate to block other stockholders from nominating a candidate who may be able to receive a greater level of support in an election of Directors.

The unnecessary changes requested by this proposal should be viewed in light of the full array of governance practices the Company has adopted. These practices include:

strong Lead Director role;

annual election of all Directors;

majority voting for Directors in uncontested elections;

a substantial majority of independent Directors (currently twelve out of thirteen);

retirement policy for Directors that promotes Board refreshment;

stockholders ability to propose Director nominees to the Corporate Governance and Nominating Committee;

stockholders ability to nominate Directors outside of the proxy access process; and

stockholders ability to call special meetings of stockholders.

The robust proxy access provisions the Board has recently adopted, together with these other practices, promote Board independence and provide substantial opportunities consistent with best practices for stockholder input into the governance process. The changes to proxy access requested by the proposal are unnecessary and disrupt the balanced approach reflected in our current bylaws.

For these reasons, the Board recommends that you vote against this proposal.

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Item 8. Independent Chair

Proposal 8 Independent Board Chairman

Shareholders request our Board of Directors to adopt as policy, and amend our governing documents as necessary, to require henceforth that the Chair of the Board of Directors, whenever possible, to be an independent member of the Board. The Board would have the discretion to phase in this policy for the next CEO transition, implemented so it does not violate any existing agreement.

If the Board determines that a Chair who was independent when selected is no longer independent, the Board shall select a new Chair who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is waived if no independent director is available and willing to serve as Chairman. This proposal requests that all the necessary steps be taken to accomplish the above.

Caterpillar is an example of a company recently changing course and naming an independent board chairman. Caterpillar had strongly opposed a shareholder proposal for an independent board chairman as recently as its 2016 annual meeting. Wells Fargo also reversed itself and named an independent board chairman in 2016.

According to Institutional Shareholder Services 53% of the Standard & Poors 1,500 firms separate these 2 positions- 2015 Board Practices, April 12, 2015. This proposal topic won 50%-plus support at 5 major U.S. companies in 2013 including 73%-support at Netflix.

Under the current AT&T structure Randall Stephenson, with the dual role of CEO and Chairman, received high negative votes in 2017 - 8% and running unopposed. Four AT&T directors proved it was possible to get less than 2% in negative votes in 2017.

Meanwhile Matthew Rose, our Lead Director, received 4% in negative votes. The AT&T Lead Director role may be weak because it does not appear that he can call a special meeting of shareholders according to our vague bylaws. It is not clear how many directors it would take to call a special shareholder meeting at AT&T.

An independent board chairman would have more time to devote to improving the qualifications of directors. Joyce Roché and Laura Tyson each had more than 18-years long-tenure. Long–tenure can challenge the independence of any director no matter how qualified. Ms. Tyson was also tainted by her Kodak experience.

Cynthia Taylor received the highest 2017 negative votes 11 %. William Kennard was potentially distracted by work on 6 Boards.

Please vote to enhance Chairman of the Board oversight:

× ***The Board recommends you vote AGAINST this proposal.***

Your Board of Directors believes that AT&T and its stockholders are best served by having Mr. Stephenson serve as both Chairman and CEO. The Board has taken several steps to ensure that the Board effectively carries out its responsibility for the oversight of management. The Board has appointed a Lead Director (currently, Matthew K. Rose, an independent member of the Board) who presides over regular executive sessions of the non-management members of the Board. Members of management do not attend

these sessions. The Lead Director is also responsible for approving the agenda for each Board meeting, presiding at Board meetings at which the Chairman is not present, and acting as the principal liaison between the Chairman and CEO and the nonmanagement Directors, among other things. For a complete description of the Lead Director s responsibilities, please see page 36. In recognition of the significant role assigned to the Lead Director, the Lead Director receives an additional annual retainer of $60,000. The

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appointment of a strong Lead Director and the use of executive sessions of the Board, along with the Board s strong committee system and substantial majority of independent Directors, allow the Board to maintain effective oversight of management.

Your Board also notes that Mr. Stephenson is the only Director who is a member of management. In addition, each committee, other than the Executive Committee, is made up solely of independent Directors.

Your Board believes that a single person, acting in the capacities of Chairman and CEO, serves as a bridge

between the Board and management and provides critical leadership for carrying out your Company s strategic initiatives and confronting its challenges. In short, the Board believes that the Company can more effectively execute its strategy and business plans to maximize stockholder value if the Chairman of the Board is also a member of the management team.

For these reasons, the Board believes that the adoption of a policy requiring that the Chairman of the Board be an independent Director is not in the best interests of AT&T s stockholders.

Stockholder Proposal

Item 9. Reduce Vote Required for Written Consent

Proposal 9 Right to Act by Written Consent

Shareholders request that our board of directors undertake such steps as may be necessary 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 written consent is to be consistent with applicable law and consistent with giving shareholders the fullest power to act by written consent consistent with applicable law. This includes shareholder ability to initiate any topic for written consent consistent with applicable law.

This proposal topic won majority shareholder support at 13 major companies in a single year. This included 67%-support at both Allstate and Sprint. Hundreds of major companies enable shareholder action by written consent. This proposal topic, sponsored by Kenneth Steiner of Great Neck, New York, received more than 40%-support at our 2014 annual meeting.

This vote would have been higher if small shareholders had the same access to corporate governance analytical information as large shareholders. Each shareholder proposal topic voted at our 2005 through 2017 annual meeting would have received a higher vote had our company printed the names of the proponents in the proxy. Shareholders appreciate knowing the specific proponent sponsoring each shareholder proposal.

Taking action by written consent in lieu of a meeting is a means shareholders can use to raise important matters outside the normal annual meeting cycle. A shareholder right to act by written consent and to call a special meeting are 2 complimentary ways to bring an important matter to the attention of both management and shareholders outside the annual meeting cycle. More than 100 Fortune 500 companies provide for shareholders to call special meetings and to act by written consent.

Adoption of this proposal can give shareholders greater standing to engage AT&T management in regard to board refreshment after the 2018 annual meeting. For instance Joyce Roché and Laura Tyson each had more than 18-years long-tenure. Long-tenure can detract from the independence of a director no matter how well qualified.

Please vote to increase our options to ensure board refreshment:

Right to Act by Written Consent Proposal 9

× ***The Board recommends you vote AGAINST this proposal.***

This proposal would have AT&T submit a formal charter amendment to our stockholders to reduce the amount of shares necessary to take action by written consent. When a group of stockholders take action by

written consent, they may do so in secret and without the opportunity for a meeting that would ensure that all stockholders had access to the same information and the opportunity to debate the proposal. Our

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Bylaws already permit a group of stockholders holding 15% of the outstanding shares to call for a special meeting of stockholders. At a special meeting, stockholders have the opportunity to review and debate the merits of the proposals submitted to the meeting. In contrast, a written consent permits stockholders to act in secret. The heightened vote requirement for actions by written consent, in fact, encourages stockholders to act through open meetings, which ensures the opportunity for debate.

Moreover, as prior consideration of a similar stockholder proposal has shown, implementing the proposal would result in an unnecessary waste of corporate resources. Unlike other proposals submitted to stockholders, under Delaware law, a charter amendment to modify AT&T s written consent requirement would require the affirmative vote of 2/3rds of all outstanding shares. Because not all stockholders attend the meeting or provide proxies to others to vote for them, it is very difficult to obtain a 2/3rds vote of all outstanding shares. After a similar stockholder pro-

posal passed at the 2011 Annual Meeting, your Board submitted a proposed charter amendment to stockholders the next year that would have permitted actions by written consent by a majority of the outstanding shares. The proposed amendment only received the vote of 50.9% of the outstanding shares, far short of the two-thirds vote required by Delaware law to pass the amendment.

Since that time, this proposal was voted down at the 2014 and 2017 Annual Meetings, with 60% and 57%, respectively, of the votes cast being against the proposal. Your Board believes further action on this proposal would cause an unnecessary waste of corporate funds. Repeatedly bringing the amendment before stockholders serves no interests of the stockholders.

Your Board believes this proposal is superfluous because a proposed amendment was already submitted to a stockholder vote and it failed by a very wide margin. Resubmitting the amendment to stockholders would only result in additional, unnecessary expense.

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Corporate Governance

Corporate Governance

AT&T is committed to strong corporate governance principles. Effective governance protects the long-term interests of our stockholders, promotes public trust in AT&T, and strengthens management accountability.

AT&T regularly reviews and updates its corporate governance practices to reflect evolving corporate governance principles and concerns identified by stockholders and other stakeholders.

Engaging with Stockholders

AT&T has a long tradition of engaging with our stockholders. We believe it is important for our governance process to have meaningful engagement with our stockholders and understand their perspectives on corporate governance, executive compensation, and other issues that are important to them. The Company meets with institutional investors throughout the year, both in person and by teleconference. We share the feedback from this engagement with the Board and

incorporate it into our policies and practices. A recent example is the Company s proxy access bylaw, which was adopted on December 18, 2015, after discussions with stockholders. The Company also provides online reports designed to increase transparency on issues of importance to our investors, including sustainability, diversity, political contributions, transparency, and the proxy statement and annual report.

Communicating with your Board

Interested persons may contact the Lead Director or the non-management Directors by sending written comments through the Office of the Secretary of AT&T Inc., 208 S. Akard Street, 29th floor, Dallas, Texas 75202. The Office will either forward the original materials as addressed or provide Directors with summaries of the submissions, with the originals available for review at the Directors request.

The Role of the Board

The Board of Directors is responsible for oversight of management and strategic direction and for establishing broad corporate policies. In addition, the Board of Directors and various committees of the Board regularly meet to review and discuss operating and financial reports presented by the Chairman of the Board and Chief Executive Officer and other members of management as well as reports by experts and other advisors. Corporate review sessions are also offered to Directors to give them more detailed views of our busi-

nesses, such as corporate opportunities, technology, and operations.

Members of the Board are expected to attend Board meetings in person, unless the meeting is held by teleconference. The Board held 10 meetings in 2017. All of the Directors attended at least 75% of the total number of meetings of the Board and Committees on which each served. Directors are also expected to attend the Annual Meeting of Stockholders. All Directors were present at the 2017 Annual Meeting.

Director Nomination Process

The Board of Directors believes that the Company benefits from having experienced Directors who bring a wide range of skills and backgrounds to the Boardroom. The Corporate Governance and Nominating Committee is responsible for identifying eligible candidates based on our Corporate Governance Guidelines. The Committee considers a candidate s:

general understanding of elements relevant to the success of a large publicly traded company in the current business environment;

understanding of our business;

educational and professional background;
judgment, competence, anticipated participation in Board activities;

experience, geographic location, and special talents or personal attributes.

Although the Committee does not have a formal diversity policy, it believes that diversity is an important factor in determining the composition of the Board and considers it in making nominee recommendations.

Stockholders who wish to suggest qualified candidates should write to the Senior Vice President - Assistant General Counsel and Secretary, AT&T Inc., 208 S. Akard Street, 29th floor, Dallas, Texas 75202, stating in detail the qualifications of the persons proposed for consideration by the Committee.

Board Composition and Refreshment

DIRECTOR TENURE AND AGE

DIVERSITY

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Corporate Governance

Annual Multi-Step Board Evaluation

Each year, the Corporate Governance and Nominating Committee and the Lead Director lead the Board through three evaluations: a Board self-evaluation, Committee self-evaluations, and peer evaluations.

Through this process, Directors provide feedback, assess performance, and identify areas where improvement can be made. We believe this approach supports the Board s effectiveness and continuous improvement.

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Corporate Governance

Director Independence

Our Corporate Governance Guidelines require that a substantial majority of our Board of Directors consist of independent Directors. In addition, the New York Stock Exchange (***NYSE***) Listing Standards require a majority of the Board and every member of the Audit Committee, Human Resources Committee, and Corporate Governance and Nominating Committee to be independent. For a Director to be independent under the NYSE standards, the Board must affirmatively determine that the Director has no material relationship with AT&T, either directly or as a partner, stockholder or officer of an organization that has a relationship with AT&T, other than in his or her capacity as a Director of AT&T. In addition, the Director must meet certain independence standards specified by the NYSE as well as the additional standards referenced in our Corporate Governance Guidelines (found at www.att.com).

Using these standards for determining the independence of its members, the Board has determined that the following Directors are independent:

Samuel A. Di Piazza, Jr.	Beth E. Mooney
Richard W. Fisher	Joyce M. Roché
Scott T. Ford	Matthew K. Rose
Glenn H. Hutchins	Cynthia B. Taylor
William E. Kennard	Laura D Andrea Tyson
Michael B. McCallister	Geoffrey Y. Yang

In addition, each member of the Audit Committee, the Corporate Governance and Nominating Committee, and the Human Resources Committee is independent.

In determining the independence of the Directors, the Board considered the following commercial relationships between AT&T and companies at which our Directors serve as executive officers: payments by AT&T for the use of rights of way and facilities at Burlington Northern Santa Fe, LLC, where Mr. Rose serves as CEO; and interest paid from participation in a structured finance program through KeyCorp, where Ms. Mooney serves as CEO. In addition, each of the foregoing companies as well as each of the entities where Mr. Ford, Ms. Taylor, and Mr. Yang serve as executive officers purchased communications services from subsidiaries of AT&T. In each case for the year 2017:

- The relevant products and services were provided by AT&T or to AT&T on terms determined on an arm s-length basis that were comparable to the terms provided to or by similarly situated customers or suppliers;

- The transactions were made in the ordinary course of business of each company; and

The total payments by AT&T to the Director s company (for rights of way or for interest) or to AT&T by the Director s company (for communications services) were each substantially less than 1% of the consolidated gross revenues of each of AT&T and the other company. This level is significantly below the maximum amount permitted under the NYSE listing standards for director independence (i.e., 2% of consolidated gross revenues).

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Corporate Governance

Board Leadership Structure

The non-management members of the Board of Directors meet in executive session (without management Directors or management personnel present) at least four times per year. The Lead Director, who is

appointed for a two-year term, presides over these sessions. Matthew K. Rose currently serves as Lead Director; his term is scheduled to expire January 31, 2019.

Board Leadership Structure

Chairman of the Board and CEO: Randall L. Stephenson

Lead Director: Matthew K. Rose

Audit, Human Resources, Corporate Governance and Nominating, Corporate Development and Finance, and Public Policy and Corporate Reputation Committees composed entirely of independent Directors

Duties and Responsibilities

Chairman of the Board

Presides over meetings of the Board

Presides over meetings of stockholders

Prepares the agenda for each Board meeting

Prepares the agenda for each stockholder meeting

Chief Executive Officer

In general charge of the affairs of the Company, subject to the overall direction and supervision of the Board and its committees

Consults and advises the Board and its committees on the business and affairs of the Company

Performs such other duties as may be assigned by the Board

Lead Independent Director

ü Presides at meetings of the Board at which the Chairman is not present;

ü Presides at executive sessions of the non-management Directors;

ü Prepares the agenda for the executive sessions of the non-management Directors;

ü Acts as the principal liaison between the non-management Directors and the Chairman and Chief Executive Officer;

ü Coordinates the activities of the non-management Directors when acting as a group;

ü Approves the agenda for each Board meeting;

ü Approves meeting schedules to ensure there is sufficient time for discussion of all agenda items;

ü Advises the Chairman and Chief Executive Officer as
to the quality, quantity and timeliness of the flow of information from management, including the materials provided to Directors at Board meetings;

ü If requested by major stockholders, ensures that he or she is available for consultation and direct communication and acts as a contact for other interested persons;

ü Shares with other Directors, as he or she deems appropriate, letters and other contacts that he or she receives; and
In addition, the Lead Director may:

call meetings of the non-management Directors in addition to the quarterly meetings, and

require information relating to any matter be distributed to the Board.

Randall Stephenson currently serves as both Chairman of the Board and Chief Executive Officer. The Board believes that having Mr. Stephenson serve in both capacities is in the best interests of AT&T and its stockholders because it enhances communication between the Board and management and allows Mr. Stephenson to more effectively execute the Company s strategic initiatives and business plans and confront its challenges. The Board believes that the appointment of a strong independent Lead Director and the use of regular executive sessions of the non-management Directors, along with the Board s strong committee system and substantial majority of independent Directors, allow it to maintain effective oversight of management.

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Corporate Governance

Board Committees

From time to time the Board establishes permanent standing committees and temporary special committees to assist the Board in carrying out its responsibilities. The Board has established six standing committees of Directors, the principal responsibilities of which are described below. The charters for each of these committees may be found on our website at www.att.com.

Audit Committee

Meetings in Fiscal 2017: 12

Samuel A. Di Piazza, Jr., Chair

Michael B. McCallister

Cynthia B. Taylor

Laura D. Tyson

Financial Expert

Oversees:

- the integrity of our financial statements
- the independent auditor s qualifications and independence
- the performance of the internal audit function and independent auditors
- our compliance with legal and regulatory matters.

Responsible for the appointment, compensation, retention and oversight of the work of the independent auditor.

Consists of four independent Directors.	The independent auditor audits the financial statements of AT&T and its subsidiaries.

Corporate Governance and Nominating Committee

Meetings in Fiscal 2017: 4

Matthew K. Rose, Chair Richard W. Fisher William E. Kennard Beth E. Mooney Joyce M. Roché	Responsible for recommending candidates to be nominated by the Board for election by the stockholders, or to be appointed by the Board of Directors to fill vacancies, consistent with the criteria approved by the Board, and recommending committee assignments.
	Periodically assesses AT&T s Corporate Governance Guidelines and makes recommendations to the Board for amendments and also recommends to the Board the compensation of Directors.
Consists of five independent Directors.	Takes a leadership role in shaping corporate governance and oversees an annual evaluation of the Board.

Human Resources Committee

Meetings in Fiscal 2017: 5	Oversees the compensation practices of AT&T, including the design and administration of employee benefit plans.
Joyce M. Roché, Chair	Responsible for:

Scott T. Ford	
Michael B. McCallister	- establishing the compensation of the Chief Executive Officer and the other executive officers
Matthew K. Rose	
Geoffrey Y. Yang	- establishing stock ownership guidelines for officers and developing a management succession plan.
Consists of five independent Directors.	

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Corporate Governance

Corporate Development and Finance Committee

Meetings in Fiscal 2017: 5

Scott T. Ford, Chair

Richard W. Fisher

Glenn H. Hutchins

Beth E. Mooney

Geoffrey Y. Yang

Consists of five independent Directors.

Assists the Board in its oversight of our finances, including recommending the payment of dividends and reviewing the management of our debt and investment of our cash reserves.

Reviews mergers, acquisitions, dispositions and similar transactions; reviews corporate strategy and recommends or approves transactions and investments.

Reviews and makes recommendations about the capital structure of the Company, and the evaluation, development and implementation of key technology decisions.

Public Policy and Corporate Reputation Committee

Meetings in Fiscal 2017: 3

Assists the Board in its oversight of policies related to corporate social responsibility including public policy issues affecting AT&T, its stockholders, employees, customers, and the communities in which it operates.

Laura D. Tyson, Chair

Samuel A. Di Piazza, Jr.

Glenn H. Hutchins

William E. Kennard

Cynthia B. Taylor

Oversees the Company s management of its brands and reputation.

Recommends to the Board the aggregate amount of contributions or expenditures for political purposes, and the aggregate amount of charitable contributions to be made to the AT&T Foundation.

Consults with the AT&T Foundation regarding significant grants proposed to be made by the Foundation.

Consists of five independent Directors.

Executive Committee

Randall L. Stephenson, Chair

Samuel A. Di Piazza, Jr.

Scott T. Ford

Joyce M. Roché

Matthew K. Rose

Laura D. Tyson

Established to assist the Board by acting upon urgent matters when the Board is not available to meet. No meetings were held in 2017.

Has full power and authority of the Board to the extent permitted by law, including the power and authority to declare a dividend or to authorize the issuance of common stock.

Consists of the Chairman of the Board

and the Chairmen of our five other

standing committees.

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Corporate Governance

Corporate Social Responsibility

AT&T s Corporate Social Responsibility (***CSR***) approach is based on the foundational belief in the interconnection of our long-term business success and the strength of our communities and world.

Governance

AT&T s commitment to CSR is embedded in every company level, and oversight rests with the Public Policy and Corporate Reputation Committee of the AT&T Board of Directors. Our CSR Governance Council is led by our Chief Sustainability Officer and comprises senior executives representing business areas linked to CSR topics deemed most material by our stakeholders. Our Code of Business Conduct puts our values in action and lays out expectations for employees, including our commitments to ethics, diversity, privacy, the environment and our communities. Our Principles of Conduct for Suppliers outlines expectations for working with AT&T, and covers topics including sustainable business practices, diversity, conflict minerals, ethics and labor rights, and we score and measure progress. Every new contract agreement with suppliers requires they acknowledge the principles.

Environment

Our technology plays a critical role in transitioning to a more resource-efficient world by addressing harmful effects of climate change, increasing business resiliency, and improving daily lives. Increased use of technology brings the challenge of greater energy consumption and carbon emissions, and need for greater reuse and recycling. These challenges drove us to establish a 2025 goal to enable carbon savings 10x the footprint of our operations. To meet the goal, we are enhancing the efficiency of our network, investing in renewable energy and delivering sustainable customer solutions. Additional noted progress:

Social

Safety: An increasingly mobile world brings with it new challenges. That s why we were pioneers in raising awareness of distracted driving, and remain passionate about making our roads safer, having collected more than 21 million pledges to avoid distracted driving. We re also educating consumers about online safety. Info at digitalyou.att.com, later-haters.att.com, itcanwait.com.

Education: Since 2008 we ve committed more than $400M through our Aspire program to student success and career readiness. We ve added more focus on tech education to help close the gap between job opportunity and needed skills. Signature efforts include affordable on-line masters, and nanodegrees, which offer new pathways to high-demand tech jobs. Internally, the focus is a massive reskilling program for employees who want to update technical capabilities as we transition to a software defined network. Our internal education was supported with $250 million in training and $34 million in tuition assistance.*

Inclusion and Diversity: Led by the Chairman s Diversity Council and our Chief Diversity Officer, we are honored to be number 3 on DiversityInc s Top 50 and are committed to continuing and growing our leadership. Relevant stats: Retention rates for women and people of color are 90% and 92%, respectively; More than 136,000 total memberships in our 12 Employee Resource Groups; our diversity supplier spend reached $14.2B. More at att.com/diversity.

Contributions: More than 5.4 million hours of time and talent donated by employees and retirees, and more than $139 million in community support via social innovation, employee and company donations.*

CSR progress validated through listings on Dow Jones Sustainability North America Index, Bloomberg Gender Equality Index, FTSE4Good Index, Euronext Vigeo Eiris World 120 and US 50 Indices, and Climate Change Leadership Tier of the Carbon Disclosure Project. Our sustainability report at about.att.com/csr/reporting contains comprehensive goals, metrics and issue briefs which align to Global Reporting Initiative guidelines. More information at about.att.com/csr.

* 2016 actuals, but largely representative of annual impact.

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Corporate Governance

Public Policy Engagement

We participate in public policy dialogues around the world related to our industry and business priorities, our more than 252,000 employees, our stockholders, and the communities we serve.

In the U.S., the Company and our affiliated political action committees comply with applicable laws and other requirements regarding contributions to: political organizations, candidates for federal, state and local public office, ballot measure campaigns, political action committees, and trade associations. We engage with organizations and individuals to make our views clear and uphold our commitment to help support the communities in which we operate. We base our U.S.

political contributions on many considerations, supporting candidates who take reasonable positions on policies that promote economic growth as well as affect our long-term business objectives.

The Public Policy and Corporate Reputation Committee of our Board of Directors reviews our advocacy efforts, including political contributions. Additional information about our public policy engagement efforts, including our political contributions policy and a report of U.S. political contributions from our Company and from AT&T s Employee Political Action Committees, can be viewed on our website at www.att.com.

Board s Role in Risk Oversight

The Board is responsible for overseeing our policies and procedures for assessing and managing risk. Management is responsible for assessing and managing our exposures to risk on a day-to-day basis, including the creation of appropriate risk management policies and procedures. Management also is responsible for informing the Board of our most significant risks and our plans for managing those risks. Annually, the Board reviews the Company s strategic business plans, which includes evaluating the competitive, technological, economic and other risks associated with these plans.

In addition, under its charter, the Audit Committee reviews and discusses with management the Company s major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company s risk assessment and risk management policies, as well as overseeing our compliance program, compliance with legal and regulatory requirements and associated risks. This includes, among other matters, evaluating risk in the context of financial policies, counterparty and credit risk, and the appropriate mitigation of risk, including through the use of insurance where appropriate. Members of the Company s finance, internal audit, and compliance organizations are responsible for managing risk in their areas and reporting regularly to the Audit Committee.

The Company s senior internal auditing executive and Chief Compliance Officer each meet annually in executive session with the Audit Committee. The senior internal auditing executive and Chief Compliance Officer review with the Audit Committee each year s annual internal audit and compliance risk assessment, which is focused on significant financial, operating, regulatory and legal matters. The Audit Committee also receives regular reports on completed internal audits of these significant risk areas.

In addition, the Audit Committee, as well as the Board of Directors, receive reports from responsible officers on cybersecurity. The AT&T Chief Security Office establishes policy and requirements for the security of AT&T s computing and networking environments.

Ethics and Compliance Program

The Board has adopted a written Code of Ethics applicable to Directors, officers, and employees that outlines our corporate values and standards of integrity and behavior and is designed to foster a culture of integrity, drive compliance with legal and regulatory requirements and protect and promote the reputation of our Company. The full text of the Code of Ethics is posted on our website at www.att.com.

Our Chief Compliance Officer has responsibility to implement and maintain an effective ethics and compliance program. He also has responsibility to provide updates on our ethics and compliance program to the Audit Committee.

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Corporate Governance

Availability of Corporate Governance Documents

A copy of AT&T s Annual Report to the SEC on Form 10-K for the year 2017 may be obtained without charge upon written request to AT&T Stockholder Services, 208 S. Akard, Room 1830, Dallas, Texas 75202. AT&T s Corporate Governance Guidelines, Code of Ethics, and Committee Charters for the following committees may be viewed online at www.att.com and are also available in print to anyone who requests

them (contact the Senior Vice President and Secretary of AT&T at 208 S. Akard, 29th floor, Dallas, Texas 75202): Audit Committee, Human Resources Committee, Corporate Governance and Nominating Committee, Corporate Development and Finance Committee, Public Policy and Corporate Reputation Committee, and Executive Committee.

Related Person Transactions

Under the rules of the SEC, public issuers, such as AT&T, must disclose certain Related Person Transactions. These are transactions in which the Company is a participant where the amount involved exceeds $120,000, and a Director, executive officer, or holder of more than 5% of our common stock has a direct or indirect material interest.

AT&T has adopted a written policy requiring that each Director or executive officer involved in such a transaction notify the Corporate Governance and Nominating Committee and that each such transaction be approved or ratified by the Committee.

In determining whether to approve a Related Person Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Person Transaction:

- whether the terms of the Related Person Transaction are fair to the Company and on the same basis as would apply if the transaction did not involve a related person,

- whether there are business reasons for the Company to enter into the Related Person Transaction,

- whether the Related Person Transaction would impair the independence of an outside director, and

whether the Related Person Transaction would present an improper conflict of interest for any of our Directors or executive officers, taking into account the size of the transaction, the overall financial position of the Director, executive officer or other related person, the direct or indirect
nature of the Director s, executive officer s or other related person s interest in the transaction and the ongoing nature of any proposed relationship, and any other factors the Committee deems relevant.

A Related Person Transaction entered into without the Committee s pre-approval will not violate this policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

The employment of the following persons was approved by the Corporate Governance and Nominating Committee under the Company s Related Party Transactions Policy. The rate of pay for each of these employees is similar to those paid for comparable positions at the Company. During 2017, a sister-in-law of John Stankey, Senior Executive Vice President AT&T/Time Warner Merger Integration Planning, AT&T Services, Inc., was employed by a subsidiary with an approximate rate of pay, including commissions, of $126,000. Also during 2017, a brother of John Donovan, Chief Executive Officer, AT&T Communications, LLC, was employed by a subsidiary with an approximate rate of pay, including commissions, of $187,000. In addition, during 2017, a son of William Blase, Senior Executive Vice President Human Resources, was employed by a subsidiary with an approximate rate of pay, including commissions, of $125,000.

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Corporate Governance

Stockholder Proposals and Director Nominees

If a stockholder wishes to present a proposal or nominate a person for election as a Director at the 2019 Annual Meeting of Stockholders without such proposal or nomination being included in the Company s proxy materials, such proposal or nomination must be received by the Senior Vice President and Secretary of AT&T at 208 S. Akard, 29th floor, Dallas, Texas 75202 not less than 90 days nor more than 120 days before the anniversary of the prior Annual Meeting of Stockholders. Since the Annual Meeting of Stockholders will be held on April 27, 2018, written notice of any such proposal or nomination must be received by the Company no earlier than December 28, 2018 and no later than January 27, 2019. In addition, such proposal or nomination must meet certain other requirements and provide such additional information as provided in the Company s Bylaws. A copy of the Company s Bylaws may be obtained without charge from the Senior Vice President and Secretary of AT&T. Special notice provisions apply under the Bylaws if the date of the Annual Meeting is more than 30 days before or 70 days after the anniversary date.

Stockholder proposals intended to be included in the proxy materials for the 2019 Annual Meeting must be received by November 12, 2018. Such proposals should be sent in writing by courier or certified mail to the Senior Vice President and Secretary of AT&T at 208 S. Akard Street, 29th floor, Dallas, Texas 75202. ***Stockholder proposals that are sent to any other person or location or by any other means may not be received in a timely manner.***

Nominations for a Director intended for inclusion in the Company s proxy materials must be made in accordance with the proxy access provisions of the Company s Bylaws and such nomination must be received by the Senior Vice President and Secretary of AT&T at 208 S. Akard, 29th floor, Dallas, Texas 75202 not less than 120 days nor more than 150 days before the anniversary of the date that the corporation mailed its proxy statement for the prior year s Annual Meeting of Stockholders. Written notice of any such nomination must be received by the Company no earlier than October 13, 2018 and no later than November 12, 2018.

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Corporate Governance

Director Compensation

The compensation of Directors is determined by the Board with the advice of the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee is composed entirely of independent Directors. None of our employees serve on this Committee. The Committee s current members are Matthew K. Rose (Chair), Richard W. Fisher, William E. Kennard, Beth E. Mooney and Joyce M. Roché. Under its charter (available on our website at www.att.com), the Committee annually reviews the compensation and benefits provided to Directors for their service and makes recommendations to the Board for changes. This includes not only Director retainers, but also Director compensation and benefit plans.

The Committee s charter authorizes the Committee to employ independent compensation and other consultants to assist in fulfilling its duties. From time to time, the Committee engages a compensation consultant to advise the Committee and to provide information regarding director compensation paid by other public companies, which may be used by the Committee to make compensation recommendations to the Board. In addition, the Chief Executive Officer may make recommendations to the Committee or the Board about types and amounts of appropriate compensation and benefits for Directors. Directors who are employed by us or one of our subsidiaries receive no separate compensation for serving as directors or as members of Board committees.

2017 Compensation	Amount ($)
Annual Retainer	140,000
Lead Director Retainer	60,000
Audit Committee and Human Resources Committee Chairs Retainer	25,000
All other Committee Chairs Retainer	15,000

Annual Award (1)	170,000
Communications Equipment and Services (2)	up to 25,000

1. Under the Non-Employee Director Stock and Deferral Plan (the Director Plan) each non-employee Director annually receives a grant of deferred stock units. Each deferred stock unit is equivalent to a share of AT&T stock and earns dividend equivalents in the form of additional deferred stock units. The annual grants are fully earned and vested at issuance and are distributed beginning in the calendar year after the Director leaves the Board. At distribution, the deferred stock units are converted to cash based on the then price of AT&T stock and are paid either in a lump sum or in up to 15 annual installments. Beginning in 2016, the deferred stock units have a grant date value of $170,000. To determine the number of deferred stock units granted, we calculate the nominal value of the award, which is the value that would yield the grant date value after applying an illiquidity discount. We use the average remaining tenure of the non-employee Directors as the discount period. We then divide the nominal value by the price of AT&T stock on the grant date to determine the number of deferred stock units issued.

Additionally, Directors may defer the receipt of their retainers into either additional deferred stock units or into a cash deferral account under the Non-Employee Director Stock and Deferral Plan. Directors purchase the deferred stock units at the fair market value of AT&T common stock. Deferrals into the cash deferral account under the plan earn interest during the calendar year at a rate equal to the Moody s Long-Term Corporate Bond Yield Average for September of the preceding year (***Moody s Rate***). Directors may annually choose to convert their cash deferral accounts into deferred stock units at the fair market value of our stock at the time of the conversion. Directors may also use all or part of their retainers to purchase AT&T stock at fair market value under the Non-Employee Director Stock Purchase Plan.

To the extent earnings on cash deferrals under the Non-Employee Director Stock and Deferral Plan exceed the interest rate specified by the Securities and Exchange Commission (***SEC***) for disclosure purposes, they are included in the Director Compensation table on page 44 under the heading Nonqualified Deferred Compensation Earnings.

2. Non-employee Directors may receive communications equipment and services pursuant to the AT&T Board of Directors Communications Concession Program. The equipment and services that may be provided to a Director, other than at his or her primary residence, may not exceed $25,000 per year. All concession services must be provided by AT&T affiliates, except that the Director may use another provider for the Director s primary residence if it is not served by an AT&T affiliate.

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Corporate Governance

2017 Director Compensation Table

The following table contains information regarding compensation provided to each person who served as a Director during 2017 (excluding Mr. Stephenson, whose compensation is included in the Summary Compensation Table and related tables and disclosure).

Name	Fees Earned or Paid in Cash ($) (a)	Stock Awards ($) (b)	Nonqualified Deferred Compensation Earnings ($) (c)	All Other Compensation ($) (d)	Total ($)
Samuel A. Di Piazza, Jr.	$ 165,000	$ 170,000	$ 0	$ 25,000	$ 360,000
Richard W. Fisher	$ 140,000	$ 170,000	$ 678	$ 15,000	$ 325,678
Scott T. Ford	$ 155,000	$ 170,000	$ 0	$ 0	$ 325,000
Glenn H. Hutchins	$ 140,000	$ 170,000	$ 0	$ 30,485	$ 340,485
William E. Kennard	$ 140,000	$ 170,000	$ 0	$ 22,500	$ 332,500
Michael B. McCallister	$ 140,000	$ 170,000	$ 0	$ 0	$ 310,000
Beth E. Mooney	$ 140,000	$ 170,000	$ 0	$ 15,000	$ 325,000

Joyce M. Roché	$ 170,000	$ 170,000	$ 0	$ 11,934	$ 351,934
Matthew K. Rose	$ 210,000	$ 170,000	$ 0	$ 28,558	$ 408,558
Cynthia B. Taylor	$ 140,000	$ 170,000	$ 0	$ 11,871	$ 321,871
Laura D Andrea Tyson	$ 155,000	$ 170,000	$ 10,065	$ 0	$ 335,065
Geoffrey Y. Yang	$ 140,000	$ 170,000	$ 0	$ 11,537	$ 321,537

Note (a). Fees Earned or Paid in Cash

The table below shows the number of deferred stock units purchased in 2017 by each Director with their Board fees and/or retainers under the Non-Employee Director Stock and Deferral Plan.

Director	Deferred Stock Units Purchased in 2017
Samuel A. Di Piazza, Jr.	4,303
Glenn H. Hutchins	3,651
Beth E. Mooney	3,651
Joyce M. Roché	2,211
Matthew K. Rose	5,503

In addition, the following table shows the number of shares of AT&T common stock purchased in 2017 by each Director with their retainers under the Non-Employee Director Stock Purchase Plan.

Director

	Shares Purchased in 2017
Michael B. McCallister	1,824

Note (b). Stock Awards

Amounts in this column represent the annual grant of deferred stock units that are immediately vested but are not distributed until after the retirement of the Director. The grant date value was determined by applying an illiquidity discount of 22%. The illiquidity discount was determined by taking the average expected remaining tenure of the Directors (9.0 years) and then using that average to calculate the illiquidity discount under FASB ASC Topic 718. The nominal value of each award (before applying the discount) was $217,949. The deferred stock units will be paid out in cash in the calendar year after the Director ceases his or her service with the Board, at the times elected by the Director. The aggregate number of stock awards outstanding at December 31, 2017, for each Director can be found in the Common Stock Ownership section on page 45.

Note (c). Nonqualified Deferred Compensation Earnings

Amounts shown represent the excess earnings, if any, based on the actual rates used to determine earnings on deferred compensation over the market interest rates determined pursuant to SEC rules.

Note (d). All Other Compensation

Amounts in this column include personal benefits for Directors that in the aggregate equal or exceed $10,000, which for 2017 consisted of communications equipment and services provided under the AT&T Board of Directors Communications Concession Program (described on page 43) and holiday gifts, as follows: Mr. Hutchins ($15,031 and $454, respectively), Mr. Rose ($13,104 and $454, respectively), Ms. Taylor ($11,417 and $454, respectively) and Mr. Yang ($11,083 and $454, respectively).

All Other Compensation also includes charitable matching contributions of up to $15,000 per year made by the AT&T Foundation on behalf of Directors and employees under the AT&T Higher Education/Cultural Matching Gift Program. Charitable contributions were made on the Directors behalf under this program as follows:

Name	Matching Gifts
Samuel A. Di Piazza, Jr.*	$25,000
Richard W. Fisher	$15,000
Glenn H. Hutchins	$15,000
William E. Kennard*	$22,500
Beth E. Mooney	$15,000
Joyce M. Roché	$11,934

Matthew K. Rose	$15,000

* *For Messrs. Di Piazza and Kennard, $10,000 and $7,500, respectively, relate to contributions made in 2016.*

Common Stock Ownership

Certain Beneficial Owners

The following table lists the beneficial ownership of each person holding more than 5% of AT&T s outstanding common stock as of December 31, 2017 (based on a review of filings made with the Securities and Exchange Commission on Schedules 13D and 13G).

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
BlackRock, Inc. 55 East 52nd St., New York, NY 10055	376,827,658(1)	6.10%
The Vanguard Group 100 Vanguard Blvd., Malvern, PA 19355	439,421,300(2)	7.15%

1. *Based on a Schedule 13G/A filed by BlackRock, Inc. with the SEC on February 8, 2018, which reported the following: sole voting power of 322,053,134 shares; shared voting power of 0 shares; sole dispositive power of 376,827,658 shares, and shared dispositive power of 0 shares.*
2. *Based on a Schedule 13G/A filed by The Vanguard Group with the SEC on February 8, 2018, which reported the following: sole voting power of 8,615,524 shares; shared voting power of 1,362,157 shares; sole dispositive power of 429,664,340 shares, and shared dispositive power of 9,756,960 shares.*

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Corporate Governance

Directors and Officers

The following table lists the beneficial ownership of AT&T common stock and non-voting stock units as of December 31, 2017, held by each Director, nominee, and officer named in the Summary Compensation Table on page 78. As of that date, each Director and officer listed below, and all Directors and executive officers as a group, owned less than 1% of our outstanding common stock. Except as noted below, the persons listed in the table have sole voting and investment power with respect to the securities indicated.

Name of Beneficial Owner	Total AT&T Beneficial Ownership (including options) (1)	Non-Voting Stock Units (2)
Samuel A. Di Piazza, Jr.	26,790	20,271
Richard W. Fisher	0	11,433
Scott T. Ford	66,319	38,263
Glenn H. Hutchins (3)	103,322	27,977
William E. Kennard	0	16,352
Michael B. McCallister	31,102	26,443
Beth E. Mooney	12,600	33,096

Joyce M. Roché	8,660	171,873
Matthew K. Rose	143,493	74,101
Cynthia B. Taylor	5,718	21,389
Laura D Andrea Tyson	0	130,339

Name of Beneficial Owner	**Total AT&T Beneficial Ownership (including options) (1)**	**Non-Voting Stock Units (2)**
Geoffrey Y. Yang	119,552	5,649
Randall L. Stephenson	2,233,589	374,065
John J. Stephens	600,402	70,240
John Donovan	276,006	10,721
David R. McAtee II	19,919	14,498
John T. Stankey	544,291	40,908
All executive officers and Directors as a group (consisting of 22 persons, including those named above)	4,998,546	1,147,607

Note 1.

The table above includes presently exercisable stock options as well as stock options that became exercisable within 60 days of the date of this table. The following executive officers held the following numbers of options:

Beneficial Owner	Number of Stock Options Held
Randall L. Stephenson	704,546
John J. Stephens	138,415
John T. Stankey	12,405
All executive officers	1,175,430

In addition, of the shares shown in the table above, the following persons share voting and investment power with other persons with respect to the following numbers of shares:

Beneficial Owner	Number of Shared Voting and Investment Power Shares
John Donovan	185,008
Glenn H. Hutchins	103,322
Michael B. McCallister	25,290

David R. McAtee II	17,519
Beth E. Mooney	12,600
Matthew K. Rose	143,493
Randall L. Stephenson	1,523,388
John T. Stankey	524,949
John J. Stephens	376,502
Cynthia B. Taylor	196
Geoffrey Y. Yang	119,552

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Note 2.

Represents number of vested stock units held by the Director or executive officer, where each stock unit is equal in value to one share of AT&T stock. The stock units are paid in stock or cash depending upon the plan and the election of the participant at times specified by the relevant plan. None of the stock units listed may be converted into common stock within 60 days of the date of this table. As noted under Compensation of Directors, AT&T s plans permit non-employee Directors to acquire stock units (also referred to as deferred stock units) by deferring the

receipt of retainers into stock units and through a yearly grant of stock units. Officers may acquire stock units by participating in stock-based compensation deferral plans. Stock units carry no voting rights.

Note 3.

Mr. Hutchins disclaims beneficial ownership of 3,322 shares held in trust for his siblings.

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Audit Committee Report

Audit Committee

Audit Committee Report

The Audit Committee: (1) reviewed and discussed with management AT&T s audited financial statements for the year ended December 31, 2017; (2) discussed with the independent auditors the matters required to be discussed by Auditing Standard No. 1301, *Communications with Audit Committees;* (3) received the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors communications with the Audit Committee concerning independence; and (4) discussed with the auditors the auditors independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements for the year ended December 31, 2017, be included in AT&T s Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

February 12, 2018	The Audit Committee	
	Samuel A. Di Piazza, Jr., Chairman	Cynthia B. Taylor
	Michael B. McCallister	Laura D Andrea Tyson

AT&T has a separately designated standing Audit Committee. The Board has adopted a written charter for the Audit Committee, which may be viewed on the Company s web site at www.att.com. The Audit Committee performs a review and reassessment of its charter annually. The Audit Committee oversees the integrity of AT&T s financial statements, the independent auditors qualifications and independence, the performance of the internal audit function and independent auditors, and AT&T s compliance with legal and regulatory matters.

The Audit Committee is composed entirely of independent Directors in accordance with the applicable independence standards of the New York Stock Exchange and AT&T. The members of the Audit Committee are Mr. Di Piazza (Chairman), Mr. McCallister, Ms. Taylor, and Dr. Tyson, each of whom was appointed by the Board of Directors. The Board of Directors has determined that Mr. Di Piazza and Ms. Taylor are audit committee financial experts and are independent as defined in the listing standards of the New York Stock Exchange and in accordance with AT&T s additional standards. Although the Board of Directors has determined that these individuals have the requisite attributes defined under the rules of the SEC, their responsibilities are the same as those of the other Audit Committee members. They are not AT&T s auditors or accountants, do not perform field work and are not full-time employees. The SEC has determined that an audit committee member who is designated as an audit committee financial expert will not be deemed to be an expert for any purpose as a result of being identified as an audit committee financial expert.

Primary Responsibilities

The Audit Committee is responsible for oversight of management in the preparation of AT&T s financial statements and financial disclosures. The Audit Committee relies on the information provided by management and the independent auditors. The Audit Committee does not have the duty to plan or conduct audits or to determine that AT&T s financial statements and disclosures are complete and accurate. AT&T s Audit Committee charter provides that these are the responsibility of management and the independent auditors.

Independent Auditor Oversight

The Audit Committee has oversight of the Company s relationship with the independent auditor and is directly responsible for the annual appointment, compensation and retention of the independent auditor. The independent auditor reports directly to the Audit Committee.

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Financial Reporting Review

The Audit Committee reviews and discusses with management and the independent auditor:

- the annual audited financial statements and quarterly financial statements;
- any major issues regarding accounting principles and financial statement presentations; and
- earnings press releases and other financial disclosures.

Risk Review

The Audit Committee reviews and discusses with management the Company s major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company s risk assessment and risk management policies. This includes, among other matters, evaluating risk in the context of financial policies, counterparty and credit risk, and the appropriate mitigation of risk, including through the use of insurance where appropriate.

Internal Audit Oversight

The Audit Committee oversees the activities of the Company s senior internal auditing executive, including internal audit s assessment of operational and financial risks and associated internal controls. Significant internal audit reports and corrective action status are regularly discussed with the Audit Committee.

Compliance Oversight

The Audit Committee meets with the Company s Chief Compliance Officer (***CCO***) regarding the CCO s assessment of the Company s compliance and ethics risks, the effectiveness of the Company s Corporate Compliance Program, and any other compliance related matters that either the Committee or the CCO deems appropriate. The Audit Committee oversees the administration and enforcement of the Company s Code of Business Conduct, Code of Ethics, and Corporate Compliance Program.

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Audit Committee Report

Principal Accountant Fees and Services

Ernst & Young LLP acts as AT&T s principal auditor and also provides certain audit-related, tax and other services. The Audit Committee has established a pre-approval policy for services to be performed by Ernst & Young. Under this policy, the Audit Committee approves specific engagements when the engagements have been presented in reasonable detail to the Audit Committee before services are undertaken.

This policy also allows for the approval of certain services in advance of the Audit Committee being presented details concerning the specific service to be undertaken. These services must meet service definitions and fee limitations previously established by the Audit Committee. Additionally, engagements exceeding $500,000 must receive advance concurrence from the Audit Committee Chairman. After an auditor is engaged under this authority, the services must be described in reasonable detail to the Audit Committee at the next meeting.

All pre-approved services must commence, if at all, within 14 months of the approval.

The fees for services provided by Ernst & Young (all of which were pre-approved by the Audit Committee) to AT&T in 2017 and 2016 are shown below.

Principal Accountant Fees *(dollars in millions)*

Item	2017	2016
Audit Fees (a)	$ 37.3	$ 30.7
Audit Related Fees (b)	3.5	3.3
Tax Fees (c)	9.3	11.4
All Other Fees (d)	0.0	0.0

Note (a). Audit Fees.

Included in this category are fees for the annual financial statement audit, quarterly financial statement reviews, audits required by Federal and state regulatory bodies, statutory audits, and comfort letters.

Note (b). Audit Related Fees.

These fees, which are for assurance and related services other than those included in Audit Fees, include charges for employee benefit plan audits, due diligence associated with acquisition and disposition activity, control reviews of AT&T service organizations,

and consultations concerning financial accounting and reporting standards.

Note (c). Tax Fees.

These fees include charges for various Federal, state, local and international tax compliance and research projects, as well as tax services for AT&T employees working in foreign countries.

Note (d). All Other Fees.

No fees were incurred in 2017 or 2016 for services other than audit, audit related and tax.

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Compensation Discussion and Analysis

Compensation Committee Report

The Human Resources Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on such review and discussions, the Human Resources Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K and Proxy Statement for filing with the SEC.

February 12, 2018

The Human Resources Committee

Joyce M. Roché, Chairman
Scott T. Ford
Michael B. McCallister
Matthew K. Rose
Geoffrey Y. Yang

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Compensation Discussion and Analysis

Executive Summary

Executive Summary

Our Human Resources Committee (***Committee***) takes great care to develop and refine an executive compensation program that recognizes its stewardship responsibility to our stockholders while ensuring the availability of talent to support a culture of growth, innovation, and performance in an extraordinarily large and complex organization.

In this section, we summarize the elements of our compensation program, how our program supports pay for performance, and our key performance achievements.

Topic	Overview	More Information
The foundation of our program	Our Committee believes that our programs should: be aligned with stockholder interests, be competitive and market-based, pay for performance, balance both short- and long- term focus, and be aligned with generally accepted approaches. To that end, we incorporate many best practices in our compensation program and avoid ones that are not aligned with our guiding pay principles.	Page 55
Stockholder Engagement	Each year, we engage with large stockholders to understand their views on executive compensation. In light of their feedback, results of the stockholder advisory vote on our executive compensation program, and market trends, the Committee adjusts our compensation program periodically as it determines to be appropriate.	Page 57
Our compensation program elements and percentage of pay tied to	Our program includes a number of different elements, from fixed compensation (base salaries) to performance-based variable compensation (short- and long-term incentives), to key benefits, which minimize distractions and allow our executives to focus on our success. Each element is designed for a specific purpose, with an overarching goal of encouraging a high level of sustainable individual and Company performance well into the future. For Named Executive Officers (***NEOs***), the combination of short- and long- term incentives ranges from 87% to 93% of target pay. Payouts are formula-driven for: short-term incentives; and	Page 57

performance and stock price

performance shares (which represent 75% of the long-term incentive).
All long-term grants are tied to our stock price performance.
Our Committee retains the authority to increase or decrease final award payouts, after adjustment for financial performance, to ensure pay is aligned with performance.

How we make compensation decisions

The starting point for determining Executive Officer compensation is an evaluation of market data. Our consultant compiles compensation information for our peer companies and then presents this information to our Committee for it to consider when making compensation decisions. Our peer companies were chosen based on their similarity to AT&T on a number of factors, including alignment with our business, scale, and/or complexity. Page 59

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Compensation Discussion and Analysis

Executive Summary

2017 Company Performance Highlights

[1] Among full service wireless providers, J.D. Power presents the Purchase Experience award twice a year. The
study took place from January to June 2017, with 6,703 U.S. wireless customers participating. Results announced August 2017.

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Compensation Discussion and Analysis

Executive Summary

Highlights of Incentive Payouts

2017 Short Term Award

Metric	Metric Weight	Attainment	Payout%
2017 Earnings per Share (***EPS***)	70%	94%	84%
2017 Free Cash Flow (***FCF***)	30%	103%	106%
Weighted Average Payout			90%

Long Term Award   Performance Share Component

2015-2017 Performance Period

Metric	Metric Weight	Attainment	Payout%
3-Year Return on Invested Capital (***ROIC***)	75%	7.75%	104%

3-Year Relative Total Stockholder Return (***TSR***)	25%	Level 3	100%
Weighted Average Payout			103%

After the impact of change in stock price over the 2015 2017 performance period, our NEOs received approximately 122% of their original performance share grant value.

The narrative on the following pages more fully describes how the Committee, with the input of its consultant, has designed and evolved our Executive Officer compensation and benefits program using the Committee s guiding pay principles as the pillars of the program. The narrative also outlines how we establish pay targets and how actual Executive Officer pay is determined. Finally, we provide a description of other benefits.

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Compensation Discussion and Analysis

Role of the Human Resources Committee

The Committee s charter is available on our website at www.att.com. Our Committee is composed entirely of independent Directors. The current members of the Committee are: Ms. Roché (Chairman), Mr. Ford, Mr. McCallister, Mr. Rose, and Mr. Yang. Our Committee is responsible for:

Compensation-related Tasks	Organizational Tasks
Determining the compensation for our Executive Officers, including salary and short- and long-term incentive opportunities; Reviewing, approving, and administering our executive compensation plans, including our stock plans; Establishing performance objectives under our short- and long-term incentive compensation plans; Determining the attainment of those performance objectives and the awards to be made to our Executive Officers; Evaluating Executive Officer compensation practices to confirm that these practices remain equitable and competitive; and Approving employee benefit plans, as needed.	Evaluating the performance of the CEO; Reviewing the performance and capabilities of the other Executive Officers, based on input from the CEO; and Reviewing succession planning for Executive Officer positions including the CEO s position.

Guiding Pay Principles

Our Committee has designed an executive compensation program that encourages our leaders to produce outstanding financial and operational results, create sustainable long-term value for our stockholders, and lead the company with ethics and integrity. Our guiding pay principles are:

Alignment with Stockholders

Provide compensation elements and set performance targets that closely align executives interests with those of stockholders. For example, approximately 69% of target pay for NEOs is tied to stock price performance. In addition, we have executive stock ownership guidelines and stock holding requirements, as described on page 76.

Competitive and Market Based

Evaluate all components of our compensation and benefits program in light of appropriate peer company practices to ensure we are able to attract and retain world-class talent with the leadership abilities and experience necessary to develop and execute business strategies, obtain superior results, and build long-term stockholder value in an organization as large and complex as AT&T.

Pay for Performance

Tie a significant portion of compensation to the achievement of predetermined goals and recognize individual accomplishments that contribute to our success. For example, in 2017, 93% of the CEO s target compensation (and, on average, 90% for other NEOs) was variable and tied to short- and long-term performance incentives, including stock price performance.

Balanced Short- and Long-Term Focus

Ensure that the compensation program provides an appropriate balance between the achievement of short- and long-term performance objectives, with a clear emphasis on managing the sustainability of the business and mitigating risk.

Alignment with Generally Accepted Approaches

Provide policies and programs that fit within the framework of generally accepted approaches adopted by leading major U.S. companies.

These guiding pay principles serve as the pillars of our compensation and benefits program and any potential changes to the program are evaluated in light of their ability to help us meet these goals.

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Compensation Discussion and Analysis

Checklist of Compensation Practices

Our compensation program is designed around the following market-leading practices:

Practices We Use

ü **Pay for Performance:** Tie compensation to performance by setting clear and challenging performance goals. The vast majority of Executive Officer compensation is tied to performance metrics and/or stock price performance.

ü **Multiple Performance Metrics and Time Horizons:** Use multiple performance metrics and multi-year vesting timeframes to discourage unnecessary short-term risk taking.

ü **Stock Ownership and Holding Period Requirements:** NEOs must comply with stock ownership guidelines and hold the equivalent of 25% of post-2015 stock distributions until retirement.

ü **Regular Engagement with Stockholders:** We engage with large stockholders no less than annually regarding executive compensation matters.

ü **Dividend Equivalents:** Paid at the end of the performance period on earned performance shares.

Practices We Don t Use

û **No Single Trigger Change in Control Provisions:** No accelerated vesting of equity awards upon a change in control.

û **No Tax Gross-Ups:** No excise tax gross-up payments; no other tax gross-ups, except in extenuating circumstances.

û **No Credit for Unvested Shares** when determining compliance with stock ownership guidelines.

û **No Repricing or Buy-Out** of underwater stock options.

û **No Hedging or Short Sales** of AT&T stock.

û **No Supplemental Executive Retirement Benefits** for officers promoted/hired after 2008.

û **No Guaranteed Bonuses.**

ü **Annual Compensation-Related Risk Review:** Performed annually to confirm that our programs do not encourage excessive risk taking and are not reasonably likely to have a material adverse effect on the Company.

ü **Clawback Policy:** Provides for the recovery of previously paid executive compensation for any fraudulent or illegal conduct.

ü **Severance Policy:** Limits payments to 2.99 times salary and target bonus.

û **No Excessive Dilution:** Our annual equity grants represent 1% of the total outstanding Common Stock each year. As of July 31, 2017, our total dilution was 1.0% of outstanding Common Stock.

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Executive Compensation Program Enhancements

The Committee took into account feedback from our 2016 outreach to large stockholders when making the following enhancements to our program:

2017 Program Enhancements

Changes	Rationale
Replaced the three peer groups used to assess market-based compensation and benefits practices with a single peer group of 20 companies (shown on page 59).	Simplifies our program. The new peer group consists of companies that better compare to our scale and complexity of business operations.
Eliminated our historical practice of targeting Executive Officer pay at the 62nd percentile of market.	Allows the Committee to more accurately target pay for each Executive Officer position based on the position s scope, complexity, and importance to the business.
Changed long-term incentive pay mix: from 50% performance shares / 50% restricted stock units to 75% performance shares / 25% restricted stock units.	A larger portion of long-term compensation is tied to performance, providing better alignment between pay and performance.
Changed long-term incentive performance measures: from 75% ROIC and 25% relative TSR to 100% ROIC, with a relative TSR payout modifier, as described in the table on page 72.	Long-term awards are designed to focus executives on ROIC. AT&T is a capital-intensive business; ROIC is an appropriate performance metric to ensure we effectively employ capital and provide a strong return on it to stockholders. However, we will use relative TSR as a performance metric (as a payout modifier) because it further aligns our executives interests with those of our stockholders.

During 2017 and early 2018, we again met with large stockholders and stockholder advisory groups to discuss their perspectives on our compensation and benefits practices. The Committee considers these perspectives when making changes to our compensation program. Of the votes cast at the 2017 Annual Meeting of Stockholders, 90.88% were in favor of the advisory vote on executive compensation.

Elements of 2017 Compensation

It is in our stockholders interest that our compensation program be structured to make attraction, retention, and motivation of the highest quality talent a reality. Our executive compensation and benefits program includes a number of different elements, designed for different purposes, with an overarching goal to encourage a high level of sustainable individual and Company performance well into the future:

Current Year Performance		Multi-Year Performance		Attraction & Retention
Salary and Short-Term Incentives	+	Long-Term Incentives (75% Performance Shares and 25% Restricted Stock Units)	+	Retirement, Deferral/Savings Plans, Benefits, and Personal Benefits

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Compensation Discussion and Analysis

The chart below more fully describes the three elements of total direct compensation and their link to our business and talent strategies.

	Reward Element	Form	Link to Business and Talent Strategies	Weightings CEO	Weightings Other NEOs
Fixed Pay	Base Salary	**Cash** A portion may be deferred into AT&T stock.	Provides compensation to assume the day-to-day responsibilities of the position. Pay level recognizes experience, skill, and performance, with the goal of being market-competitive. Adjustments may be made based on individual performance, pay relative to other executives, and pay relative to market.	7%	10%
	Short-Term Incentives (see page 61)	**Cash** A portion may be deferred into AT&T stock.	Aligns pay with the achievement of short-term objectives. Payouts based on achievement of predetermined goals, with potential for upward or downward adjustment by the	24%	21%

			Committee to align pay with performance.		
At Risk Pay	**Long-Term Incentives** (see page 63)	**Stock** **75% Performance Shares** (paid 34% in stock, 66% in cash)	Motivates and rewards the achievement of long-term performance. Aligns executive and stockholder interests.	69%	69%
		25% Restricted Stock Units (paid in stock)			

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Compensation Discussion and Analysis

Determining 2017 Target Compensation

The starting point for determining Executive Officer compensation begins with an evaluation of market data. The consultant compiles this data from both proxy and compensation surveys conducted by third parties for companies in the peer group selected by the Committee.

How the peer group was chosen

The Committee s compensation consultant developed the peer group with input from the Committee and from management based on the following criteria:

- similarityto AT&T in terms of size, organizational and business complexity, and/or industry,
- globalscope of operations and/or diversified product lines,
- abilityof the company to compete with AT&T for talent, and
- similarityto jobs at AT&T in terms of complexity and scope of officer positions.

Following is the peer group our consultant used to assess market-based compensation for Executive Officers in 2017.

2017 Peers

Alphabet	Cisco	Intel	Time Warner Inc.
Amazon	Comcast	IBM	T-Mobile US
Apple	Exxon Mobil	Microsoft	Verizon Communications
Boeing	General Electric	Oracle	Wal-Mart

Chevron	HP Enterprise	Sprint	Walt Disney

Note: These same 20 companies are also used to determine our relative TSR performance for the 2017 performance share grant.

The consultant reviewed the market data for the peer groups with members of management and the CEO (for officers other than himself) to obtain their views on the relative value of each position and differences in responsibilities between our jobs and those in the comparator groups.

The Committee reviewed the market data and the CEO s compensation recommendations for the other Executive Officers and then applied their judgment and experience to set Executive Officer compensation for the coming year. When setting compensation, the Committee may determine that Executive Officers with significant experience and responsibilities or who demonstrate exemplary performance have higher target compensation, while less experienced Executive Officers may have lower target compensation.

2017 Performance

AT&T is a leading provider of communications and digital entertainment services in the United States and in the world. During 2017, we continued to successfully execute on our strategic goals, delivering strong operating and financial results while also making progress on our growth initiatives.

To put in perspective the scale, scope, and complexity of our business as compared to our 20 compensation benchmark companies (as shown on page 59), below is a comparison of Market Cap, Revenues, and Net Income:

Comparison of Scope and Scale

AT&T and Peer Companies[2] ($M)

For more information on our financial and operational performance, please see our Annual Report at www.att.com.

Return to Stockholders

We provide returns through both robust dividends and stock price appreciation. We continue to deliver consistent, positive returns to our stockholders over the long-term and have a long history of increasing dividends.

Determination of Award Payouts for Performance Periods Ending December 31, 2017

2017 Short-Term Incentive Plan Metrics and Performance Attainment

After reviewing our business plan and determining the business metrics on which our Executive Officers should focus, the Committee established the following performance targets applicable to payment of short-term awards for 2017:

2017 Short-Term Incentive Performance Metrics	Relevance of Metric	Metric Weight	Threshold Performance Payout%	Target Performance Payout%	Maximum Performance Payout%
Earnings per Share	Indicator of profitability and a window into our long-term sustainability	70%	Performance achievement of 80% of target results in a 50% payout	100%	Performance achievement of 130% of target results in a 150% payout
Free Cash Flow	Important to continue to invest, pay down debt, and provide strong dividends to our stockholders	30%	No payout for performance below 80% of target		

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The following chart shows the: performance goals, actual performance attainment, payout percentage for each performance metric, and overall weighted average award payout for short-term awards.

** The Committee made certain discretionary adjustments that had the effect of reducing the short term award payout. The adjustments were made to exclude certain events that were not contemplated when the FCF performance target was set. Accordingly, the Committee excluded the FCF positive impacts of certain vendor financing and an amount equal to an expected tax payment that did not occur in 2017. In addition, although permitted by the terms of the award, the Committee determined not to adjust for other M&A transaction costs because they were already included in the FCF performance target.*

In accordance with our formulaic approach, the NEOs each received a performance-adjusted award payout of 90%. The Committee maintains the ability to make further adjustments to the formula-driven payout as it deems appropriate in order to ensure alignment of Executive Officer pay with performance. Adjustments may not exceed 200% of the Executive Officer s performance-adjusted target award.

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Long-Term Incentive Plan Metrics and Performance Attainment Performance/Restriction Periods Ending in 2017

Long-Term Incentive Plan Form	Weight	Performance Metrics and Vesting Period	Description
Performance Shares Granted in 2015	50%	3-year performance period (2015-2017) Performancemetrics: 75% ROIC 25% Relative TSR Payout value based on combination of performance attainment and stock price performance.	Each performance share is equal in value to a share of stock, which causes the value of the award to fluctuate directly with changes in our stock price over the performance period. The cash payment value of the performance shares is based on our stock price on the date an award payout is approved. Because awards are based on a 3-year performance period, they maximize the leverage of both short- and long-term performance. The impact of a single year s performance is felt in each of the three performance share grants that are outstanding at any given time, so that strong performance must be sustained every year in order to provide favorable payouts. Dividend equivalents are paid at the end of the performance period, based on the number of performance shares earned.
Restricted Stock Units (***RSUs***) Granted in 2014	50%	4-year restriction period Payout value based on stock price performance.	We structure RSUs to be paid in stock at the end of the restriction period, regardless of whether they vest earlier. RSUs vest 100% after four years or upon retirement eligibility, whichever occurs earlier.

ROIC Payout Table and Actual Performance Attainment 2015-2017 Performance Period

Determination of Performance Goal

We established a performance target range of 6.75% to 7.5% at the beginning of the 3-year performance period. This target range does not penalize or reward Executive Officers for performance achievement within close proximity to the midpoint of the range. **The lower end of the performance target range was set so that it exceeded our internally calculated cost of capital (determined, in part, based on input from banks) by 75 basis points, ensuring a reasonable return is delivered to stockholders before Executive Officers are eligible for full payout of their target award.**

Performance Below Target Range

No payout is earned if less than 67% of the performance target range is achieved. Achievement below the target range results in decreasing levels of award payout. The payout drops to 0% of the performance shares tied to this metric if less than 67% of the low end of the target range is achieved.

Performance within Target Range

100% payout if performance falls within the target range.

Performance Above Target Range

Maximum payout of 150% is earned if 137% or more of the performance target range is achieved. Achievement above the target range provides for higher levels of award payout, up to the maximum payout.

Actual Performance

After conclusion of the performance period, the Committee determined (using the ROIC payout table) that we achieved a 7.75% ROIC, which was above the ROIC target range, and 175 basis points above the cost of capital we established based on input from banks**. As a result, the Committee directed that 104% of the related performance shares be distributed**.

TSR Payout Table and Actual Performance Attainment   2015-2017 Performance Period

At the beginning of the performance period, the Committee established the following table for determining payout of the performance shares tied to the TSR metric. Our actual performance attainment is also shown:

As a result of the performance attainment achieved for the TSR performance metric, the Committee directed that 100% of the related performance shares be distributed.

Percent of Grant Value Realized 2015 Performance Share Grant (2015-2017 Performance Period)

As a result of the combined ROIC and TSR performance attainment, each NEO received 103% of the number of shares granted.

75% of		Payout		25% of		Payout		
Performance	Ó	Percentage of	Ì	Performance	Ó	Percentage of	=	103% of Shares
Shares Granted		104% for ROIC		Shares Granted		100% for TSR		to be Paid

However, the performance shares were also subject to stock price fluctuation over the 3-year performance period as another element of our long-term incentive pay-for-performance design. Based on the $6.20 change in our stock price from $32.96 at grant to $39.16 at payout, the value of the shares actually payable increased 18.8% over the 3-year performance period.

Ending		Beginning		Beginning		18.8%
Stock Price of	-	Stock Price of	÷	Stock Price of	=	Growth in Stock
$39.16*		$32.96**		$32.96**		Price

As a result of both ROIC and relative TSR performance and the absolute change in our stock price, our NEOs realized approximately 122% of their original performance share grant value.

NEOs Received

122% of Original

Grant Value

Percent of Grant Value Realized 2014 Restricted Stock Units

Our 2014 restricted stock units had a 4-year vesting period and were paid in early 2018. The final value delivered from these awards was based on our stock price. Over the 4-year restriction period, the stock price increased $4.09 per share, delivering 112% of the original grant value.

Ending Stock Price of $37.44*	-	Beginning Stock Price of $33.35**	÷	Beginning Stock Price of $33.35**	=	12% Growth in Stock Price

NEOs Received

112% of Original

Grant Value

** Stock price when award payout is approved for performance shares (typically the first Committee meeting after the end of the performance period), or the stock price on the last date of the restriction period for RSU grants.*

*** Stock price used to determine the number of shares to be granted (target award value is divided by this stock price).*

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Compensation Discussion and Analysis

Named Executive Officer Compensation

In this section we detail how each NEO s compensation was impacted by performance attainment. The following tables summarize the compensation our NEOs realized in 2017. The long-term grant values below do not align to what is reported in the 2017 Summary Compensation Table (***SCT***) because the SCT reflects long-term grant values for 2017, whereas these tables show the values of the long-term distributions for awards with performance/restriction periods ending in 2017 or early 2018.

Randall Stephenson

Chairman of the Board, Chief Executive Officer, and President

Mr. Stephenson has served as Chairman of the Board, Chief Executive Officer, and President since 2007. Throughout his career at the Company, he has held a variety of high-level finance, operational, and marketing positions, including serving as Chief Operating Officer from 2004 until his appointment to Chief Executive Officer in 2007, and as Chief Financial Officer from 2001 to 2004. He began his career with the Company in 1982.

2017 Realized Compensation

Element of Compensation	***Compensation Amount***	***Rationale***
2017 Base Salary	$1,800,000	Mr. Stephenson s salary did not increase in 2017.
2017 Short Term Incentive Award (*STIP*)	Target Award = $5,900,000 Final Award Paid = $5,310,000	Mr. Stephenson s STIP payout was based on: A formulaic payout of 90% of his target award based on EPS and FCF performance attainment. No discretionary adjustment was made by the Committee.

	90% of target award value realized	
Performance Share Payout (2015-2017 Performance Period)	Target Award = $7,375,000 Final Award Paid = $9,025,154 122% of grant value realized	Mr. Stephenson s performance share payout was based on: A formulaic payout of 103% of the 223,756 shares granted based on the Company s performance achievement for ROIC and relative TSR, plus The company s stock price change over the 3-year performance period, which increased the value of the shares earned by 18.8%. Performance Shares were paid in cash.
Restricted Stock Unit Payout (2014 Grant)	Target Award = $7,250,000 217,391 shares paid; valued at $8,139,119 112% of grant value realized	The company s stock price change over the 4-year vesting period increased the value of the units granted by 12%. Restricted Stock Units were paid in stock.

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John Stephens

Senior Executive Vice President and Chief Financial Officer

John Stephens has 25 years of service with the Company. Mr. Stephens was appointed to his current position in 2011. He has responsibility for financial planning, corporate development, accounting, tax, auditing, treasury, investor relations, corporate real estate and shared services. Prior to his current position, Mr. Stephens held a series of successive positions in the finance department. Before joining the Company, Mr. Stephens held a variety of roles in public accounting.

2017 Realized Compensation

Element of Compensation	*Compensation Amount**	*Rationale*
2017 Base Salary	$979,167	Consistent with market-based data and his strong performance in 2016, Mr. Stephens received a 14.3% base salary increase to $1,000,000 effective March 1, 2017.
2017 Short Term Incentive Award (*STIP*)	Target Award = $1,900,000 Final Award Paid = $1,710,000 90% of target award value realized	Mr. Stephens STIP payout was based on: A formulaic payout of 90% of his target award based on EPS and FCF performance attainment. No discretionary adjustment was made by the Committee.
Performance Share Payout (2015-2017 Performance Period)	Target Award = $2,350,000	Mr. Stephens performance share payout was based on: A formulaic payout of 103% of the 71,299 shares granted based on the Company s performance achievement for ROIC and relative TSR, plus

	Final Award Paid = $2,875,831	The company s stock price change over the 3-year performance period, which increased the value of the shares earned by 18.8%.
		Performance Shares were paid in cash.
	122% of grant value realized	
Restricted Stock Unit Payout (2014 Grant)	Target Award = $2,185,000	The company s stock price change over the 4-year vesting period increased the value of the units granted by 12%.
		Restricted Stock Units were paid in stock.
	65,517 shares paid; valued at $2,452,956	
	112% of grant value realized	

** Upon the completion of the Time Warner Inc. merger, the Committee intends to reevaluate Mr. Stephens compensation, as appropriate, to recognize new duties.*

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Compensation Discussion and Analysis

John Donovan

Chief Executive Officer, AT&T Communications, LLC

John Donovan has 9 years of service with the Company, and is the head of AT&T Communications, LLC, where he is responsible for the AT&T Business, Entertainment, and Technology & Operations groups, providing mobile, broadband, and video services to U.S. consumers, including nearly 3.5 million businesses. Until August 1, 2017, he was Chief Strategy Officer and Group President, overseeing corporate strategy and our Technology and Operations groups. Prior to joining the Company, Mr. Donovan was Executive Vice President of Product, Sales, Marketing, and Operations at Verisign, Inc. From 2000 to 2006 he was Chairman and CEO of inCode Telecom Group, Inc.; prior to that he was a partner with Deloitte Consulting.

2017 Realized Compensation

Element of Compensation	*Compensation Amount*	*Rationale*
2017 Base Salary	$1,035,833	Consistent with market data and his strong performance in 2016, Mr. Donovan received a 15.6% base salary increase to $1,000,000 effective March 1, 2017. Effective September 1, 2017, Mr. Donovan s base salary was increased from $1,000,000 to $1,175,000, a 17.5% increase to reflect the increased scope and complexity of his new job running one of the largest mobile, broadband, and video service companies in the U.S.
2017 Short Term Incentive Award (*STIP*)	Target Award = $2,183,333	Mr. Donovan s target STIP was increased to $1,900,000 effective January 1, 2017, and to $2,750,000 effective September 1, 2017. Mr. Donovan s award targets were applied to the associated time periods and the resulting weighted STIP target award for 2017 was $2,183,333.
	Final Award Paid = $1,965,000	Mr. Donovan s STIP payout was based on: A formulaic payout of 90% of his target award based on EPS and FCF performance attainment. No discretionary adjustment was made by the Committee.

	90% of target award value realized	
Performance Share Payout (2015-2017 Performance Period)	Target Award = $1,950,000 Final Award Paid = $2,386,328 122% of grant value realized	Mr. Donovan s performance share payout was based on: A formulaic payout of 103% of the 59,163 shares granted based on the Company s performance achievement for ROIC and relative TSR, plus The company s stock price change over the 3-year performance period, which increased the value of the shares earned by 18.8%. Performance Shares were paid in cash.
Restricted Stock Unit Payout (2014 Grant)	Target Award = $1,575,000 47,226 shares paid; valued at $1,768,141 112% of grant value realized	The company s stock price change over the 4-year vesting period increased the value of the units granted by 12%. Restricted Stock Units were paid in stock.

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Compensation Discussion and Analysis

David McAtee

Senior Executive Vice President and General Counsel

David McAtee has served at AT&T s General Counsel since 2015. He has responsibility for all legal matters affecting AT&T, including the Company s litigation, regulatory, and compliance matters before various judicial and regulatory agencies, as well as all merger agreements, dispositions of non-strategic assets, commercial agreements, and labor contracts. In 2017, Mr. McAtee and his team successfully managed thousands of litigation matters involving AT&T, including approximately 120 appeals to various federal and state courts of appeal and the U.S. Supreme Court. Mr. McAtee joined the company in 2012 as Senior Vice President and Assistant General Counsel after 18 years in government and private practice.

2017 Realized Compensation

Element of Compensation	*Compensation Amount*	*Rationale*
2017 Base Salary	$791,667	Consistent with market-based pay increases and his strong performance in 2016, Mr. McAtee received a 6.7% base salary increase from $750,000 to $800,000 effective March 1, 2017.
2017 Short Term Incentive Award (*STIP*)	Target Award = $1,500,000 Final Award Paid = $1,350,000 90% of target award value realized	Mr. McAtee s STIP payout was based on: A formulaic payout of 90% of his target award based on EPS and FCF performance attainment. No discretionary adjustment was made by the Committee.
Performance Share Payout (2015-2017 Performance Period)	Target Award = $1,000,000	Mr. McAtee s performance share payout was based on: A formulaic payout of 104% of the 8,343 shares granted with the sole performance metric of the Company s ROIC, and 103% of the 21,996 shares granted based on the Company s ROIC and

	Final Award Paid = $1,226,985 123% of grant value realized	relative TSR performance achievement, plus The company s stock price change over the 3-year performance period, which increased the value of the shares earned by 18.8%. Performance Shares were paid in cash.
Restricted Stock Unit Payout (2014 Grant)	Target Award = $262,500 7,871 shares paid; valued at $294,690 112% of grant value realized	The company s stock price change over the 4-year vesting period increased the value of the units granted by 12%. Restricted Stock Units were paid in stock.

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Compensation Discussion and Analysis

John Stankey

Senior Executive Vice President-AT&T/Time Warner Merger Integration Planning, AT&T Services, Inc.

John Stankey has 32 years of service with the Company. He has held various roles during his three-decade career at the Company, including: CEO-AT&T Entertainment Group, ; Chief Strategy Officer; President and CEO of AT&T Business Solutions; President and CEO of AT&T Operations; Group President Telecom Operations; Chief Technology Officer; and Chief Information Officer.

2017 Realized Compensation

Element of Compensation	*Compensation Amount**	*Rationale*
2017 Base Salary	$995,000	Consistent with market-based pay increases and his strong performance in 2016, Mr. Stankey received a 3.1% base salary increase to $1,000,000 effective March 1, 2017.
2017 Short Term Incentive Award (*STIP*)	Target Award = $2,000,000 Final Award Paid = $1,800,000 90% of target award value realized	Mr. Stankey s STIP payout was based on: A formulaic payout of 90% of his target award based on EPS and FCF performance attainment. No discretionary adjustment was made by the Committee.
Performance Share Payout		Mr. Stankey s performance share payout was based on:

(2015-2017 Performance Period)	Target Award = $2,662,500 Final Award Paid = $3,258,245 122% of grant value realized	A formulaic payout of 103% of the 80,780 shares granted based on the Company s performance achievement for ROIC and relative TSR, plus The company s stock price change over the 3-year performance period, which increased the value of the shares earned by 18.8%. Performance Shares were paid in cash.
Restricted Stock Unit Payout (2014 Grant)	Target Award = $2,587,500 77,586 shares paid; valued at $2,904,820 112% of grant value realized	The company s stock price change over the 4-year vesting period increased the value of the units granted by 12%. Restricted Stock Units were paid in stock.

** Upon the completion of the Time Warner Inc. merger, the Committee intends to reevaluate Mr. Stankey s compensation, as appropriate, to recognize new duties.*

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Compensation Discussion and Analysis

2017 Long Term Grants

Our previous sections detailed compensation paid in 2017 and/or compensation for grants with performance or restriction periods ending in 2017. This section addresses the long-term grants we made in 2017.

The forms of long-term compensation granted to NEOs in 2017 were:

Forms of 2017 Long Term Incentive Grants	Weight	Performance Metrics and Vesting Period
Performance Shares	75%	Performance Metrics 100% Return on Invested Capital with a Relative Total Stockholder Return Modifier 3-year performance period
Restricted Stock Units	25%	Payout value based on stock price performance only 4-year restriction period

Grant values for these awards were as follows:

2017 Long Term Incentive Grant Values for NEOs

Name	Target Performance Share Grant Values ($) (amounts are rounded)	Target Restricted Stock Unit Grant Values ($ (amounts are rounded)
Randall Stephenson	12,525,000	4,175,000
John Stephens	5,250,000	1,750,000
John Donovan	6,890,625	2,296,875
David McAtee	2,775,000	925,000
John Stankey	5,250,000	1,750,000

2017 Performance Share Grants

The performance shares granted in 2017 are for the 2017-2019 performance period. The Committee determined that the Performance Shares would be tied to a ROIC performance metric with a modifier based on a comparison of AT&T s TSR to our 20-company Peer Group.

ROIC Performance Metric

We calculate ROIC by averaging over the three-year performance period: (1) our annual net income plus after-tax interest expense, divided by (2) the total of the average debt and average stockholder equity for the relevant year. For mergers and acquisitions over $2.0 billion, we exclude the dilutive impacts of intangible amortization, asset write-offs, accelerated depreciation, and transaction and restructuring costs so that the impact of certain significant transactions, including those which may not have been contemplated in the determination of a performance metric, will not have an impact on the performance results. We also exclude the net impact of certain of the following items after taxes and available collectible insurance, if they exceed, individually or in certain combinations, $500 million in a calendar year and satisfy other conditions; changes in tax laws, changes in accounting principles, expenses caused by natural disasters or intentionally caused damage to the Company s property, and non-cash accounting write-downs of goodwill, other intangible assets and fixed assets. Additionally, we disregard the net dilutive impact of mandatory changes resulting from the Patient Protection and Affordable Care Act of 2010 as well as gains and losses related to the assets and liabilities of pension and other post-retirement benefit plans (and associated tax effects).

The ROIC target range for the 2017-2019 performance period was set 75 basis points above our cost of capital, a target that we believe to be challenging, but attainable. For performance above or below the performance target range, the number of performance shares are increased or reduced, respectively. Potential payouts range from 0% to 150% of the number of performance shares granted.

TSR Performance Modifier

This measure compares our TSR (stock appreciation plus reinvestment of dividends) relative to that of the 20 companies in our Peer Group. We believe that TSR is an important measure because it helps ensure that our executives remain focused on the value they are delivering to our stockholders.

Total Stockholder Return Performance Modifier
2017-2019 Performance Period

AT&T Return vs. TSR Peer Group	Payout Modifier
Top Quartile	**Add 10 Percentage Points to Final ROIC Payout Percentage**
Quartile 2	**No Adjustment to ROIC Payout Percentage**
Quartile 3	
Quartile 4	**Subtract 10 Percentage Points from Final ROIC Payout Percentage**

Total Stockholder Return Peer Group

Award payouts will be determined based on our TSR performance relative to our 20-company Peer Group shown on page 59. These companies are the same ones that comprise the peer group used to assess market-based compensation for 2017. TSR performance will be measured over the entire performance period.

At the end of the performance period, the number of performance shares to be paid out, if any, will be determined by comparing the actual performance of the Company against the predetermined performance objective for ROIC, and modifying the award for relative TSR achievement, if applicable.

2017 Restricted Stock Unit Grants

Restricted stock units granted in 2017 vest 100% after four years or upon retirement eligibility, whichever occurs earlier, but do not pay out until the scheduled distribution date. These units receive quarterly dividend equivalents, paid in cash, at the time regular dividends are paid on our stock. Restricted stock units pay 100% in stock to further tie executive and stockholder interests.

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Compensation Discussion and Analysis

Risk Mitigation

By ensuring that a significant portion of compensation is based on our long-term performance, we reduce the risk that executives will place too much focus on short-term achievements to the detriment of our long-term sustainability. Further, we structure short-term incentive compensation so that the accomplishment of short-term goals supports the achievement of long-term goals. Both of these elements work together for the benefit of AT&T and our stockholders and to reduce risk in our incentive plans.

In addition, each year the Committee reviews an analysis of our compensation policies and practices in order to evaluate whether they create unintended risks. This analysis includes the steps we take to mitigate risk in our compensation plans:

- Using multiple performance metrics in determining award payouts.
- Designing our payout tables so they provide partial payouts for partial performance attainment and payout caps.
- Requiring cross-functional department review and/or approval of all payouts.
- Requiring Committee approval of all Executive Officer payouts.
- Requiring an internal audit of our award payouts.

The Committee s compensation consultant has reviewed the risk analysis and advised the Committee that our programs do not encourage excessive risk-taking.

Clawback Policy

In addition to the above risk moderation actions, we intend, in appropriate circumstances, to seek restitution of any bonus, commission, or other compensation received by an employee as a result of such employee s intentional or knowing fraudulent or illegal conduct, including the making of a material misrepresentation in our financial statements.

Benefits and Policies

Benefits

Benefits are an important tool to maintain the market competitiveness of our overall compensation package. We provide personal benefits to our Executive Officers for three main reasons:

- **To effectively compete for talent:** The majority of companies against which we compete for talent provide benefits to their Executive Officers. We must have a program that is robust and competitive enough to attract and retain key talent.

- **To support Executive Officers in meeting the needs of the business:** We require the around-the-clock commitment and availability of our Executive Officers. Therefore, we provide benefits that allow us to have greater access to them. These benefits should not be measured solely in terms of any incremental financial cost, but rather the value they bring to us through maximized productivity and availability of our Executive Officers.

- **To provide for the safety, security, and personal health of executives:** Our Executive Officers are charged to care for the long-term health of the Company. In order to facilitate them doing so, we provide certain personal benefits to provide for their safety and personal health.

Our benefits are outlined below. The Committee continues to evaluate our benefits based on needs of the business and market practices/trends.

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Compensation Discussion and Analysis

Deferral Opportunities

Tax-qualified 401(k) Plans

Our 401(k) plans offer substantially all employees, including each of the NEOs, the opportunity to defer income and receive company matching contributions. Substantially all of our plans provide our employees the ability to invest in AT&T or other investments. We match 80% of employee contributions, limited to the first 6% of cash compensation (only base salary is matched for officers). Employees hired externally on or after January 1, 2015, do not receive a pension, and to account for the lack of a pension benefit, we increased the 401(k) match to 100% of the first 6% of eligible contributions for these employees.

Nonqualified Plans

We provide mid-level and above managers the opportunity for tax-advantaged savings through two nonqualified plans:

Stock Purchase and Deferral Plan

This is our principal nonqualified deferral program, which we use as a way to encourage our managers to invest in and hold AT&T stock on a tax-deferred basis. Under this plan, mid-level managers and above may annually elect to defer, through payroll deductions, up to 30% of their salary and annual bonus (officers, including the NEOs, may defer up to 95% of their short-term award, which is similar to, and paid in lieu of, the annual bonus paid to other management employees) to purchase AT&T deferred share units at fair market value on a tax-deferred basis. Participants receive a 20% match on their deferrals in the form of additional AT&T deferred share units. Participants also

receive makeup matching deferred AT&T share units to replace the match that is not available in the 401(k) because of their participation in our nonqualified deferral plans or because they exceeded the IRS compensation limits for 401(k) plans. Officers do not receive the makeup match on the contribution of their short-term awards.

Cash Deferral Plan

Through this plan, eligible managers may also defer cash compensation in the form of salaries and bonuses. The plan pays interest at the Moody s Long-Term Corporate Bond Yield Average, reset annually, which is a common index used by companies for deferral plans. The SEC requires disclosure in the Summary Compensation Table of any earnings on deferred compensation that exceed an amount set by the SEC.

These plans are described more fully on page 88.

Pension Benefits

We offer a tax-qualified group pension plan to substantially all of our managers. However, managers hired externally on or after January 1, 2015, who would otherwise be eligible to participate in the pension plan will instead receive an enhanced match in the 401(k) plan.

We also provide supplemental retirement benefits under nonqualified pension plans, or SERPs, to employees who became officers before 2009. Additional information on pension benefits, including these plans, may be found beginning on page 84, following the Pension Benefits table.

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Compensation Discussion and Analysis

Personal Benefits

We provide our Executive Officers with other limited and market-based personal benefits, as follows:

Benefit/Perquisite	Description
Financial Counseling	Includes tax preparation, estate planning, and financial counseling. Allows our executives to focus more on business responsibilities by providing financial counselors to help ensure that our executives understand and comply with plan requirements.
Health Plan	Our Named Executive Officers and other officers as of March 23, 2010, participate in a consumer-driven executive health plan for which they pay a portion of the premiums. Mr. McAtee began participation in this plan on February 1, 2018.
Executive Physical Program	A program provided for officers promoted or hired after March 23, 2010, subject to certain limits.
Communications Benefits	We provide AT&T products and services at little or no incremental cost.
Automobile	A common recruiting and retention tool. Includes allowance, fuel, and maintenance.
Home Security	Provides for the safety and security of our executives so they can focus on their responsibilities.

Executive Disability	Provides compensation during a leave of absence due to illness or injury.
Executive Death Benefits	Provides security to family in the event of the executive s death. More information on death benefits may be found beginning on page 86.
Company-Owned Club Memberships	Affords some of our executives the opportunity to conduct business in a more informal environment. In some cases we allow personal use, but do not pay country club fees or dues for Executive Officers.
Personal Use of Company Aircraft	Mr. Stephenson, and, effective October 2017, Messrs. Donovan, Stankey, and Stephens are required to reimburse the incremental Company cost of personal usage. Other Executive Officers are also required to reimburse the incremental cost of their personal usage unless the CEO decides otherwise on a case-by-case basis. Reimbursements will not be made where prohibited by law.

Certain of these benefits are also offered as post-retirement benefits to officers who meet age and service requirements. Additional information on these post-retirement benefits can be found beginning on page 86.

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Compensation Discussion and Analysis

Equity Retention and Hedging Policy

Stock Ownership Guidelines

The Committee has established stock ownership guidelines for all officers, as follows. We include vested shares held in our benefit plans in determining attainment of these guidelines.

Level	Ownership Guidelines
CEO	6X Base Salary
Executive Officers	Lesser of 3X Base Salary or 50,000 Shares
Other Officers	Lesser of 1X Base Salary or 25,000 Shares

All officers are given 5 years from assuming their position to achieve compliance.

NEO stock holdings as of December 31, 2017, can be found in the Common Stock Ownership section on page 45. As of December 31, 2017, Randall Stephenson held 1,897,453 vested shares of AT&T stock, a multiple of 41 times his base salary, well exceeding his 6X requirement. In addition, Mr. Stephenson also holds 729,688 shares of vested Restricted Stock Units, which are still subject to a retention period, making his total vested shares a multiple of 56.7 times his base pay.

Retention of Awards

Executive Officers are required to hold shares equivalent, in aggregate, to 25% of the AT&T shares they receive (after taxes and exercise costs) from an incentive, equity, or option award granted to them after January 1, 2012, until they leave the Company.

Hedging Policy

Executive officers are prohibited from hedging their AT&T stock and awards. The prohibition will continue to apply to stock issued from Company awards until they leave the Company.

Limit on Deductibility of Certain Compensation

Federal income tax law prohibits publicly held companies, such as AT&T, from deducting certain compensation paid to an NEO that exceeds $1 million during the tax year. Prior to the adoption of the Tax Cuts and Jobs Act (Tax Act), to the extent that compensation is based upon the attainment of performance goals set by the Committee pursuant to plans approved by the stockholders, the compensation was not included in the $1 million limit. As a result, the Committee strived to make the awards under stockholder-approved plans. The Tax Act repealed this exemption, and now compensation paid to NEOs in excess of $1 million in 2018 and later will no longer be deductible, even if performance-based. The Committee intends to continue to use performance metrics in compensation when it is in the best interests of AT&T and its stockholders.

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Compensation Discussion and Analysis

Role of the Compensation Consultant

The Committee is authorized by its charter to employ independent compensation consultants and other advisors. The Committee has selected Frederic W. Cook & Co., Inc. (***FW Cook***) to serve as its independent consultant. The consultant reports directly to the Committee. Other than advising the Corporate Governance and Nominating Committee on director compensation, FW Cook provides no other services to AT&T.

The Committee reviewed the following six independence factors, as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, when evaluating the consultant s independence:

- Other services provided to AT&T
- Percentage of the consultant s revenues paid by AT&T
- Consultant s policies to prevent conflicts of interest
- Other relationships with compensation committee members
- AT&T stock owned by the consultant
- Other relationships with Executive Officers

Based on its evaluation of the consultant and the six factors listed above, the Committee has determined that the consultants met the criteria for independence.

The consultant s duties include:

- Attends all Committee meetings;

Regularly updates the Committee on market trends, changing practices, and legislation pertaining to executive compensation and benefits;

Reviews the Company s executive compensation strategy and program to ensure appropriateness and market-competitiveness;

Makes recommendations on the design of the compensation program and the balance of pay-for-performance elements;

Reviews market data and makes recommendations for establishing the market rates for jobs held by senior leaders;

Analyzes compensation from other companies proxy and financial statements for the Committee s review when making compensation decisions;

Assists the Committee in making pay determinations for the Chief Executive Officer; and

Advises the Committee on the appropriate comparator groups for compensation and benefits as well as the appropriate peer group against which to measure long-term performance.

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Executive Compensation Tables

Executive Compensation Tables

The table below contains information concerning the compensation provided to the Chief Executive Officer, the Chief Financial Officer, and the three other most highly compensated executive officers of AT&T (the ***Named Executive Officers***). Compensation information is provided for the years each person in the table was a Named Executive Officer since 2015.

Summary Compensation Table

Name and Principal Position	Year	Salary (1) ($)	Bonus ($)	Stock Awards (2) ($)	Option Awards ($)	Non-Equity Incentive Plan Compen-sation (1) ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (3) ($)	All Other Compen-sation (4) ($)	Total ($)
R. Stephenson	2017	1,800,000	0	16,699,980	0	5,310,000	3,420,059	1,490,681	28,720,720
	2016	1,791,667	0	16,063,344	0	5,700,000	3,474,304	1,404,401	28,433,716
Chairman, CEO									
and President	2015	1,741,667	0	14,623,014	0	5,500,000	2,728,138	553,095	25,145,914
J. Stephens	2017	979,167	0	6,999,984	0	1,710,000	3,574,285	629,371	13,892,807
	2016	870,833	0	5,337,167	0	1,840,000	2,942,086	591,854	11,581,940
Sr. Exec. Vice									
Pres. and CFO	2015	837,500	0	4,659,568	0	2,100,000	1,565,671	435,942	9,598,681
J. Donovan	2017	1,035,833	0	9,202,738	0	1,965,000	2,666,182	323,947	15,193,700
	2016	858,333	0	4,352,640	0	1,650,000	2,388,147 &		

CEO-
AT&T
Communications,
LLC