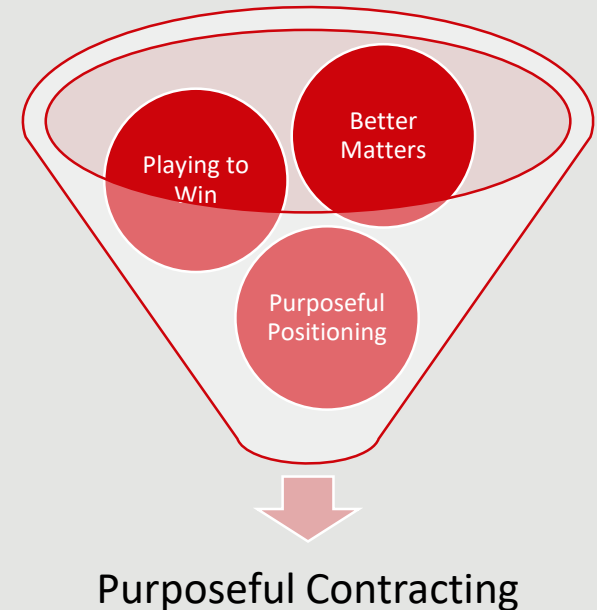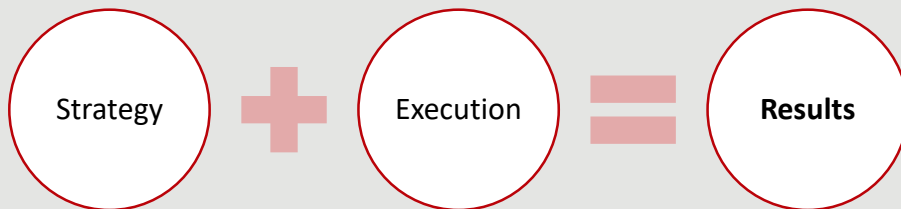# Purposeful Contracting:
Increasing Shareholder Value via Alignment to 3 Important Verizon Initiatives

Shareholder Value

- **Purposeful Positioning**

- **Playing to Win**

- **Better Matters**

Purposeful Contracting

Strategy **+** Execution **=** **Results**

Purposeful Contracting
Playing to Win . . . Executive Overview

Program Objective (Winning Aspiration)

Make Verizon's Legal organization the world's best and most innovative legal department as measured by industry leading internal metrics (e.g., contract lead times, content simplification, efficient use of resources/personnel, cost savings, business outcomes, compliance) and external metrics (e.g., customer satisfaction (net promotor score, customer loyalty index), awards, recognition).

Vision, Purpose and Goals (Winning Aspiration)

- **Vision:** Use industry best practices in problem-solving and process simplification to simplify our legal content and processes to deliver breakthrough, transformative solutions to the business and our customers..
- **Purpose:** We make it easy to do business.
- **Goals:** Reduce contract lead time by 50%.

Target Areas & Project Scope (Where We Will Play)

- Initially, VES Wireline Legal organization. A single Program with multiple Projects/Solutions.
- Over time, expanded across all of Verizon Legal.

How Will We Know We Succeeded (How We Will Win)

- Contract lead time and customer satisfaction scores are a some of the key metrics we will use in our project plan to help us discern if our efforts are making a positive impact on customers
- Growth (e.g., Revenue Growth and Enablement) and Speed (e.g., Time to Contract)

Risks (What Core Capabilities Do We Need)

- Not developing the Core Capabilities in time to deliver on our Winning Aspirations is a key risk.
- Core Capabilities: Deep Customer Understanding Aligned with our Project Plan

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Verizon Purposeful Contracting

Purpose

We make it easy to do business.

Principles

Simply	Reliably	For Me

Practice

Simply	Reliably	For Me
Make it simple to understand	Reliably Simpler Contracting	Fits Different Customer Sizes
Make it simple to work with	Reliably Faster Contracting	Fits Different Geographies
Make it simple to contract	Reliably Better Contracting	Fits Different Services

VZ Contracting   **VZ Contracting**   **VZ Contracting**

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Purposeful Contracting
Addressing an Ecosystem of Complexity

Product Complexity

- Service Descriptions mix multiple terms
- Different versions of Services
- Not all Services are posted online

Matrixed, global org

Organizational Complexity

IT/Process Complexity

IT Systems limitations

Purposeful Contracting

- Public Sector & Indirect not addressed
- Medium business
- Global Integration Deals

Customer Complexity

Geographic Complexity

- Operations in 70+ countries
- Multiple Master templates
- Service availability affects contracting

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Global
Converged into One Global Master Contract for Online and Offline

Online

Online Master Terms (13 Pages)

. . . .

Other Contracts in Use

U.S.

VSA (9 Pages)

SSA (13 Pages)

Security & Professional Services

WWSA (23+ Pages)

Multiple International

1 Global Master Contract (6 Pages)

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5

Overview

All Verizon Contracting Documentation

- Global Master Terms — 1
- Global Services Guide — 2
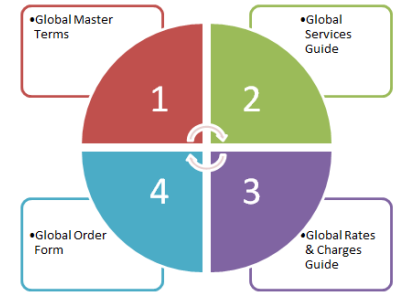- Global SLA Guide — 3
- Global Financial Guide — 4
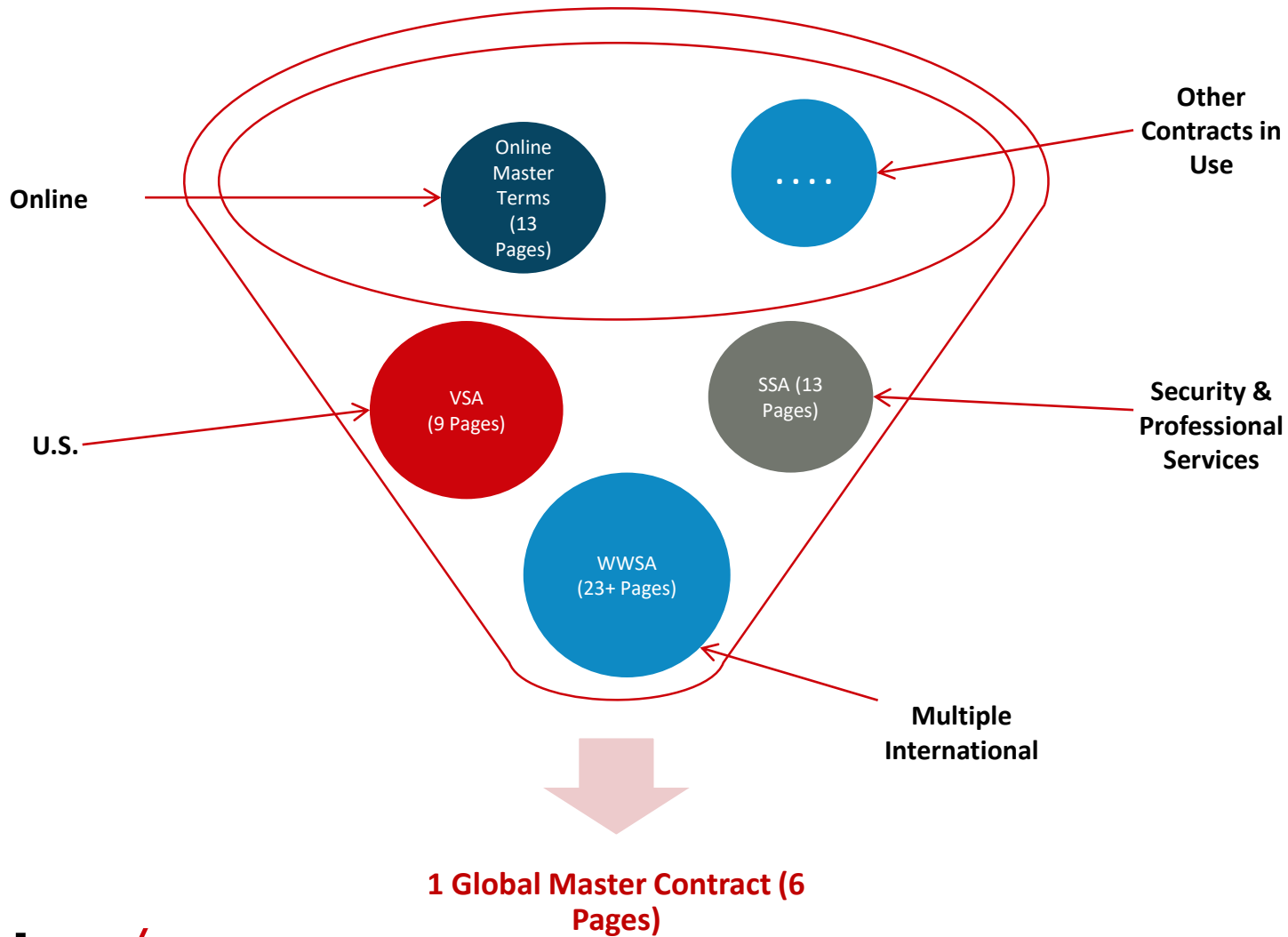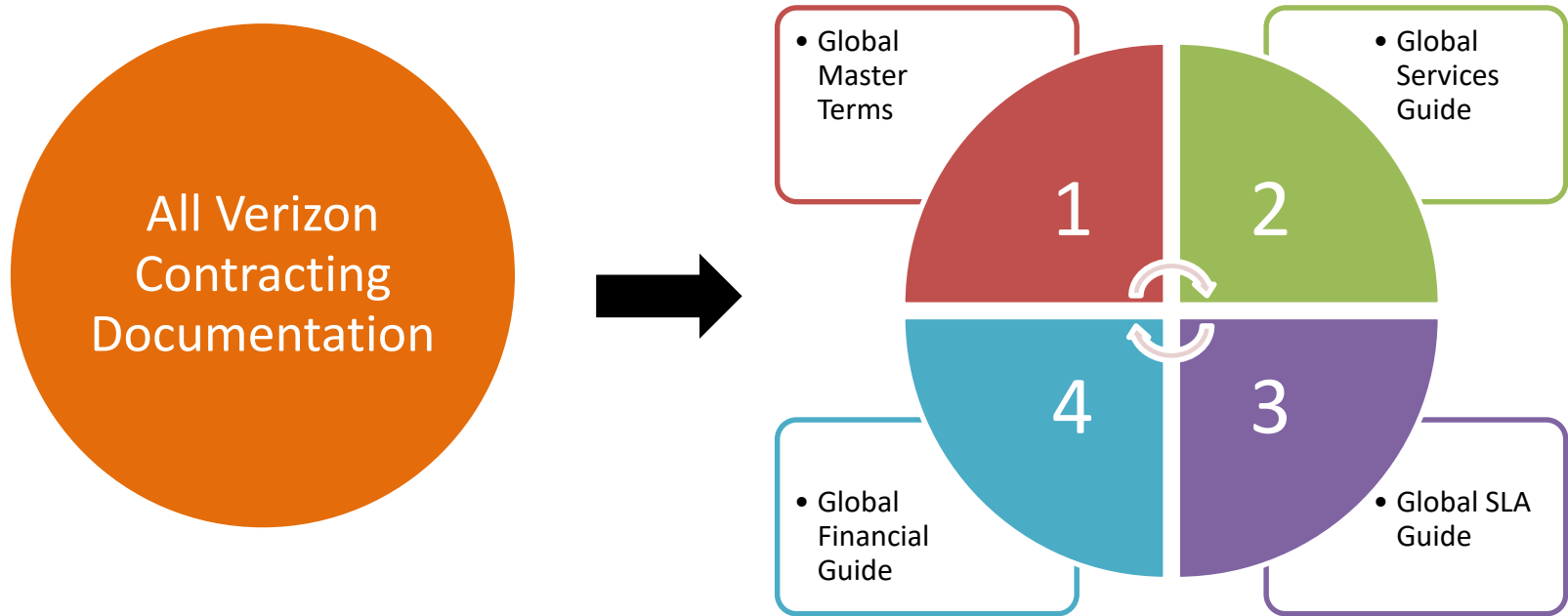
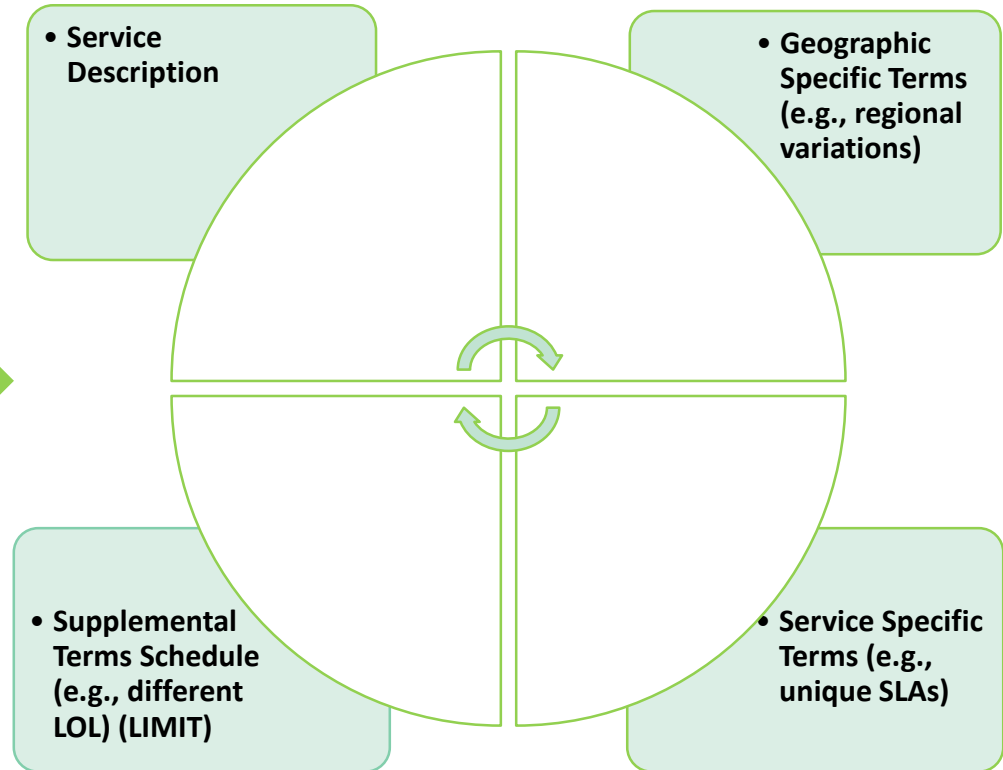**Decouple . . . Big Problems are Smaller Problems Stuck Together**

Global Services Guide

All Global Services Terms

2

- • Service Description
- • Geographic Specific Terms (e.g., regional variations)
- • Supplemental Terms Schedule (e.g., different LOL) (LIMIT)
- • Service Specific Terms (e.g., unique SLAs)
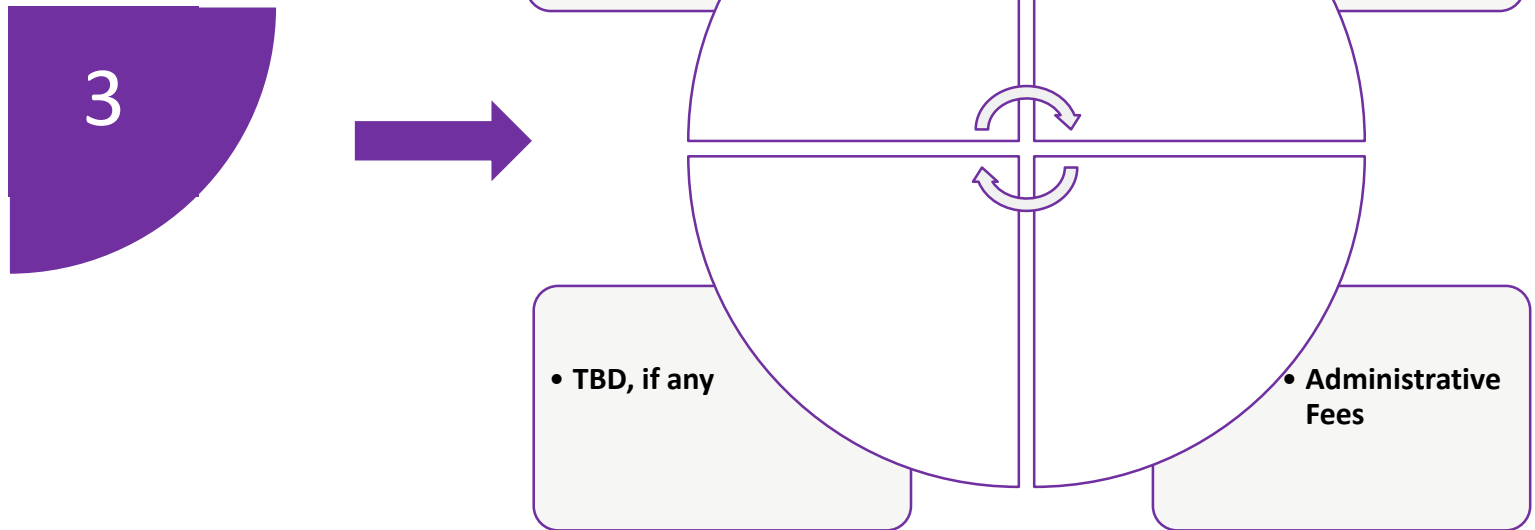
Identify and Segment Core Service-related Terms

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Global Financial Guide
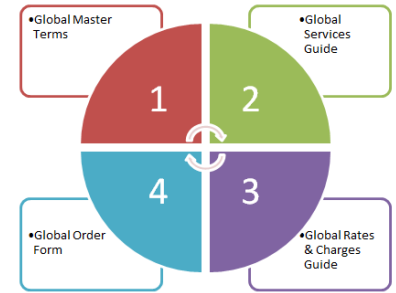
All Global Financial Terms

3

- **Global Rates/Price List**
- **Global Charges (e.g., Paper Invoice)**
- **TBD, if any**
- **Administrative Fees**

Identify and Segment Core Financial Terms

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Global Master Terms

All Global Master Terms

1

→
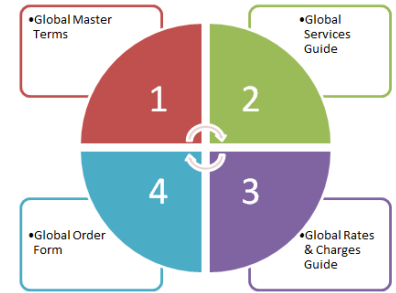
- Commercial Terms
- Financial Terms
- Enforceability Terms
- Remedies for Non-Performance Terms
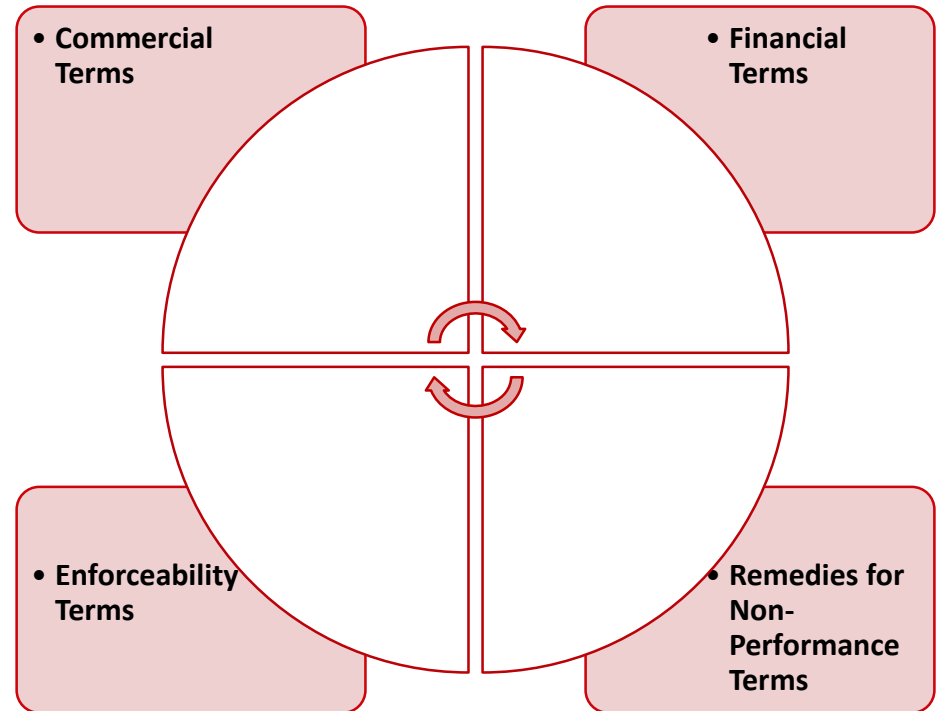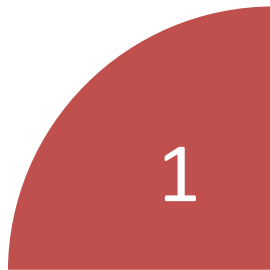
Identify and Prioritize Core Master Terms

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Service Descriptions – How do we get there?

Sort	Straighten	Shine	Standardize

Step 1: Categorize	Step 2: Prioritize	Step 3: Decide	Step 4: Reassemble

• **Disassemble Service Terms**
  • All of our customer-facing documents
	• **Separate and Prioritize Terms based on a small set of criteria:**
	  • Service Description
	  • SLAs
	  • Non-Contractual
	  • Financial
	  • Geographic Availability
	  • Supplemental Terms
		• **Make the decision to:**
		  • Remove
		  • Relocate
		  • Revise
			• **Re-organize using a standard structure**

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Why are we doing this?

Accelerate Revenue & Reduce Costs

- Speed up the negotiation process
- Reduce and manage customization (where needed)
- Reduce costs

Improve Customer Satisfaction

- Simplify and reduce complexity of Contracts and Service Descriptions to address customer survey feedback
- Reduce potential conflicting language between MSA and Product Service Terms

Increase Customer Adoption

- Provide customers single globally consistent legal terms and conditions
- Create better overall business and legal outcomes

All of the above are based heavily on customer feedback

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What changes to expect?

Customer-Focused

- Describe the service and benefits in customer friendly terms

- Clearly define what Verizon will deliver and critical Customer responsibilities

- Focus on customer business outcomes vs. Verizon's risk mitigation concerns

No Surprises

- Consistent and predictable

- Logical grouping of terms

- Same formatting across all legal terms

Shorter and Simpler

- Talk human

- Consistent language and definitions

- Eliminate redundancy

- Remove unnecessary detail

- Reduce negotiation time and corresponding attorney time and, therefore, reduce costs for both Verizon and our customers

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Purposeful Contracting

Metric: 🟢	Financial: 🟢	Milestones: 🟢

Tower / MBB	Purchase – Diana Preis
Program Manager	Jagan Gunalan
Business Owner	W. Jones/J. Veilleux
Exec Champion	Vandana Venkatesh

VES Contracting is complicated for enterprise customers, increasing negotiation time. Customers also must sign extra contract documents when they want products on the VRD platform, as well as the Legacy platform, exposing the complexities of VES Internal platforms.

Purposeful contracting is accelerating contracting by simplifying contract language and structure, automating the generation of fully-negotiable contract terms, and creating a single Hybrid contract that supports products from both platforms in a single agreement.

Financials (Hard & Soft benefits)

2017 Soft Benefits	$ 12.38M

Goals

Metric	Baseline	Target
Stage 4 cycle time	121 days	91 days

Risks/Delays

Aggressive simplification schedule, subject to delays.

Contract Negotiation Cycle Time

Baseline cycle time: 121 days.

Target : 25% cycle time reduction. Reduce 30 days by Jun' 17
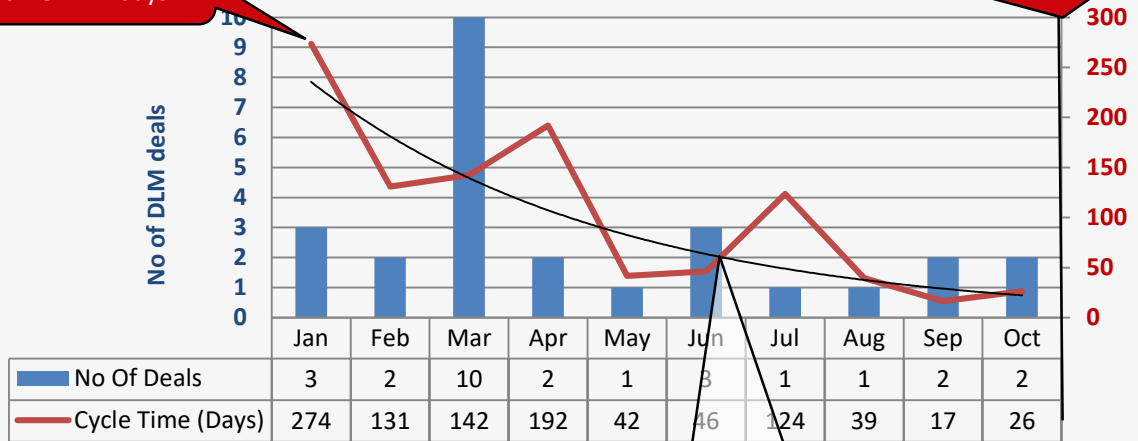
Delivery of project solutions started since June 2016

No of DLM deals

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
No Of Deals	3	2	10	2	1	3	1	1	2	2
Cycle Time (Days)	274	131	142	192	42	46	124	39	17	26

Key Accomplishments (Last 30 Days)

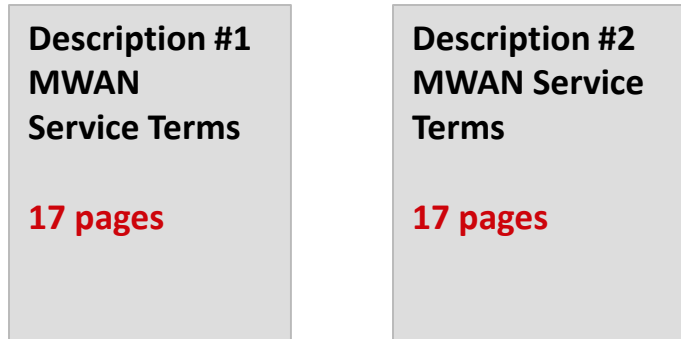| Simplified service terms for 9 services published on Dec 30th	23 contract pages eliminated (from 71 to 48)

Upcoming Milestones (Next 60 Days)

• Release of MVP1 for RTB SOF • 20+ Simplified services to be delivered • Manual Hybrid/Cross-Platform Process	• Reduce 5-7 days in cycle time

Milestones to be completed to close this project by 2Q 2017

17 remaining services to be simplified.	March 2017
Simplify Master terms - Consolidate the content of 20 different Master Service Agreement (MSA) versions into one set of global general terms .	March 2017
Add/Change Form deployed	June 2017
Restructured MSA (Create Master, Service and Financial schedule url's) and Start MSA Restructure development.	Q2 2017

Purposeful Contracting – In Action

Before

**Description #1
MWAN
Service Terms**

17 pages

**Description #2
MWAN Service
Terms**

17 pages

After

**Simplified
Consolidated
MWAN
Service Terms**

8 pages

Example of Service Definition – Before and After   *(using
VRD legacy version for language comparison):*

**General. Managed WAN provides wide area network design,
configuration, activation, monitoring, management and support of
Managed Devices to Customers** subscribing to the following Verizon
transport services, **where available**: Internet Dedicated, Internet
Dedicated Ethernet, Internet Broadband, Private IP Service ("PIP"),
Private IP Ethernet Layer 2 Service, Ethernet Private Line ("EPL"),
Ethernet Virtual Private Line Service ("EVPL CPA-Based"), and Virtual
Private LAN ("VPLS")**.** Upon Verizon approval, Managed WAN is also
available for locations where third parties and Verizon Wireless provide
transport service(s). Depending on the location where Managed WAN is
provided, Verizon provides either Managed Implementation or Managed
Take-Over to start Managed WAN at each Customer Site. Verizon will
inform Customer of the specific implementation options available at
Customer's location prior to implementation. Each implementation
option is more fully described later in these terms.

**Service Definition. Managed WAN Service provides a range of service options
enabling Customer to transfer all or part of its wide area network management to
Verizon, including network design, CPE configuration, service installation,
proactive monitoring, fault notification, reporting, device management and
software support, subject to availability.**

Removed	Retained	Added	Changed

Purposeful Contracting – In Action

Before

After

Example of Customer Out-of-Band Access Requirement:

(using VRD legacy version for language comparison):

9.   OOB Access. OOB access, whether wireless CDMA or GSM/GPRS (where available) ("Wireless OOB") or PSTN access ("Analog OOB," collectively Wireless OOB and Analog OOB is referred to herein as "OOB Access"), is required for Managed WAN Services Full and Managed WAN Services Physical. In order to ensure installation of the Managed Devices proceeds as planned, Verizon requires details of the analog line a minimum of 14 days prior to the installation of the Managed Devices. Managed WAN OOB Access is in addition to any local area network OOB access.

9.1   OOB Requirements. **Unless using Wireless OOB, otherwise directed by Verizon, or as otherwise provided herein, Customer must provide and install at its cost either a dedicated, directly connected analog telephone connection (i.e. not through Customer's PBX) that is enabled for applicable domestic or international connections or indirect cable access for use by each Analog OOB modem for troubleshooting each circuit that is part of the Managed WAN Services Full or Managed WAN Services Physical service.** The analog telephone connection must maintain a minimum 9600 bits per second connection rate for any Customer Site level SLAs to apply. Where Customer provides a PSTN line, Customer shall install an analog phone jack within 1.5 meters of each Managed Device location and will maintain OOB Access in good working condition at all times during the Service Commitment. If OOB Access is disconnected or not operational, this will void any Managed WAN service commitment provided by Verizon. The MRC or NRC does not include any rental or usage charges related to the Analog OOB and these charges are payable by Customer directly to the analog line provider. Customer acknowledges that OOB Access shall not be used for any purpose other than for Managed Device OOB management by Verizon and Customer is responsible for all charges related to OOB Access that is not such OOB management.

9.2   Wireless OOB. Where available, and at Verizon's sole discretion, Customer may order a Wireless OOB from Verizon for approved Managed Devices. Where Customer has provided the Wireless OOB equipment, Customer shall ensure that the Wireless OOB provided on the SIM card will be M2M ("Machine-to-Machine") data only (no voice) and CSD ("Carrier Service Data") and that the PIN code of the SIM card will be removed. The MRC and NRC for Wireless OOB is separate from the MRC and NRC for Managed WAN.

9.3   Backup Wireless. Where available, and at Verizon's sole discretion, Verizon will provide backup support using the Customer's Wireless OOB described above for both OOB and backup purposes. Console access to Customer's Managed Devices is available if Customer orders an external device and uses private wireless data services. To obtain such console access, Customer must select the "WAN Backup" feature option described below if a separate Managed Device is used for both Backup Wireless and OOB. Backup Wireless may require additional hardware to be purchased by Customer.

1.3.1.   **Out of Band Access. Unless otherwise agreed, Customer will provide out of band access to each Managed Device over a separate PSTN line or wireless connection (which may include backup wireless), where required and consistent with Verizon specifications for troubleshooting purposes.** …

Removed	Retained	Added	Changed

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Purposeful Contracting – In Action

Before

Example of Management Levels Feature Description:
(using VRD legacy version for language comparison):

7. **Service Management Types.** The following service management types are available for Managed WAN.

7.1 **Managed WAN Monitor and Notify.** Managed WAN Monitor and Notify provides the following:

7.1.1 **Monitoring.** Verizon provides proactive monitoring of all Managed Devices 24 hours a day, seven (7) days a week. Verizon will monitor the Managed Devices via use of the simple network management protocol ("SNMP") and internet control message protocol ("ICMP" commonly called a "ping") for status and error conditions (e.g. SNMP trap messages).

7.1.2 **Notification.** Verizon provides fault notification for the Managed Devices. Verizon's network operation center ("NOC") will create a trouble ticket and attempt to notify Customer's designated point of contact within 15 minutes of Verizon's determination of a Managed Device or transport failure. Verizon will attempt to notify Customer's designated point of contact via either e-mail or automated phone message at Verizon's option. Upon the creation of a trouble ticket, the NOC will i) begin troubleshooting the data networking circuit until the problem has been verified as fixed and the ticket will then be closed, if the trouble is due to a Verizon data networking circuit; or ii) inform Customer of the fault and monitor the ticket if the trouble is due to causes other than a Verizon data networking circuit. Once the non-Verizon issue has been resolved by Customer, the ticket will be closed by Verizon.

7.1.3 **Standard Reporting.** Please Note: Effective April 12, 2014, the terms set out here relating to WAN Analysis Reporting do not apply to contracts adding Managed WAN for the first time. Customers contracting for Managed WAN on or after April 12, 2014 will contract separately for WAN Analysis Reporting. Verizon provides reporting services using an automated reporting and analysis tool that selects and condenses the MIB data into graphical reports available on demand via an Internet web site. Standard Reporting provides information on Customer Edge ("CE") routers including; CE LAN interface performance, CE WAN interface performance, CE WAN sub-interface performance, and CE router performance ("Standard Reporting"). MIB graphical reports include CPU usage trends, tables of WAN or LAN elements showing trend variables, and summary reports. Reporting outside this scope may incur additional charges.

7.1.4 **Managed Services Customer Portal.** The managed services portal (the Verizon Enterprise Center or other website provided by Verizon from time to time ("Customer Portal")), is an Internet web portal that provides a secure, scalable, consolidated view of Customer Network information 24 hours a day, seven (7) days a week. The Customer Portal provides real time access to project status, contact information, and information about Managed Devices. Customer is limited to 10 user accounts and is responsible for

(cont.)

After

1.2 **Standard Service Features**

The service features and responsibilities are summarized in the table below.

Division of Responsibilities		
Monitor and Notify	**Physical Management**	**Full Management**
Customer Manages: •Strategic Direction •Fault Isolation •Fault Restoration-Logical •Fault Restoration-Physical •Maintenance-Break/Fix •Change Management-Logical •Change Management-Physical •Configuration Back-Up •Security Policy and Patching	**Customer Manages:** •Strategic Direction •Fault Restoration-Logical •Change Management-Logical •Security Policy and Patching	**Customer Manages:** •Strategic Direction •Security Policy
Verizon Manages: •Monitoring •Fault Notification •Performance Reporting	**Verizon Manages:** •Monitoring •Fault Isolation •Fault Notification •Fault Restoration-Physical •Maintenance-Break/Fix •Configuration Back-Up •Performance Reporting •Change Management-Physical	**Verizon Manages:** •Monitoring •Fault Isolation •Fault Notification •Fault Restoration-Logical •Fault Restoration-Physical •Maintenance-Break/Fix •Change Management-Logical •Change Management-Physical •Configuration Back-Up •Performance Reporting •Security Patching

(Customer rows labeled "Customer"; Verizon rows labeled "Verizon")

Change management of applicable software licenses that may be configured on Managed Devices does not include responsibility for tracking device-specific licenses where the device vendor permits re-use on new device acquisition.

D 1.2.1 **Monitor and Notify Service Level.** The most basic level of Managed WAN is Monitor and Notify, under which Verizon, provides the following capabilities.

(cont.)

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Purposeful Contracting – In Action

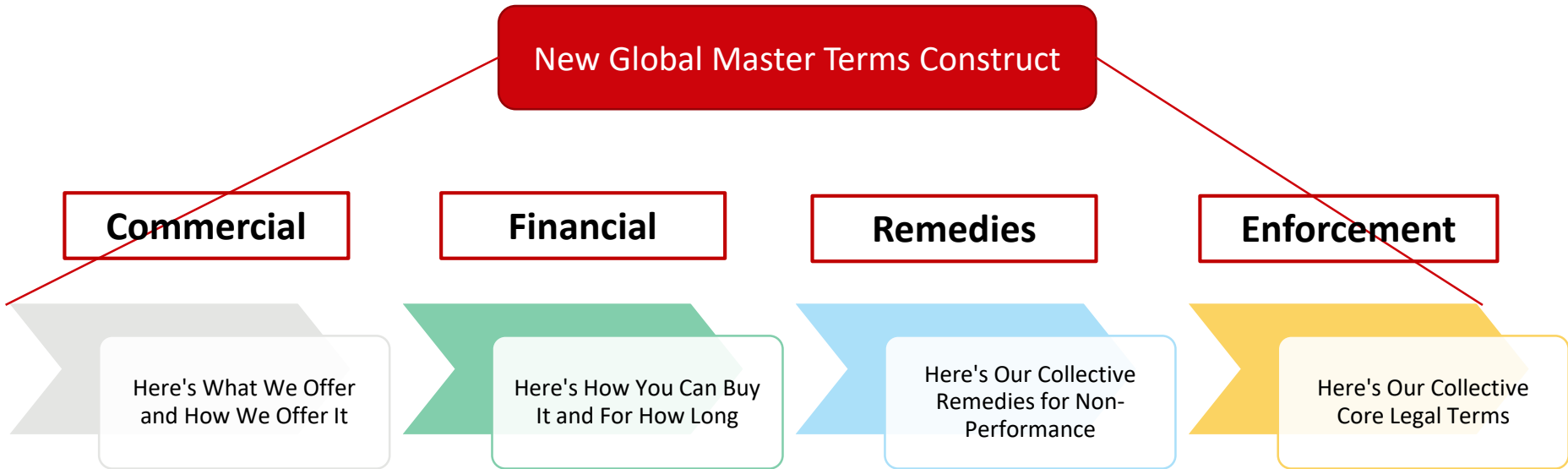Global Master Terms Simplification – One Single Contract
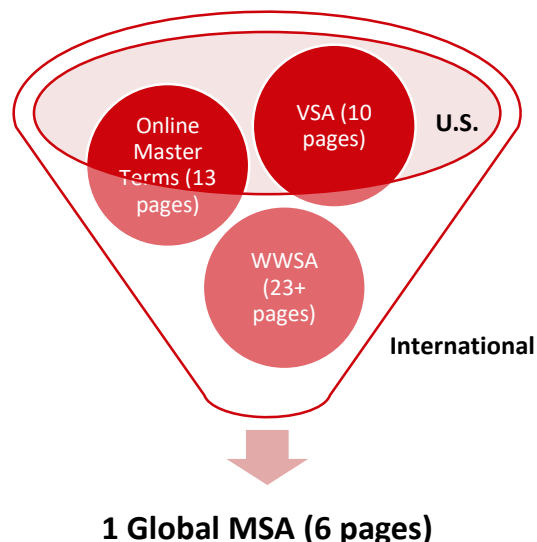
1 Global MSA (6 pages)

Shorter and simpler by the numbers

Service	Metrics	Details	New Global MSA	Improvement
Verizon Business Services Agreement ("VSA")	# of pages	10		40%
	# of section headings	19		58%
Worldwide Services Agreement ("WWSA")	# of pages	23		74%
	# of section headings	52		85%
Local Variations of the WWSA (e.g., EMSA, APSA)	# of pages	23	**1 Global Master Contract**	74%
	# of section headings	52		85%
Multiple Country Participation Agreements	# of pages	30	**6 pages**	80%
	# of section headings	N/A		N/A
Verizon Enterprise Solutions Agreement ("VESA")	# of pages	22	**8 sections**	73%
	# of section headings	32		75%
Professional Services Standalone Agreement	# of pages	7		14%
	# of section headings	15		47%
VRD Online Master Terms	# of pages	13		54%
	# of section headings	51		84%

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Purposeful Contracting – In Action

New MSA Framework: A Contract with a Simple Narrative Structure

New Global Master Terms Construct

Commercial	Financial	Remedies	Enforcement
Here's What We Offer and How We Offer It	Here's How You Can Buy It and For How Long	Here's Our Collective Remedies for Non-Performance	Here's Our Collective Core Legal Terms

Services	Purchase, Payment & Term	Non-Performance Risks	Legal
1. Verizon Services	2. Orders, Charges, Taxes & Payment	5. Warranties	7. Governing Law and Geographic Scope
	3. Term and Termination	6. Indemnity (Mutual)	8. General
	4. Liability		

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