
Information in Support of Joint Functional Separation Undertaking

given by Uniti Group to the Australian Competition and Consumer Commission under section 151C(4)(b) of the *Telecommunications Act 1997*

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The information in this document is provided to the ACCC in accordance with section 151C(4)(b) of the Act, to assist the ACCC to decide whether to accept or reject the Joint Functional Separation Undertaking, which was given to the ACCC by Uniti Group Limited under section 151C of the Act and dated 2 September 2020 (**Undertaking**).

1. Interpretation

- (a) The following terms have the following meanings in this document, unless the context otherwise requires:
 - (i) **Construction Customer** includes builders, developers, property & facilities managers and operators in Greenfields (broadacre & multi dwelling units), lifestyle & retirement living, commercial precincts, business/office buildings and sites, hotels and resorts.
 - (ii) **RSP** means retail service provider.
- (b) Capitalised terms or expressions in this document, which are not otherwise defined in this document, have the meaning in the Undertaking.
- (c) This document is to be interpreted in accordance with clause 2 of Part A of the Undertaking.

2. Separate Business Units for Retail and Wholesale (Part C, clause 1.1 of Undertaking)

- (a) Uniti Group is, and will continue to be, structurally separated into three independent businesses, being the Consumer & Business Enablement, Wholesale & Infrastructure and Speciality Services business units.
- (b) The three separate businesses reflect Uniti Group's established three pillar strategy, which has been key to Uniti Group's significant growth since it listed on the ASX in February 2019. Under the operating model that Uniti will continue to implement:
 - (i) acquired businesses are integrated within the relevant pillar only (other than certain shared services), rather than across pillars, resulting in achievement of acquisition synergies in a quick timeframe;
 - (ii) separate and dedicated sales & marketing, customer provisioning and support, network operations and maintenance, product development and support, network construction and maintenance (where required), business finance, engineering, technical and IT, within each business unit enables each business unit to focus on achieving organic growth; and
 - (iii) shared corporate services and group functions are consolidated to support the corporate and head office functions required of an ASX listed company, whilst delivering operational efficiencies across the entire Uniti Group and include Board, Group CEO & COO, Group finance, legal, corporate secretariat, communications, human resource, risk, regulatory and compliance, internal IT and systems requirements and associated functions.

3. Separate Business Unit Functions (Part C, clause 1.2 & 1.4 of Undertaking)

- (a) The Retailers provide (and will continue to provide) retail products and services to consumer and business customers and community based organisations.

- (b) The Wholesalers provide (and will continue to provide) the wholesale and infrastructure products and services to RSPs and Construction Customers.

4. Separate branding (Part C, clause 1.3 of Undertaking)

- (a) The Retailers and Wholesalers operate under separate brands and trade marks, being (as at the date of the Undertaking):
 - (i) for the Retailers, Uniti, FuzeNet , Fibreworks, Varsity Internet and Homelinx; and
 - (ii) for the Wholesalers, LBNC Co, Pivit, ClubLinks, CapitalFibre Networks, and Opennetworks.
- (b) The Uniti Group may cease to use existing brands and/or introduce new brands within a business unit, but no brand or trademark will not be used by both Retailers and Wholesalers during the term of the Undertaking.

5. Separate retail and wholesale staff (Part C, clause 2.1 & 2.6 of Undertaking)

- (a) The Wholesalers and the Retailers each engage separate and independent staff. Other than Uniti staff involved in corporate shared services, each staff member is engaged by one business only and is not shared across businesses.
- (b) The staff involved in corporate shared services are engaged by Uniti. Such staff perform corporate shared services that support group functions, including:
 - (i) group treasury, finance, group financial reporting, investor relations, tax, banking relationships, payroll and accounts payable;
 - (ii) people & culture, including the general functions involved in recruitment, leadership training, coaching, remuneration frameworks;
 - (iii) corporate marketing and communications,
 - (iv) legal, risk management, regulatory compliance and government relations generally relating to Uniti's core activities as a telecommunications company;
 - (v) internal IT, including the Corporate IT (Internal Network) and cyber security of that network;
 - (vi) head office functions, corporate secretarial office and board support;
 - (vii) group corporate strategy & M&A ; and
 - (viii) procurement, project management office, and facilities & office management.
- (c) Staff involved in corporate shared services may receive information from Wholesalers and/or Retailers for the purposes of performing their functions. Such staff do not (and are not permitted to) divulge information obtained from a Wholesaler to a Retailer, or divulge information obtained from a Retailer to a Wholesaler.

6. Separate retail and wholesale leadership (Part C, clause 2.2 of Undertaking)

- (a) The staff of the Wholesalers and the staff of the Retailers have separate leadership and are subject to management direction only within their respective businesses.

- (b) The chief executives (and other members of the leadership teams) of the Wholesalers and the Retailers have the same level of seniority within Uniti Group.

7. Separate staff locations (Part C, clause 2.3 of Undertaking)

- (a) The operations of the Retailers and Wholesalers are housed in physically separate office spaces. As at the date of the Undertaking, the operations of:
 - (i) the Wholesalers are located in Sydney, Melbourne, Brisbane and Perth; and
 - (ii) the Retailers are located in Adelaide.
- (b) Except as set out in the Undertaking, the Retailers' staff are not able to access the office spaces of the Wholesalers, and Wholesalers' staff are not able to access the office spaces of the Retailers, unsupervised.

8. Staff remuneration (Part C, clause 2.4 of Undertaking)

- (a) Remuneration of staff that is related to business unit performance reflects the objectives and performance of the business unit in which the applicable staff are based noting the overall performance of the business unit determines the funds that are available for staff remuneration within that business unit.
- (b) However, the incentive structures in place to remunerate and reward staff may take into account Uniti Group's goals and ability to attract and retain high quality employees, particularly at a more senior level. Uniti implements variable remuneration structures typical of listed entities, including equity based incentive plans open to senior staff. These structures typically extend beyond solely the performance of the business unit itself, and relate to the overall short and long term performance of the Group.
- (c) The incentive remuneration of each of the Chief Executive of the Consumer and Business Enablement business unit representing the Retailers, and the Chief Executive of Wholesale & Infrastructure business unit representing the Wholesalers, are partly determined by the performance of the Uniti Group and partly determined by the performance of the relevant business unit. Each of them (and also the senior managers within each business unit) are eligible to participate in the Group's long term incentive plan, which is based on performance measures typical of such plans and is determined by the performance of the Uniti Group.

9. Group culture events (Part C, clause 2.7 of Undertaking)

- (a) While complying with the separation arrangements set out in the Undertaking, including the information security requirements in clause 6 of Part C of the Undertaking, Uniti seeks to build a companywide philosophy and sense of team, with Group-wide values and goals. This may involve staff of the separate business units attending Group events such as companywide staff briefings, social functions and other team events, which are open to all Group employees and are aimed at enabling the development of a team culture.
- (b) Through its shared service people & culture function, Uniti also seeks to ensure that all its employees have access to the same employment terms and conditions, employee benefits, and access to corporate systems and benefits related to their employment.

10. Separate systems (Part C, clause 4.2 of Undertaking)

- (a) The Wholesalers and the Retailers maintain separate and independent business and operating systems, and operate substantially physically separate IT systems and applications.

- (b) The Wholesalers and Retailers use separate third party systems for sales CRM, ticketing system, communications (email), project management, licence and device management, finance, billing and help desk, and have developed separate internal systems for customer/RSP (self-service management) portals.
- (c) Uniti Group maintains a website for its corporate activities as a listed company (domain - www.unitigrouplimited.com, and email - @unitigrouplimited.com). All shared service employees utilise this email domain for both internal and external communication.
- (d) The Wholesalers and the Retailers share a common intranet / communications system for internal information (not Protected Information). Communications within Wholesalers and Retailers and respective business units is segregated, other than in relation to general companywide communications. Access to such system requires a password which ensures information on such system cannot be accessed by unauthorised staff.
- (e) For some third party generally available systems and applications, rather than having separate systems, the business units have separate instances with appropriate information barriers in place. Example of this are:
 - (i) the finance systems which are used by both the individual business units' finance teams and the corporate finance team to consolidate reporting at a Group level to meet Uniti's regulatory obligations;
 - (ii) the document management system, utilising Microsoft's Office 365 Sharepoint, with separate sections for different business units and for corporate. Access is limited to employees within each business unit, other than Corporate.
 - (iii) other communication platforms utilised (for example, Office365 or collaboration tools such as Slack), where both business units may utilise the same platform, albeit with separate accounts and email domains. Specific channels / groups may be used for Group-wide communications which are not business function related (for example, communications to all staff regarding public holidays or office shut down periods, staff benefits and engagement, social channels and other such communications).

11. Separate accounts (Part C, clause 4.3 of Undertaking)

- (a) The Wholesalers and the Retailers prepare and maintain separate financial accounts, to an EBITDA level including separate revenue, expenditure, capital expenditure receivables and payables registers or books of account. There are also separate financial records on all key business metrics that are more often unique to each business unit.

12. No information sharing (Part C, clause 6 of Undertaking)

- (a) Except to the extent specified in the Undertaking, no information is or will be shared between Retailers and Wholesalers.
- (b) As set out in the Undertaking, if a Retailer obtains the following information from a carrier or service provider, it may be shared with the Wholesale & Infrastructure business unit:
 - (i) certain information, opinions or recommendations with regards industry regulation;
 - (ii) certain information useful in managing business operations in times of emergency (for example, recent events under COVID-19 and bushfire conditions); and
 - (iii) requests for access to wholesale business unit infrastructure to provide network resiliency or protection solutions in particular times or generally.

The sharing of such information (which does not include Protected Information) potentially promotes effective, efficient and improved industry regulation and network operations, and does not give rise to any unfair commercial advantage being afforded to either the Retail or the Wholesale & Infrastructure business unit. Consequently, sharing such information is in the long term interests of end users.

- (c) As set out in the Undertaking, the Retailers and Wholesalers maintain separate and independent business and operating systems, and operate physically separate IT systems and applications. This limits the ability of the Retailers and Wholesalers to access information provided to the other business. To the extent Wholesalers and Retailers use a common communications system, access to such system requires a password which ensures information on such system cannot be accessed by unauthorised staff.
- (d) In addition to maintaining physically separate work locations, as set out in the Undertaking, the premises in which staff of the Wholesalers and Retailers are located also have security measures in place that restrict staff who are engaged to work for one business from gaining access to the premises where staff working for the other business are located.
- (e) Further, Uniti's Group Executive Leadership Team has developed information sharing and access protocols, which are implemented at the business unit level and which reflect the information security requirements in the Undertaking. Under such protocols:
 - (i) Uniti Board of Directors - receives Uniti group and business unit financial and operational performance reports to enable the Board to perform its role;
 - (ii) Group Executive Leadership Team - has access to Uniti group and business unit financial and operational performance data to enable the management of the Uniti group, and support of Board and corporate governance requirements;
 - (iii) Business Unit Chief Executives - access to all information relating to individual business units, and receives Uniti group level reports on performance of Uniti and all business units; and
 - (iv) Shared Service Functions - access to required customer data, billing, competitor information, and RSP partner confidential information (together **Sensitive Data**) to perform group consolidated functions; and
 - (v) Business Unit Teams - no access to Sensitive Data or Protected Information of another business unit.