Operations Update

Xavier Calvez, Carole Cornell | Dublin | 18 October 2015

Agenda

1 Financials Overview

2 FY17 Operating Plan & Budget and Five-Year Operating Plan Update Process

3 Enterprise Risk Management

4 KPI Beta Dashboard.

5 Organizational Excellence

Financials Overview

Financial Transparency and Accountability

1 **Quarterly Stakeholder Calls (QSC)**
FY15 Q4 call held on 20 August. FY16 Q1 call held on 6 October.
Due to the timing of the call, ICANN provided estimates for FY16 Q1.

2 **Quarterly financial package**
Continue publishing more detailed quarterly financial package,
including IANA function costs and USG Stewardship costs.

3 **FY17 OP&B Process**
Consistent with the FY16 process, the commencement date for
FY17 Operating Plan and Budget was moved up (3 months earlier
than FY16) to allow for even more time for planning and interaction
between the community and staff.

4 **Questions/comments?**

FY15 Resource Utilization Overview

Cost savings offset lower revenue and initiatives overspend

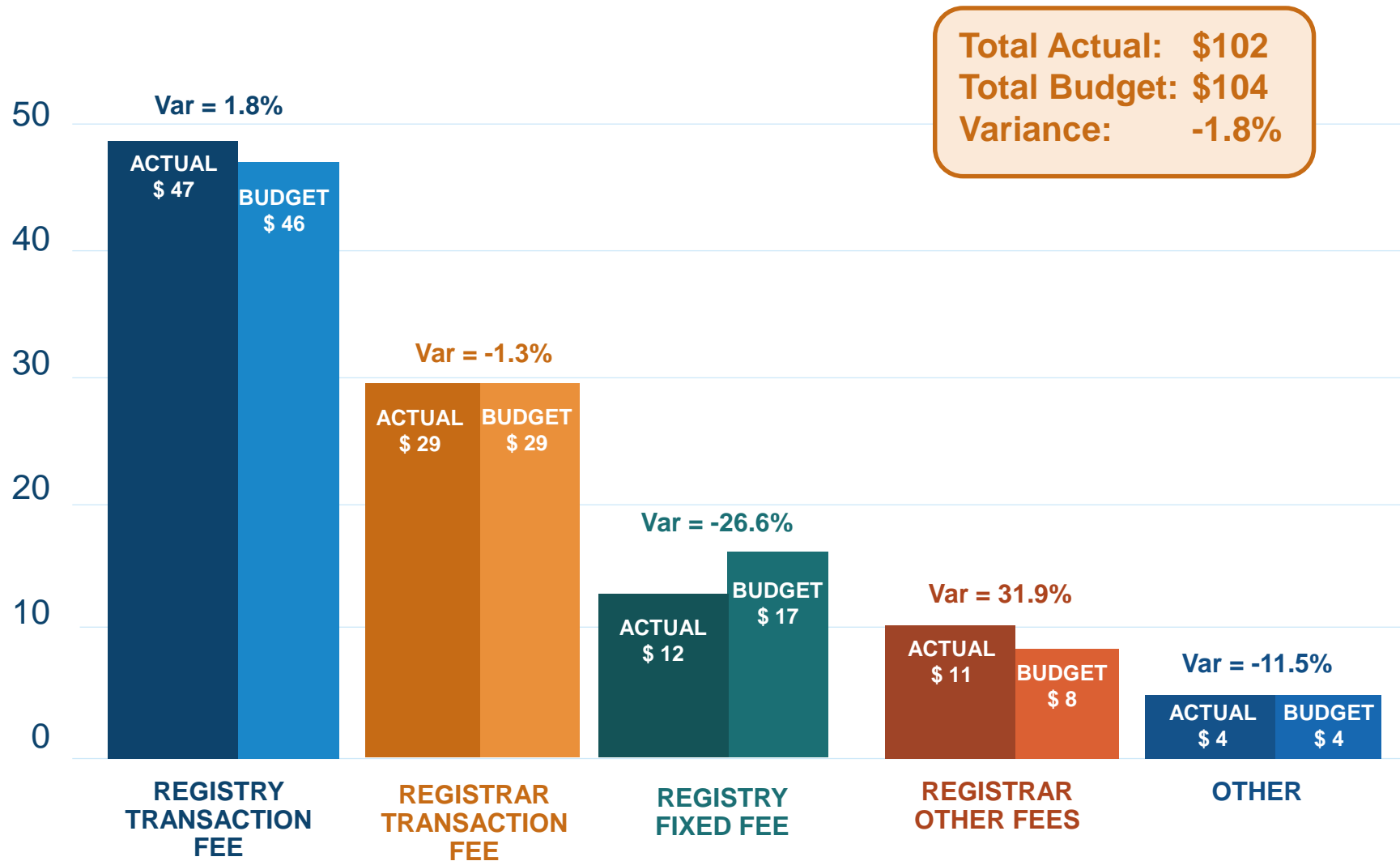|	Actual	Budget	Var	% Var
Revenues	$ 102	$ 104	-$ 2	-2%
Baseline Expenses (Operating*/Capital)	-$ 100	-$ 104	$ 4	4%
Initiatives Expenses	-$ 9	-$ 7	-$ 2	-24%
Net	-$ 7	-$ 7	$ 0	

*Excludes bad debt and depreciation

FY15 Revenue

Total Actual: $102
Total Budget: $104
Variance: -1.8%

Var = 1.8%
ACTUAL $ 47
BUDGET $ 46

Var = -1.3%
ACTUAL $ 29
BUDGET $ 29

Var = -26.6%
ACTUAL $ 12
BUDGET $ 17

Var = 31.9%
ACTUAL $ 11
BUDGET $ 8

Var = -11.5%
ACTUAL $ 4
BUDGET $ 4

REGISTRY TRANSACTION FEE | REGISTRAR TRANSACTION FEE | REGISTRY FIXED FEE | REGISTRAR OTHER FEES | OTHER

FY15 Transaction Volumes

	FY15 Budget	FY15 Actual
# of Transactions (in M)	163.9	158.7
Legacy TLDs	148.1	151.3
New gTLDs – Total	15.8	7.4
New gTLDs - Billable	10.7	3.6

FY15 Baseline Operating Expenses and Capital

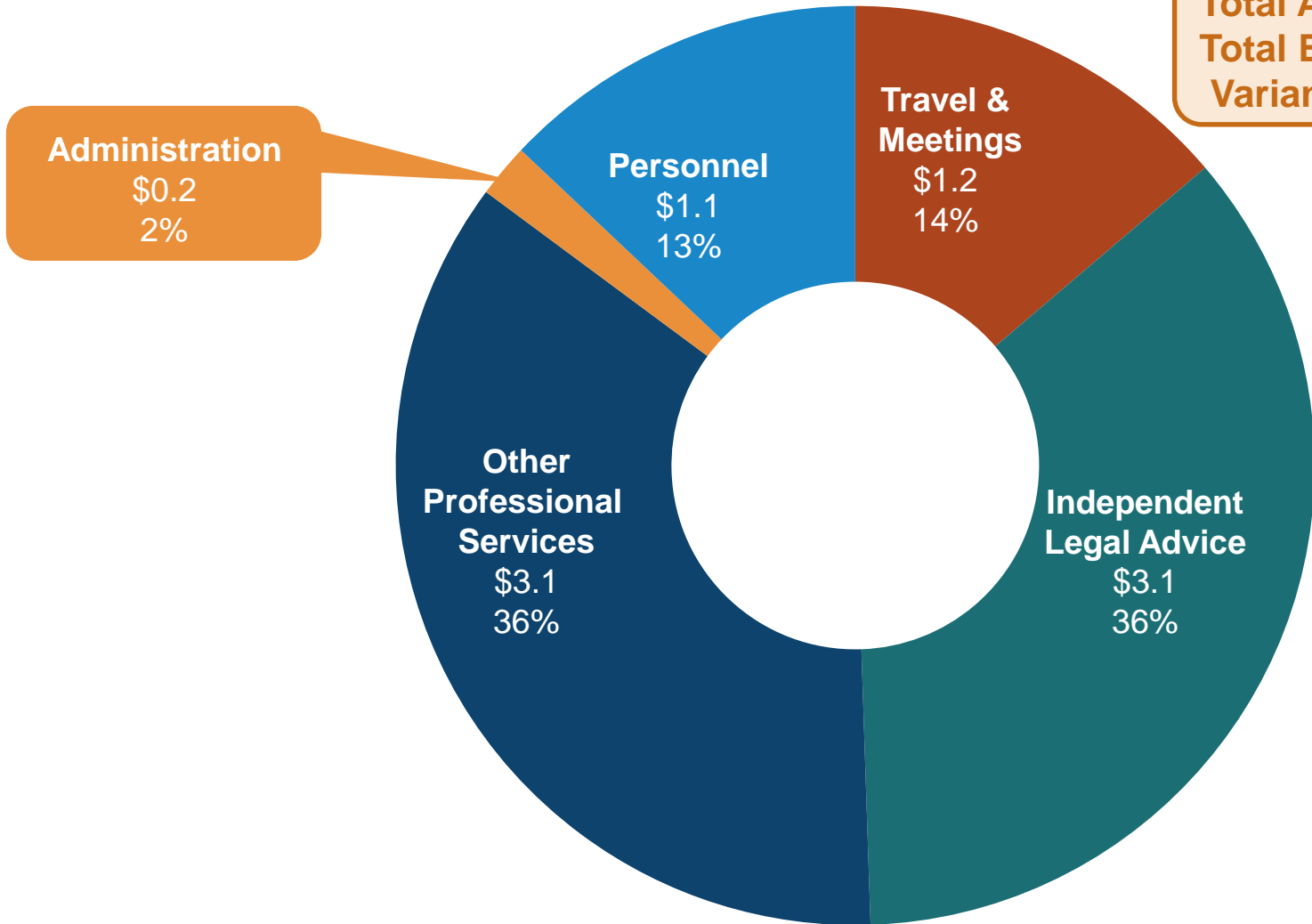## Careful management of expenses and timing differences of projects vs. plan.

Total Actual: **$100**
Total Budget: **$104**
Variance: **4.0%**

Var = 4.5%

PERSONNEL
ACTUAL $ 48
BUDGET $ 50

Var = -13.8%

TRAVEL & MEETINGS
ACTUAL $ 14
BUDGET $ 13

Var = 20.6%

PROFESSIONAL SERVICES
ACTUAL $ 15
BUDGET $ 19

Var = -3.7%

ADMINISTRATION*
ACTUAL $ 15
BUDGET $ 14

Var = 7.3%

CAPITAL
ACTUAL $ 7
BUDGET $ 8
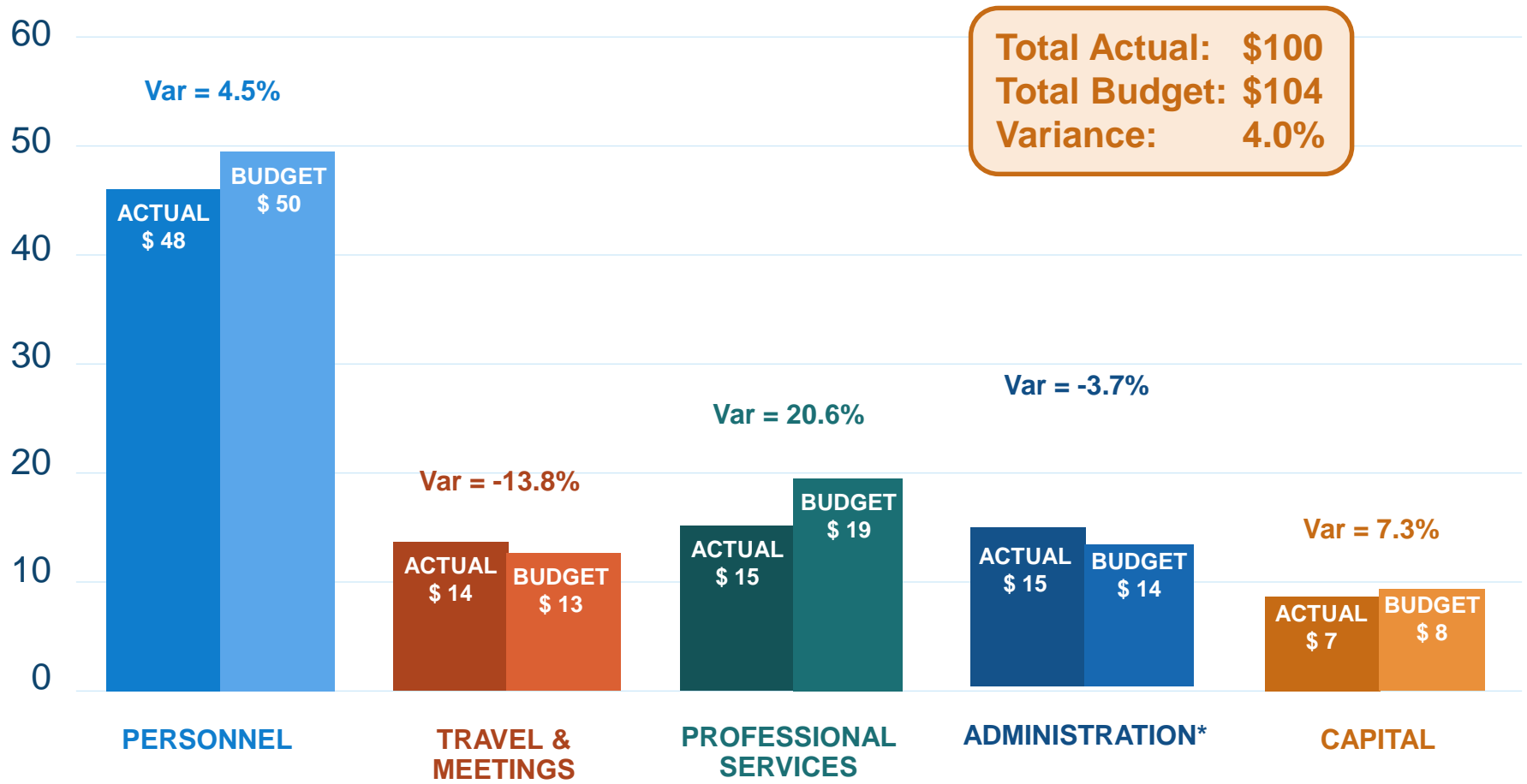
*EXCLUDES BAD DEBT AND DEPRECIATION, WHICH WAS PREVIOUSLY REPORTED IN ADMIN.

In millions USD - unaudited

FY15 USG Stewardship Transition Costs

Administration
$0.2
2%

Personnel
$1.1
13%

Travel & Meetings
$1.2
14%

Other Professional Services
$3.1
36%

Independent Legal Advice
$3.1
36%

Total Actual: **$9**
Total Budget: **$7**
Variance: **-25.2%**

FY16 Q1 Resource Utilization Estimate

Net excess for Q1, mainly due to timing differences.

	Q1 Estimate	Q1 Budget	Var	Q1 LY	Var	FY16 Budget
Revenues	$ 26	$ 26	$ 0	$ 23	$ 3	$113
Baseline Expenses (Operating*/Capital)	-21	-25	4	-20	-1	-113
Initiatives Expenses	-4	-4	0	-1	-3	-13
Net	$ 1	-$ 3	$ 4	$ 2	-$ 1	

*Excludes bad debt and depreciation

In millions USD - unaudited

| 11

Q1 QSC – Revenue Estimates

Revenues on target.

Estimate:	$ 26
Budget:	$ 26
Last Year:	$ 23

Chart data:

	REGISTRY TRANSACTION FEE	REGISTRAR TRANSACTION FEE	REGISTRY FIXED FEE	REGISTRAR OTHER FEES	OTHER
Est	$ 11	$ 6	$ 5	$ 3	$ 1
Bud	$ 11	$ 7	$ 4	$ 3	$ 1
LY	$ 11	$ 7	$ 2	$ 2	$ 1
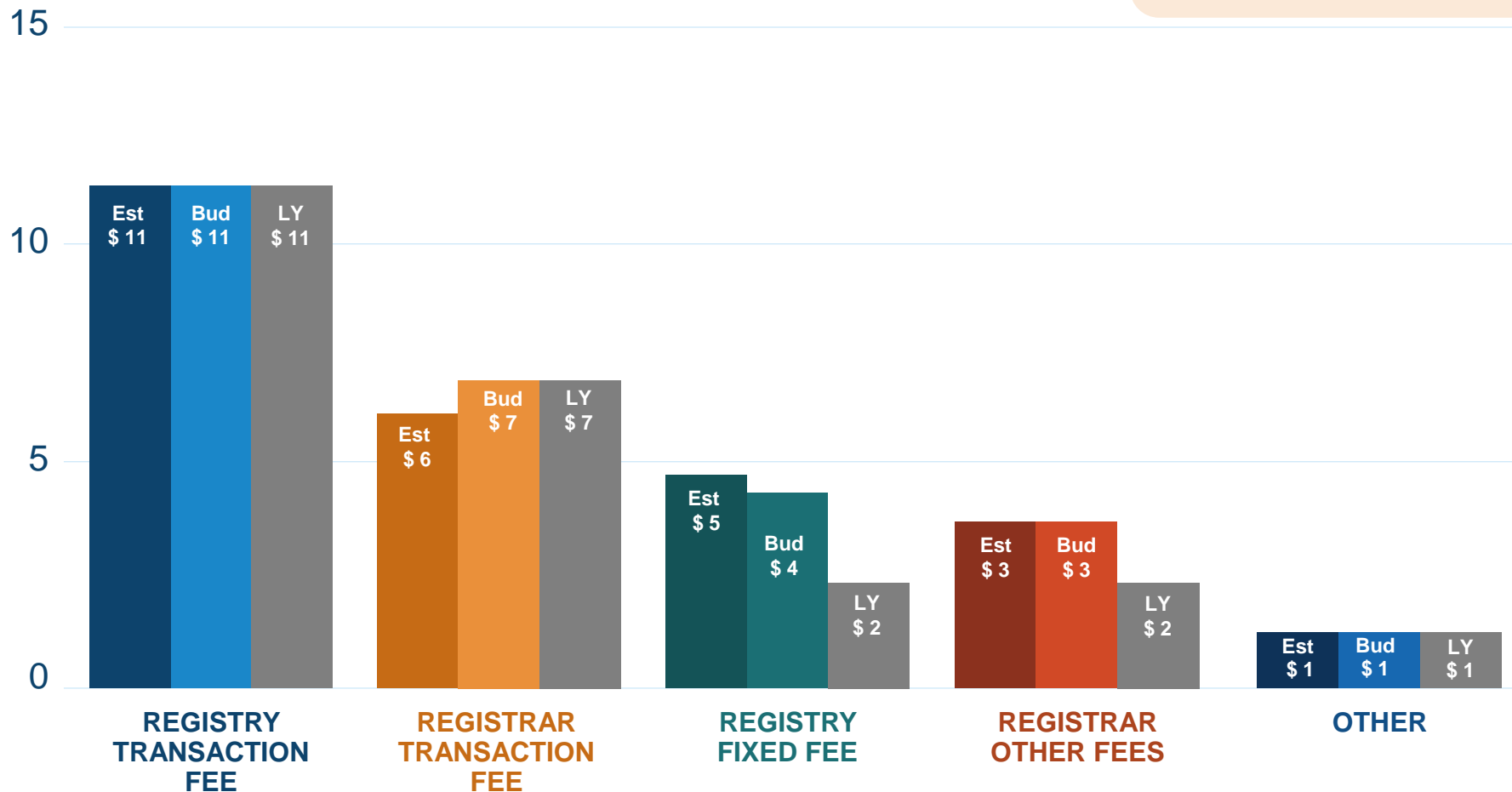
*Excludes bad debt and depreciation

Q1 QSC –Baseline Operating Expenses and Capital Estimates

Timing differences of projects vs. plan and slower hiring than budgeted.

Estimate:	**$ 21**
Budget:	**$ 25**
Last Year:	**$ 20**

PERSONNEL
Est $ 12
Bud $ 13
LY $ 11

TRAVEL & MEETINGS
Est $ 1
Bud $ 2
LY $ 2

PROFESSIONAL SERVICES
Est $ 2
Bud $ 4
LY $ 3

ADMINISTRATION*
Est $ 3
Bud $ 3
LY $ 3

CAPITAL
Est $ 2
Bud $ 2
LY $ 2
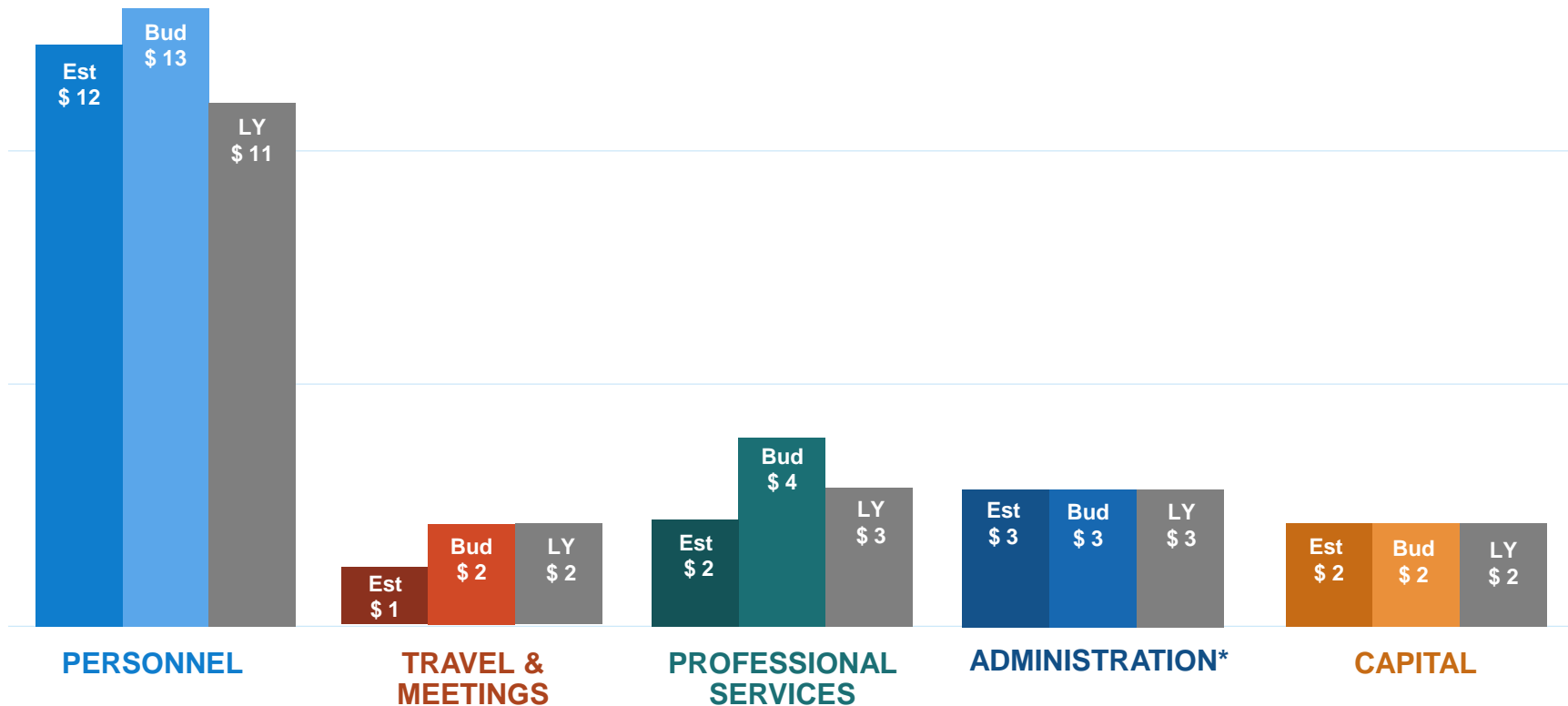
*Excludes bad debt and depreciation

FY16 Q1 Initiatives Estimates

	Q1 Estimate	Q1 Budget	FY16 Budget
USG Stewardship Transition	$ 2.8	$ 1.8	$ 7.0
Public Responsibility	0.3	1.1	2.5
Hardening Critical IT Infrastructure	0.4	0.5	2.5
New gTLD - Next Round Assessments & Preparation	0.1	0.1	0.5
Implementation of Reviews Recommendations	0.0	0.1	0.3
Total Initiatives	$ 3.6	$ 3.6	$ 12.8

In millions USD - unaudited

FY16 Q1 USG Stewardship Transition Cost Estimates

Q1 Estimate: $ 2.8
Q1 Budget: $ 1.8
FY16 Budget: $ 6.9

Travel & Meetings
$0.3
10%

Personnel
$0.6
22%

Administration
$0.1
1%

Other Professional Services
$0.3
11%

Independent Legal Advice
$1.5
56%
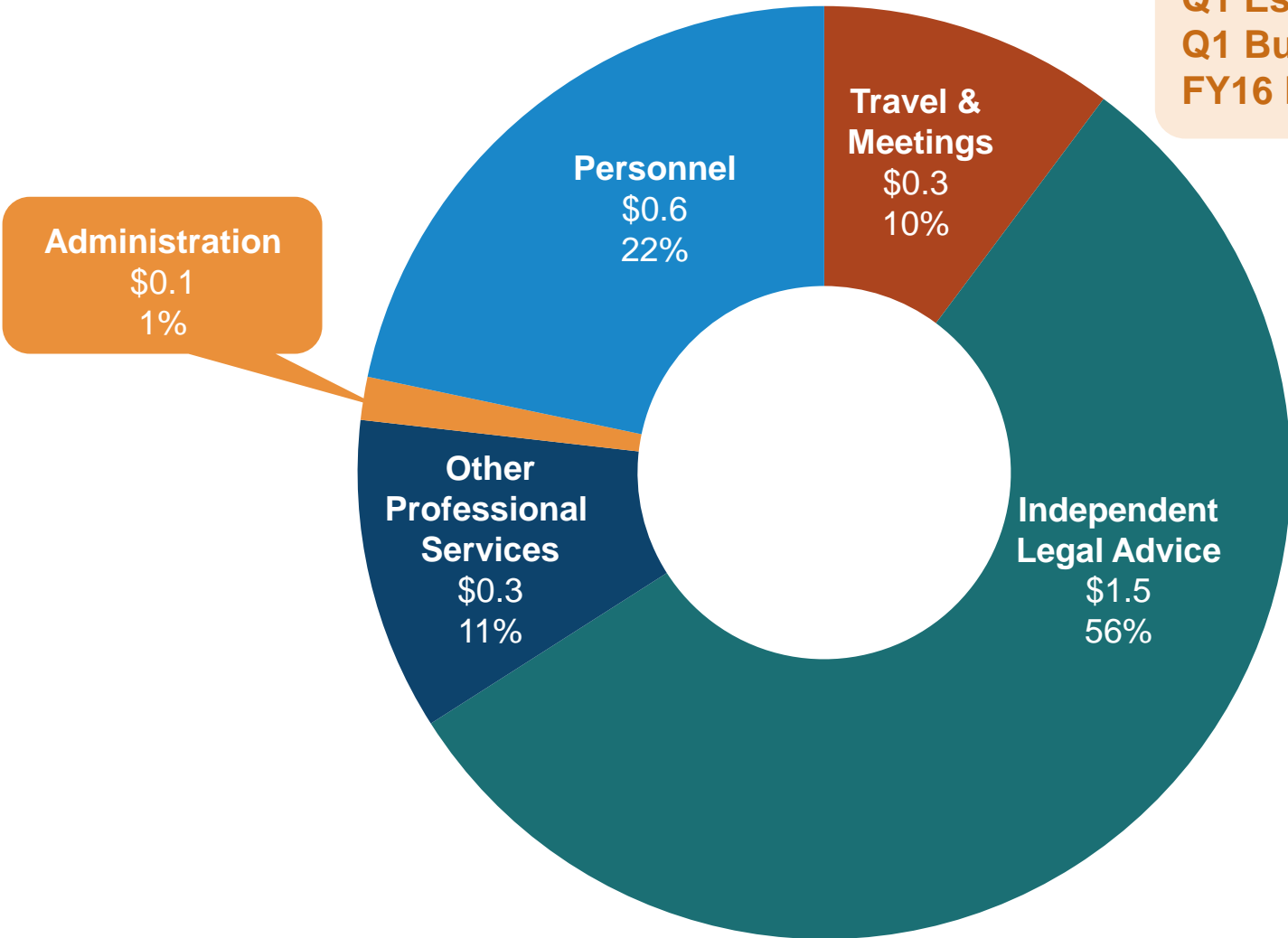
New gTLD Program – Multi-year Forecast

 note: full-slide chart

New gTLD PROGRAM

Application fees collected $ 362

$ 274 $ 89

$ 25

Refunds $ 56

Refunds $ 8
Costs $ 17

$ 43

Costs $ 218

Refunds $ 9
Costs $ 34

FY17 FORECAST

$ 50

Refunds $ 18
Costs $ 32

FY16 FORECAST

$ 156

Refunds $ 21

FY15 ACTUAL

Costs $ 135

- Refunds
- Remaining funds for unexpected expenses (including risks)
- Application processing costs
- ······ Cumulative costs

FULL PROGRAM FORECAST

FY12-14 ACTUAL
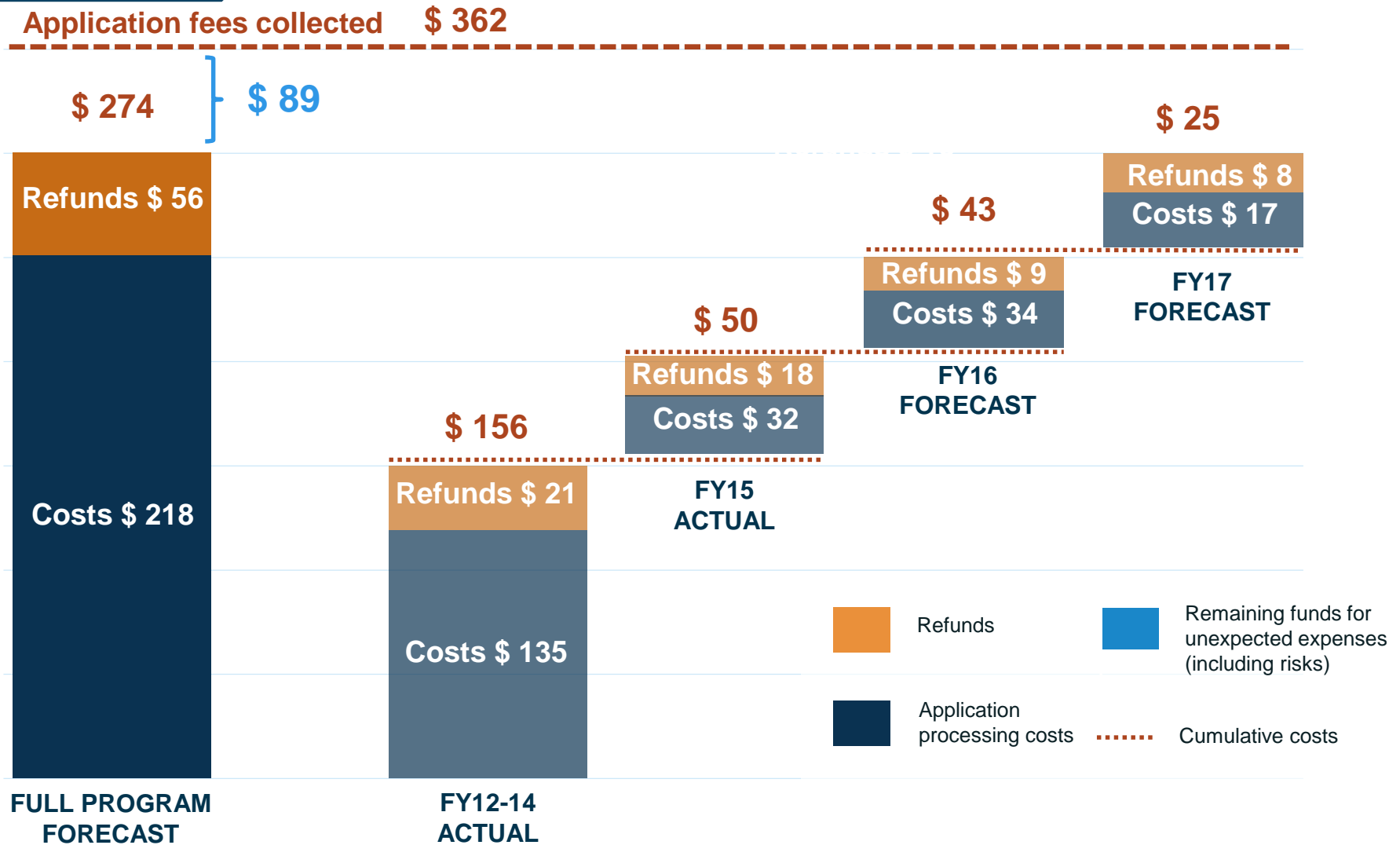
FY16 Q1 Funds Under Management Estimates

Total Funds: **$318**
Program-related: $216
ICANN Operations: $102

New gTLD Program
New gTLD funds/Auction proceeds

$221

$216

New gTLD Funds $ 162

New gTLD Funds $ 157

Auction Proceeds $ 59

Auction Proceeds $ 59

30 Jun 2015   30 Sep 2015

ICANN Operations
Operating and Reserve Funds

$105

$102

Operating Fund $19

Operating Fund $18

Reserve Fund $ 86

Reserve Fund $ 84

30 Jun 2015   30 Sep 2015
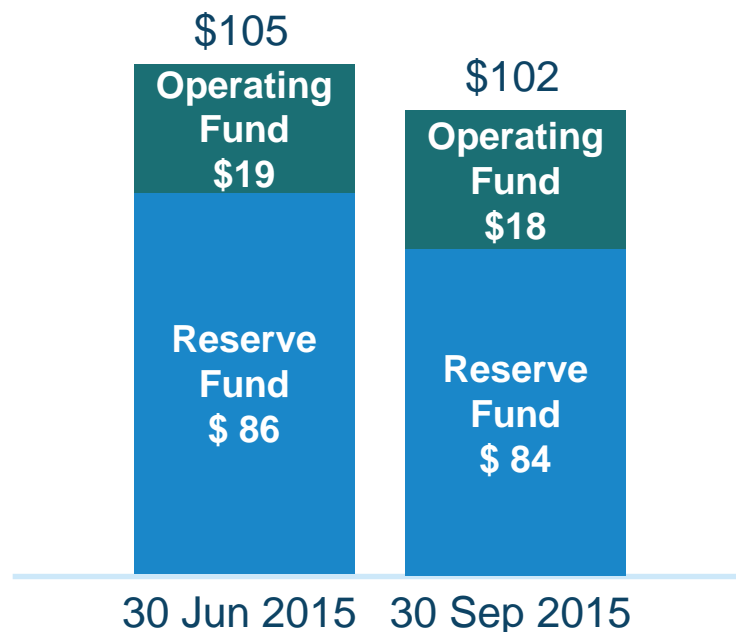
For more information please visit our financials webpage:
https://www.icann.org/resources/pages/governance/financials-en

FY17 Operating Plan and Budget and

Five Year Operating Plan Update Process

FY17 Operating Plan & Budget Process

1

Community Webinar - 22 September

Reviewed and discussed with the community: 1) lessons learned from the FY16 process, 2) FY17 Challenges/ Key Success Factors; 3) process & timeline; and 4) the Five-Year Operating Plan update. Over twenty community members participated in the webinar.

2

Budget Working Group - 18 October in Dublin

ICANN staff hosted a small working group to review and define budget assumptions relative to revenue, priorities, initiatives, expenses envelopes for FY17 Operating Plan and Budget.

3

Operations Update - 21 October in Dublin

ICANN Operations and interactive dialogue on FY16 progress

4

Next Steps

Detailed departmental operating plan and budget to be produced by staff and reviewed by GLs

5

Questions/comments

FY16 Process – Lessons Learned

What we should continue:

- ✓ Annual Operating Plan and Budget (OP&B) derived from the 5-Year Operating Plan

- ✓ Advanced scheduled: earlier start, earlier Community/Staff interaction, earlier public comment period

- ✓ Interactive engagement: F2F working group session

- ✓ Improved communication on public comments and draft responses

- ✓ Involvement of Board in public comment process, improving Board accountability

What we should improve:

- Interaction with community was limited to SO/AC members = Need to expand participation

- Communication on the USG transition project monitoring and costs

- Integrate more and better the KPIs into the planning process

Challenges ⟺ Key Success Factors

1

USG Transition?
- Coordinate assumptions with Staff – Board – Community
- Communicate extensively
- Monitor costs closely

2

New CEO?
- Draft completed/published by new CEO arrival
- Detailed briefing at arrival
- Increase contingency

3

Operating / Strategic plan update?
- New and additional step in the process
- Planning and communication required

4

Functional & SO/AC budgets?
- Identify functional areas of ICANN for which budgets should be clearly defined
- Develop model for defining budget by SO/AC group

5

Tight timeline?
- Early information/communication
- Clear/comprehensive calendar
- Discipline

6

Resource limitation?
- Marginal revenue increase
- New gTLD allocation "coming back"
- Reserve Fund "replenishment"
- Require more planning, including long term.

Planning Process

VISION/MISSION STATEMENT

STRATEGIC PLAN

VALIDATE

ACHIEVEMENT & PROGRESS REPORTING
e.g. Quarterly Stakeholder Call

5yr FIVE-YEAR OPERATING PLAN

STAKEHOLDER CONSULTATION & INPUT

1yr ANNUAL OPERATING PLAN & BUDGET

Portfolio Management Structure

5 — **OBJECTIVE**

Description
Owner

16 — **GOAL**

Description
Owner
Metrics

61 — **PORTFOLIO**

Description
Owner
Timeline
(e.g. FY14)
Metric
Funding
(e.g. yes/no)

300+ — **PROJECT/ ACTIVITY**

Description
Owner
Timeline
(start & end date)
Metrics
Priority
(e.g. urgent, high, normal, low)
Team
Budget/Act

ICANN Five-Year Operating Plan- Update #1

~~FY2016- FY2020~~

FY2017-FY2020
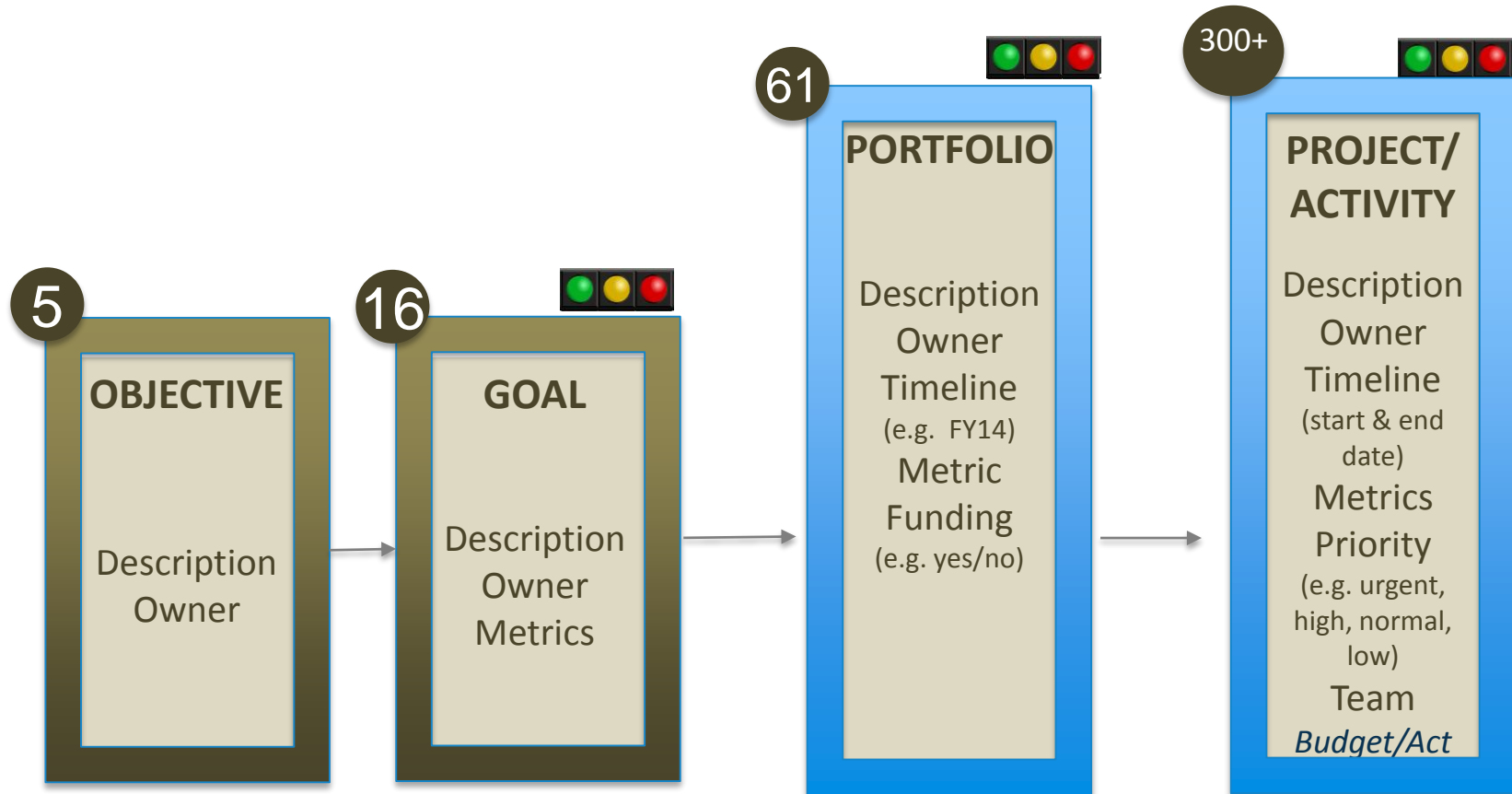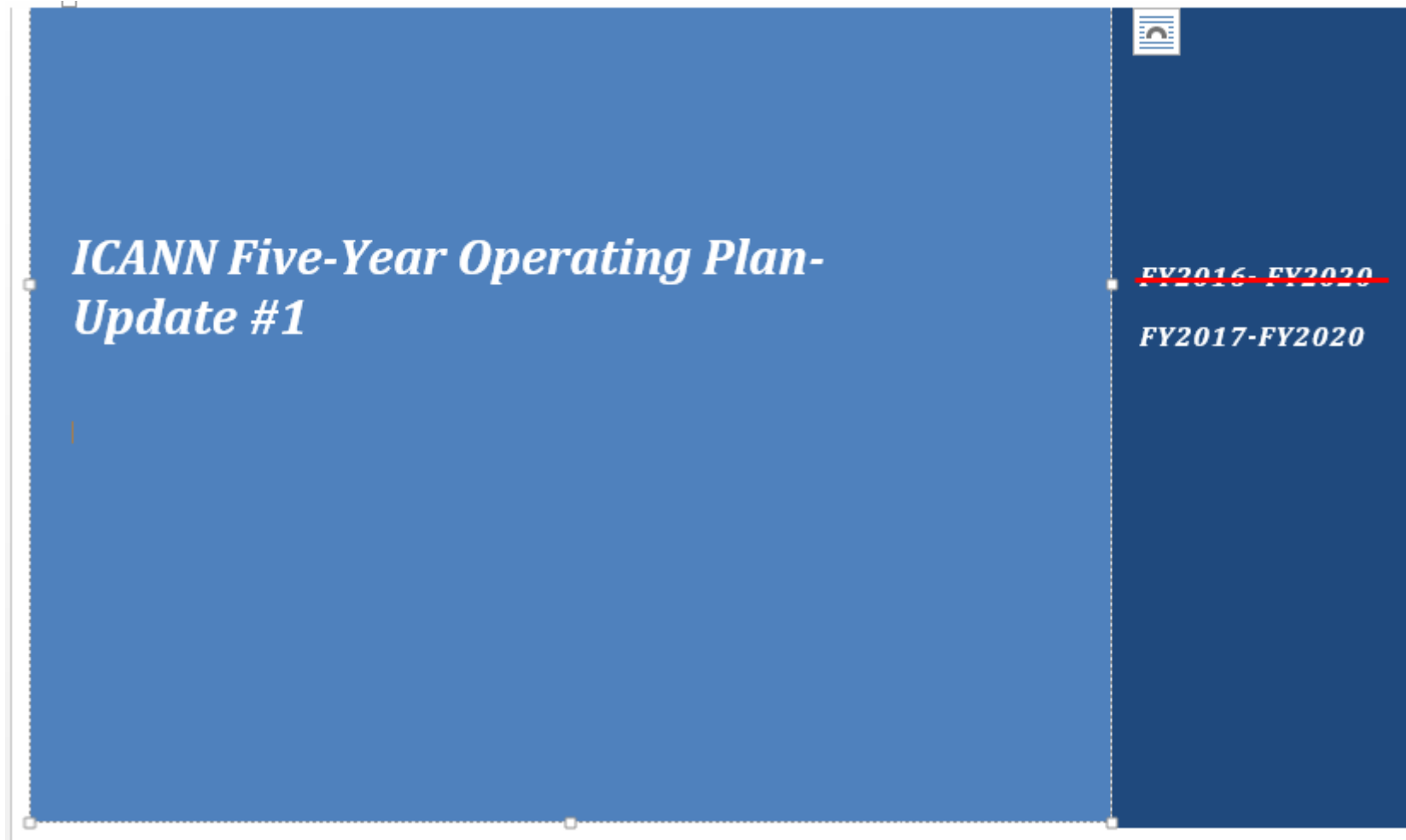
Five-Year Operating Plan – Objective Focus

1 Evolve and further **globalize** ICANN.
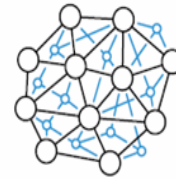
2 Support a healthy, stable, and resilient **unique identifier ecosystem**.

3 Advance **organizational**, **technological** and **operational excellence**.

4 Promote ICANN's role and **multistakeholder** approach.

5 Develop and implement a **global public interest** framework bounded by ICANN's mission.

FY16 Forecasted Summary Results - Sample

Objective 1

Obj	Phasing Planned	Status - TBD
1.1	1. Integrate global and regional communications strategies.	Complete
	2. Comprehensive regional engagement plans and strategies covering most ICANN regions.	Carry Over to FY17
	3. Further distribute ICANN functions at hub offices.	In works
1.2	1. Implement global stakeholder engagement (GSE) web tools for supporting stakeholder engagement activities at regional and local level.	…
	2. Examine effectiveness of regional strategies launched in FY13-FY14.	
1.3	1. Complete a comprehensive inventory of all resources and capabilities that ICANN provides to the current stakeholder communities.	
	2. Complete a comprehensive assessment of delivery of all resources and capabilities that are provided to the stakeholders.	
	…	

Five Year Operating Plan – FY16 Changes

	Obj#1	Obj#2	Obj#3	Obj#4	Obj#5
Changes	FY16	FY16	FY16	FY16	FY16
Impact on Five Year Ops Plan	FY17	FY17	FY17	FY17	FY17
	FY18	FY18	FY18	FY18	FY18
	FY19	FY19	FY19	FY19	FY19
	FY20	FY20	FY20	FY20	FY20
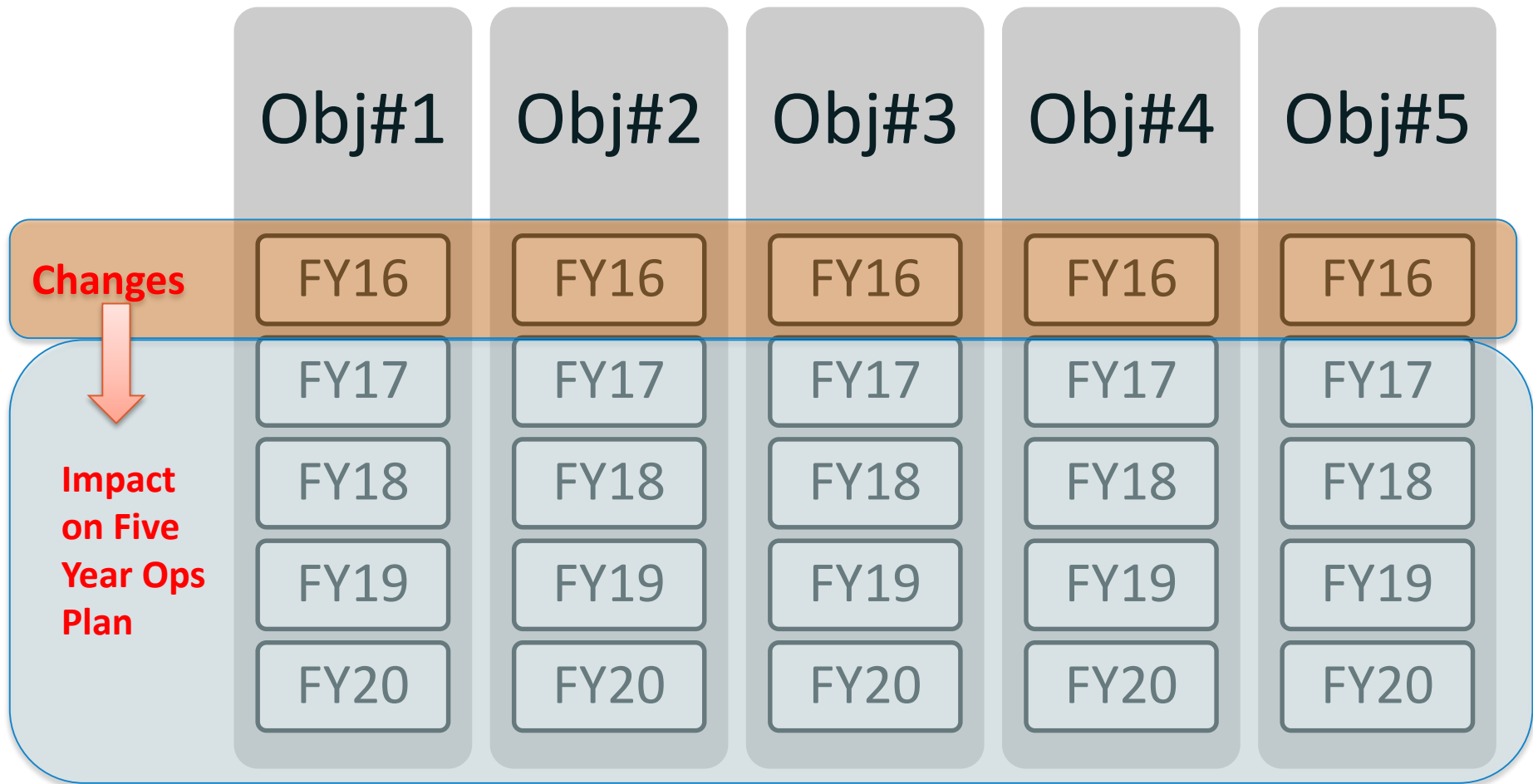
Strategic Objective 1 - Evolve and further globalize ICANN.

Strategic Goal 1.1 Further **globalize and regionalize** ICANN functions.

Portfolios: Review and edit as needed
1. Raising Stakeholder Awareness of ICANN Worldwide
2. Engagement Planning

Key Performance Indicators (Metrics): Review and edit as needed
- Stakeholder engagement index (e.g., Fellowship (new/alumni/coach/mentor); ICANN language services – timeliness, effectiveness and efficiency; Language Localization; Meetings Statistics (current statistics on newcomers, by stakeholder group); Tracking newcomers; Regional participation in SO/AC groups (data provided by Policy team - GAC data provided by Government Engagement); Stakeholder Engagement Heat map)
- XX % of ICANN organizational functions performed across ICANN

Dependencies: Review and edit as needed
1. Sufficient funding for media tracking and communications activities to understand success in globalizing ICANN
2. Communications needs may increase/Global Stakeholder Engagement (GSE) focus may shift in event of additional round of new gTLDs during the Five-Year Operating Plan

Phasing: Remove FY16 and edit as needed FY17-20

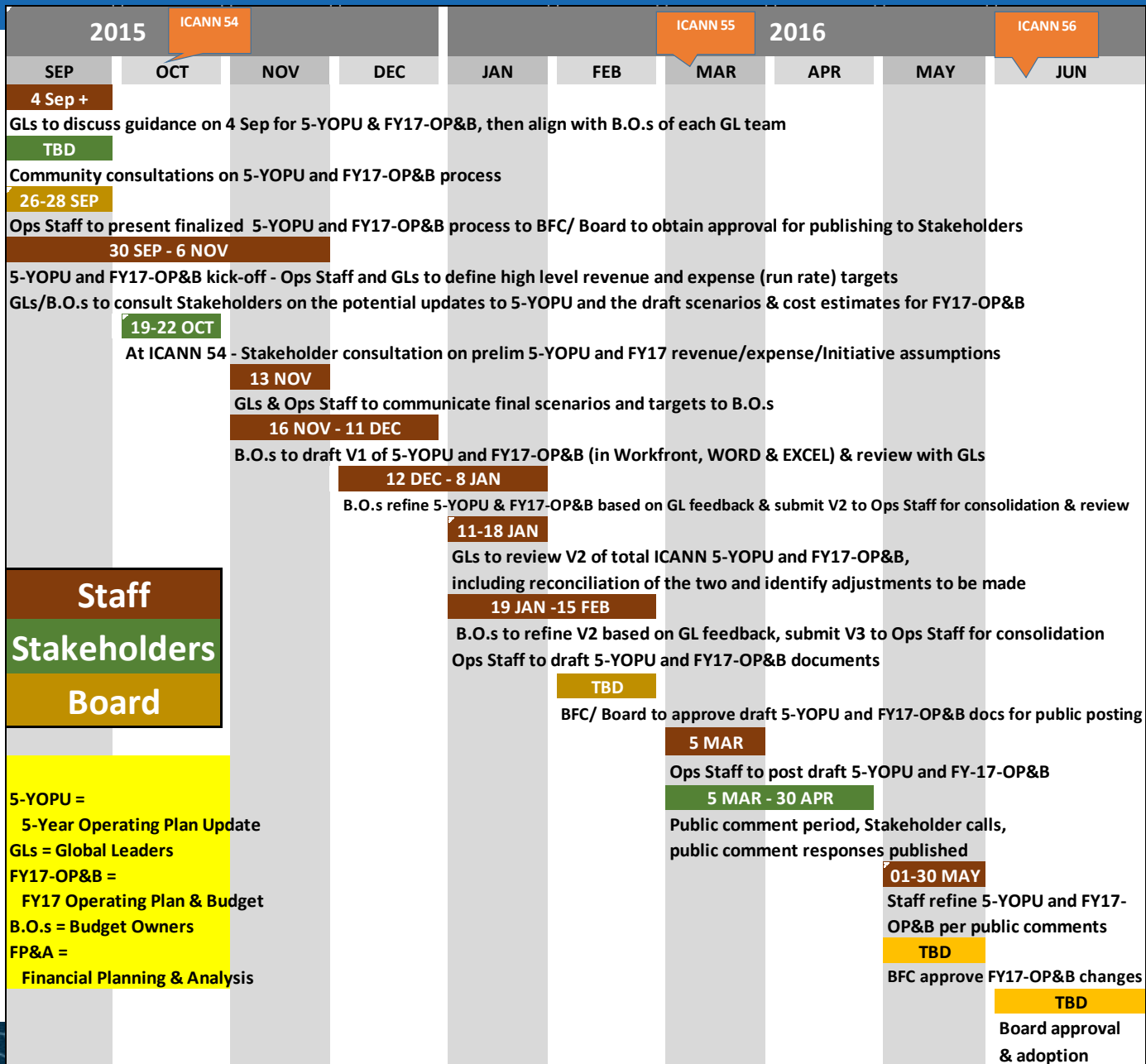|	
FY16 **Delete**	1. Integrate global and regional communications strategies.
	2. Comprehensive regional engagement plans and strategies covering most ICANN regions.
	3. Further distribute ICANN functions at hub offices.
FY17 **Edit**	1. Sustain implementation of communications strategy.
	2. Wide awareness raising and educational effort if supporting ICANN with another new gTLD round.
	3. Examine how hubs and engagement offices are supporting ICANN globalization.
FY18 **Edit**	1. Reevaluate communications strategy, refresh social media tools and reevaluate ROI from existing platforms.
	2. Conduct mapping of community to regional engagement; implement recommendations resulting from examination of ICANN hub office and engagement site support of ICANN globalization.
FY19 **Edit**	1. Implement integrated global and regional communications strategies in support of ICANN strategies.
	2. Implement improvements for global stakeholder engagement (GSE) based on community mapping in FY18.
FY20 **Edit**	1. Conduct holistic evaluation of ongoing integrated global and regional communications strategies.
	2. Survey community on GSE engagement and support of community engagement at high level.
	3. Implement improvements on review of GSE web, CRM tools from 2019.

FY17 Operating Plan Development

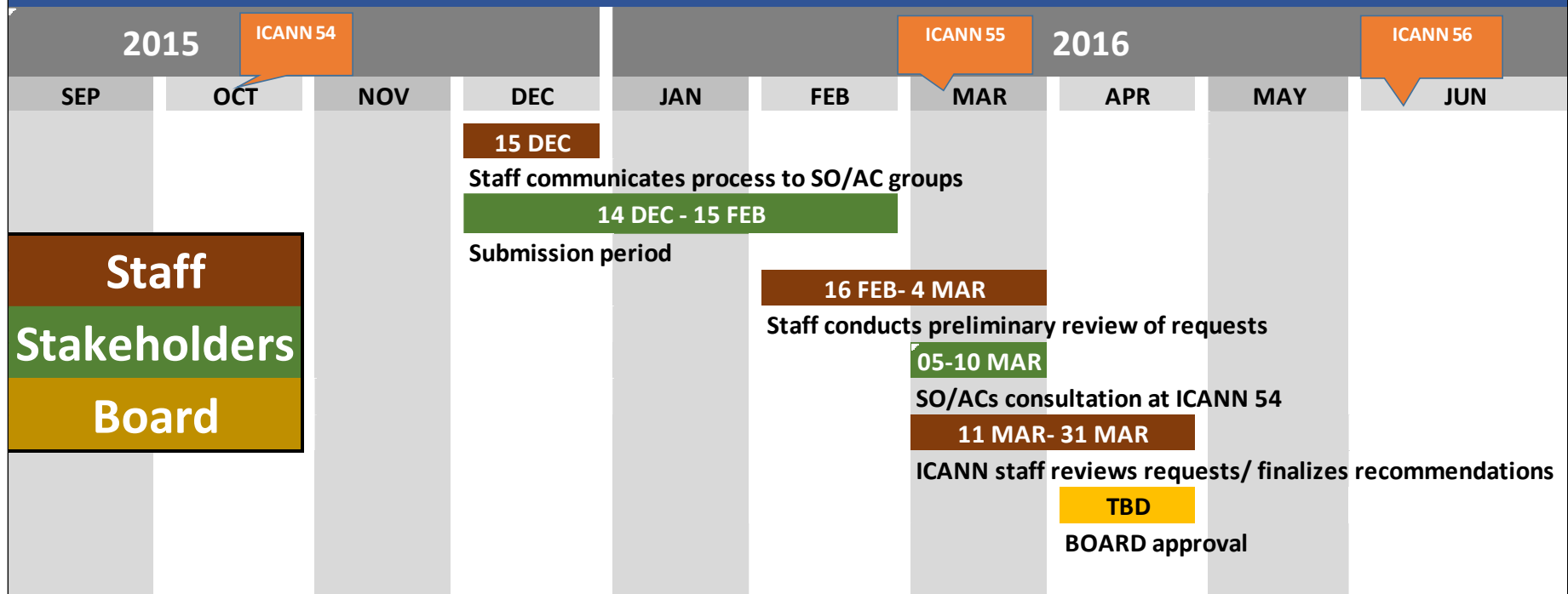| Obj#1	Obj#2	Obj#3	Obj#4	Obj#5

- Consider inputs from 5-Year Operating Plan
- Document FY17 planned deliverables by Portfolios
- Update KPIs based on deliverables
- Manage cross functional dependencies
    - What do you need from other functions?
    - What do they need from you?

Process Overview & Draft Timeline (1 of 2)

FY17 SO/AC ADD'L BUDGET REQUESTS PROCESS - DRAFT

	2015		ICANN 54				ICANN 55	2016			ICANN 56
SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN

15 DEC
Staff communicates process to SO/AC groups

14 DEC - 15 FEB
Submission period

16 FEB- 4 MAR
Staff conducts preliminary review of requests

05-10 MAR
SO/ACs consultation at ICANN 54

11 MAR- 31 MAR
ICANN staff reviews requests/ finalizes recommendations

TBD
BOARD approval

Staff
Stakeholders
Board

Enterprise Risk Management (ERM)

ICANN ERM – Strategy roadmap

Jun/Jul

Assessment of current position

(Staff)

29/9 - LA

Define Target position

(Board/Staff)

By ICANN54

Validate w/ BRC / GLs / Board

Assess Feasibility

(Staff)

[TBD]

Define tentative roadmap

(BRC/Staff)

[TBD]

Share with Community for feedback

[TBD]
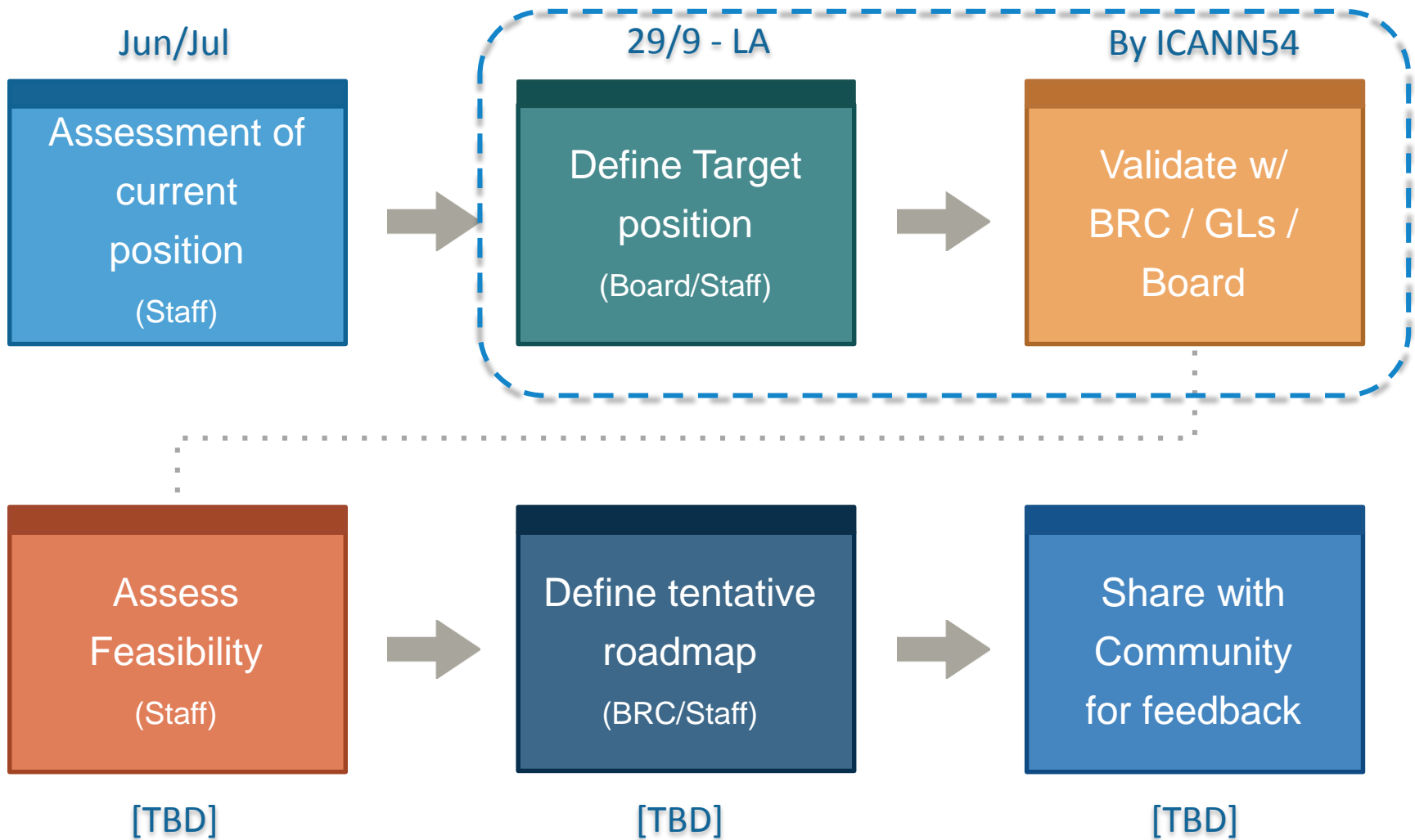
ICANN's ERM target: sample model

	Weak	Sustainable	Mature	Integrated	Advanced
Risk Strategy & Appetite					
Risk Governance					
Risk Culture					
Risk Assessment & Measurement					
Risk Management & Monitoring					
Risk Reporting & Insights					
Data & Technology					

KPI Beta Dashboard

Goals ↕ Portfolios ↕ Projects

Strategic → Board/ Stakeholder

Directional → Executives/ Global Leadership

Operational → Staff/ Managers
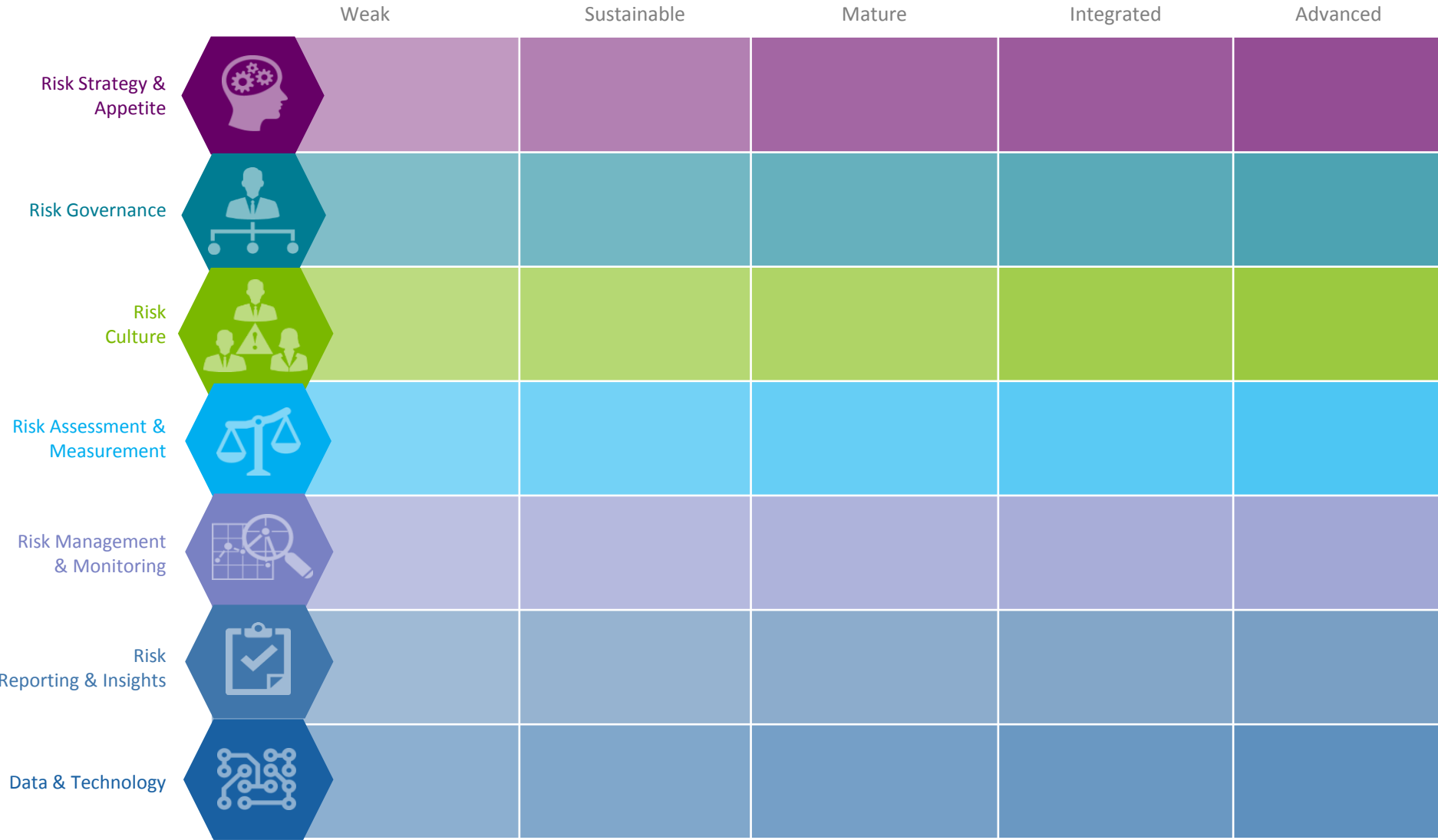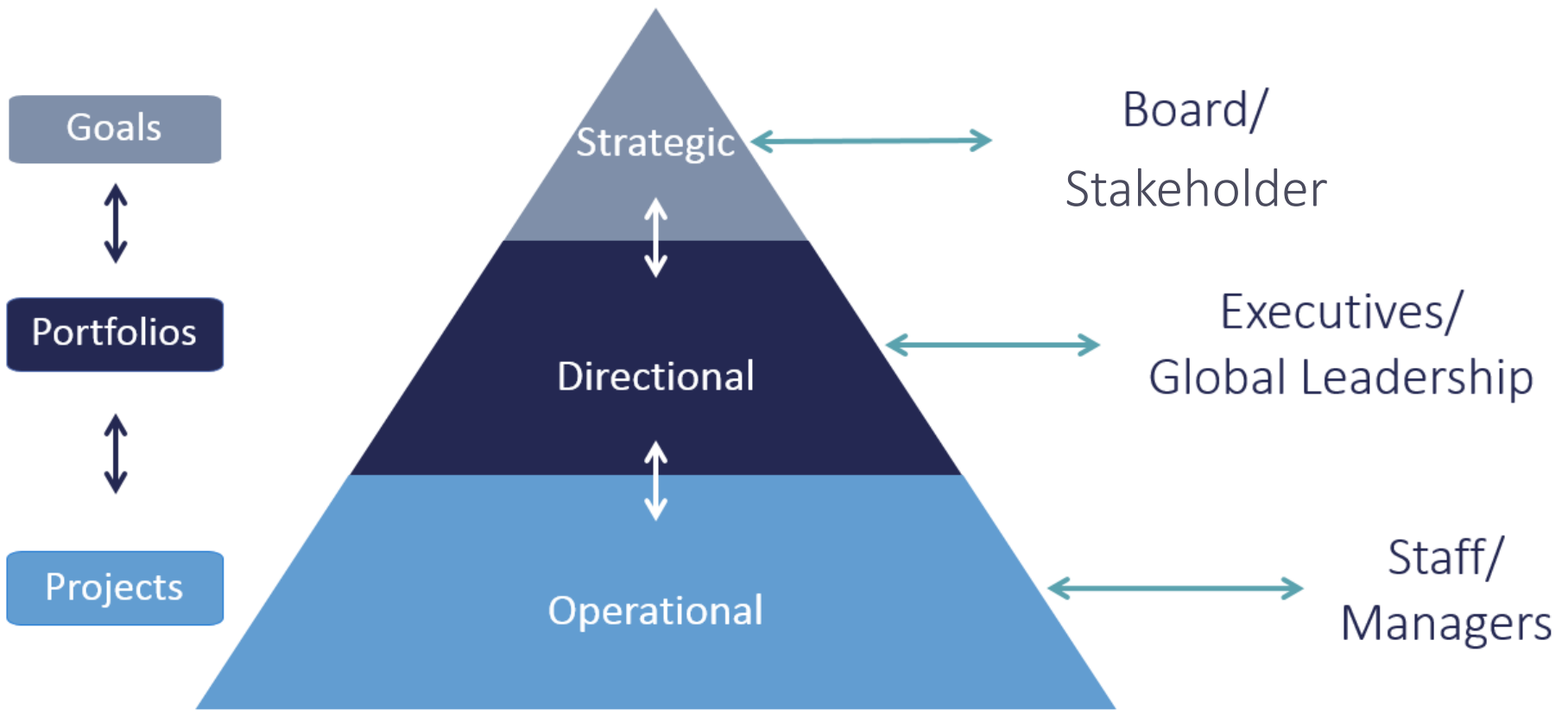
Dashboards to achieve multiple **Purposes** for multiple **Audiences**

Dashboard Development – FY16 Roadmap

Oct-2015 ICANN 54th Dublin

Mar-2016 ICANN 55th Marrakech

Jun-2016 ICANN 56th LAC (tbd)

Refine Measurement Definition

Dashboard Release

Dashboard Evaluation

FY17 Dashboard design

Ongoing Analysis, Insights & Reporting

Communication and Improvement according to new needs

Culture of Measurement across company

Status & Plan
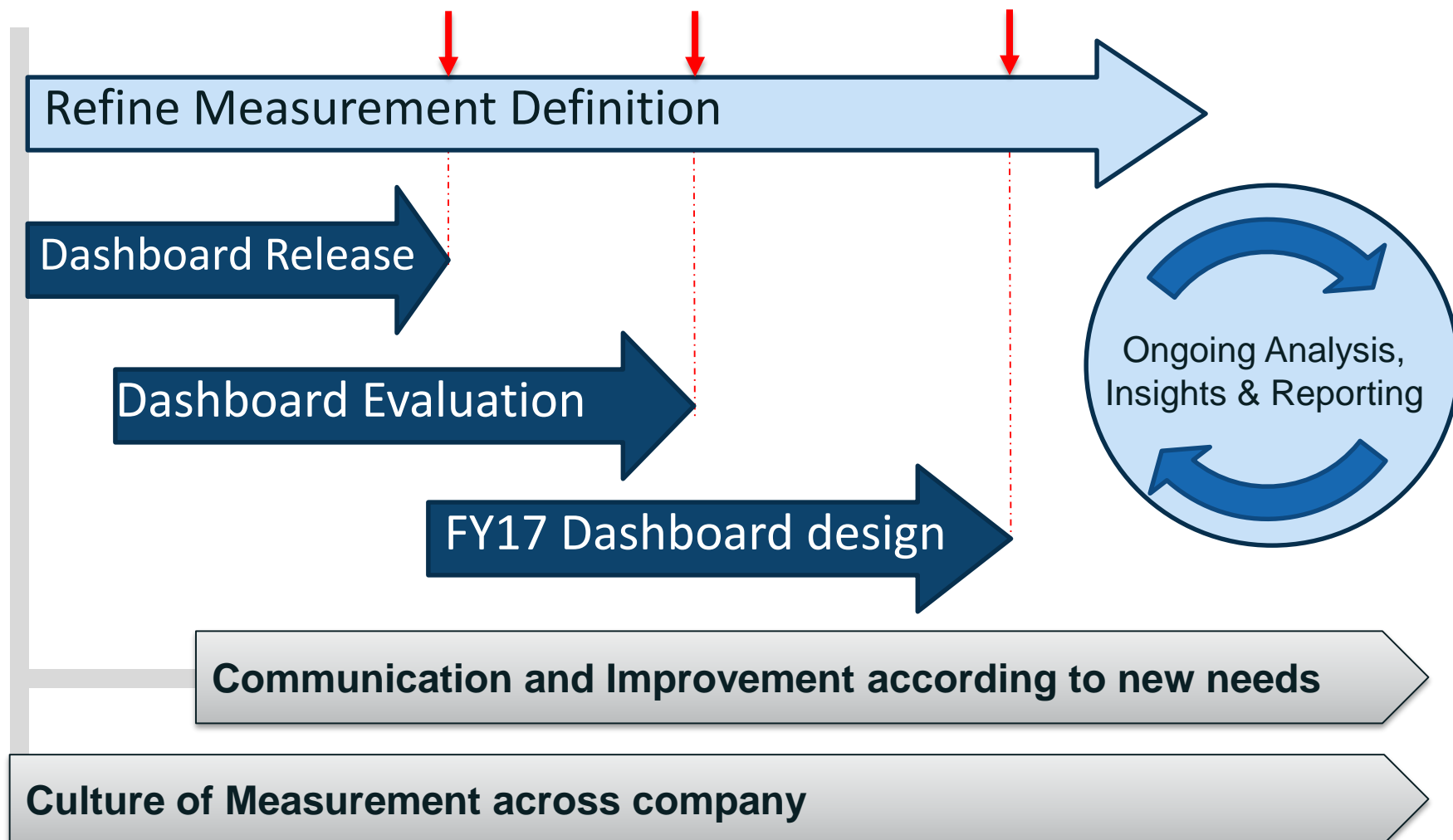
- ## Dashboard Live with monthly updates

  - KPI Beta Dashboard Published in September 2015

  - Dashboard structure aligned with Portfolio System

  - All ICANN functions engaged in collecting relevant data and evolving targets

  - Culture of data-driven decisions

- ## Ongoing Review, Analysis & Reporting

  - Monthly review meeting with Senior Management Team

  - Review session with Board (Board meeting)

  - Review session with stakeholder (quarterly Stakeholder call – Oct 7th)

Beta KPI Dashboard - August

Objectives & Overall Status

▸ **1** Evolve and further globalize ICANN — `75`

▸ **2** Support a healthy, stable and resilient unique identifier ecosystem — `66`

▸ **3** Advance organizational, technological and operational excellence — `88`

▸ **4** Promote ICANN's role and multistakeholder approach — `86`

▸ **5** Develop and implement a global public interest framework bounded by ICANN's mission — `74`

How to read and understand the charts:

0 - 49 **Tracking significantly short of target** Immediate corrective action needed

50 - 84 **Tracking short of target** Corrective actions as needed

85 - 100 **Tracking to target** Stay the course, no corrective action needed

Beta KPI Dashboard:
https://www.icann.org/progress

2.1 KPI

2.1 Foster and coordinate a healthy, secure, stable, and resilient identifier ecosystem

Akram Atallah, President, Global Domains Division

GDD Overall SLT Performance
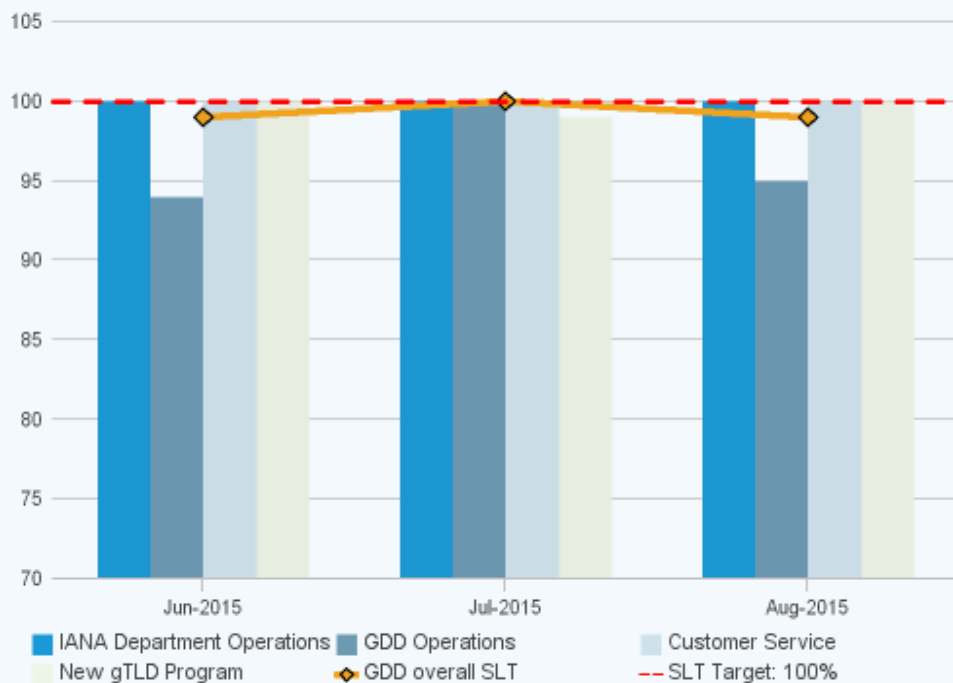
The scores represent the aggregate of SLTs measured for the following areas: IANA operations, GDD operations, Customer Service and New gTLD Program.

3.1 Ensure ICANN's long-term financial accountability, stability and sustainability

Susanna Bennett, Chief Operating Officer

Financial accountability (unaudited) – July 2015
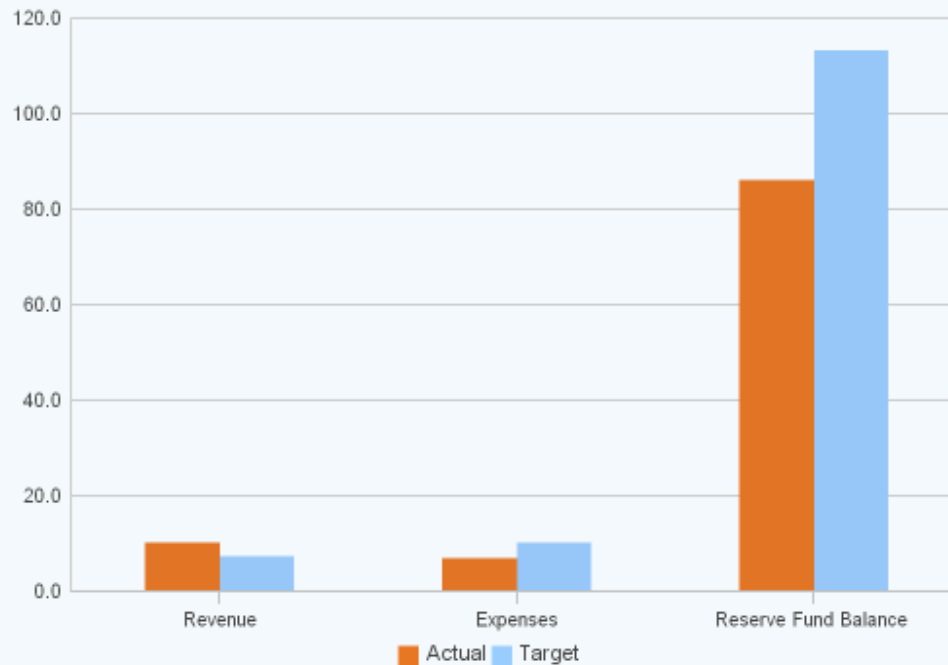
Expected decrease of the reserve fund over the current fiscal year to support strategic projects.

3.1 KPI

% of staff voluntary attrition trailing-twelve-month trend (TTM) - August 2015
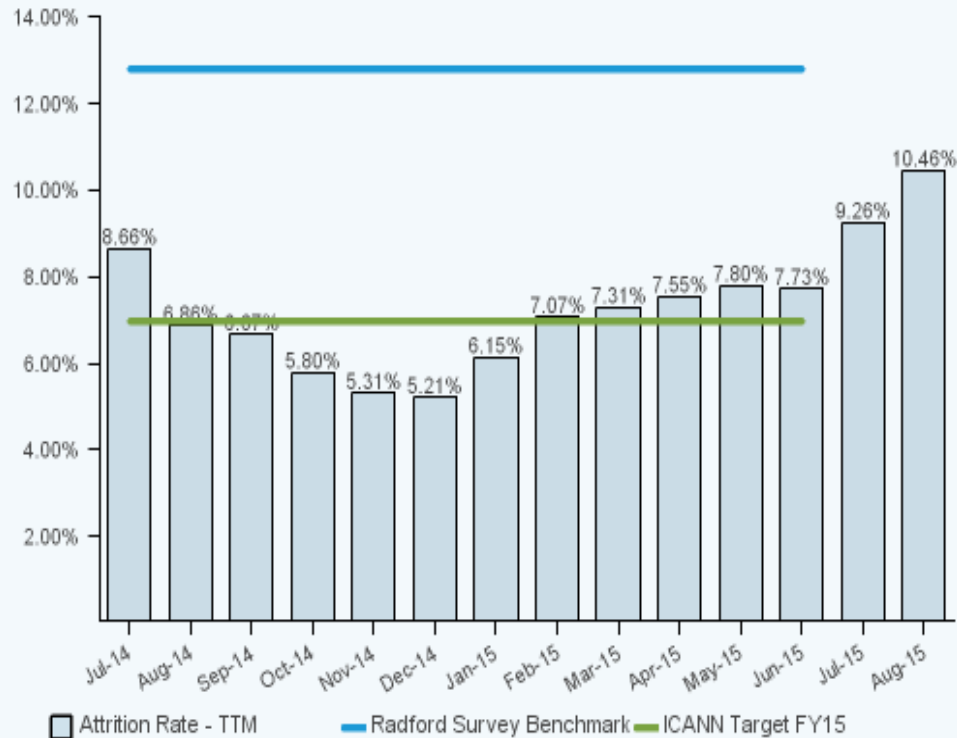
The trailing 12 month attrition rate is the total voluntary terminations of full-time employees during a 12-month period divided by the average full-time employee headcount during that period.
Benchmark source: Radford Trends Report Technology Edition – Global

Organizational Excellence

Organizational Excellence Update

- Completed FY15 ICANN-wide internal assessment in June 2015
- Identified strengths and areas for improvement

- Plan to achieve two key goals in FY16
  - Improve knowledge of the EFQM Excellence Model across all ICANN's staff to entrench its approach to structured continuous improvement in the culture
  - Deliver improvement successes across all parts of ICANN and at all levels

- FY16 plan has 2 phases
  - Departmental assessment
  - ICANN-wide assessment

Organization Excellence FY16 Timeline

	Q1	Q2	Q3	Q4
1. Internal Communications	**Comm / Align**			
2. Training		**Develop** **Deliver**		
3. Departmental self-assessments		**All depts**		
4. Improvement projects			**Identify** **All depts. - execute**	
5. ICANN-wide internal assessment result				**Mgmt Doc** **Assessment**

Dept. Assessors trained

Assessments complete

Improvements identified

Feedback Report Delivered

APPENDIX

Management Systems