
DUBLIN – ICANN Operations Update
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CAROLE CORNELL: Good morning, everyone. This is Carole Cornell, ICANN staff. We're going to present today an Operations update.

Today we're going to cover the financial overview, and we're going to do an FY17 operating plan and budget and five-year operating update process, followed by Enterprise risk management. Then we're going to do a brief overview of the KPI Beta Dashboard, followed by organizational excellence.

To cover our financial overview, I'm going to pass this to Becky Nash.

BECKY NASH: Thank you, Carole. Good morning. This is Becky Nash, ICANN staff, and I'm going to cover a financial overview. As a start, I'd like to cover our financial transparency and accountability process. As part of this process, ICANN holds quarterly stakeholder calls for FY 15 Q4. We held a call on August 20th, and for FY16 Q1, the call was held on the 6th of October.

Note: The following is the output resulting from transcribing an audio file into a word/text document. Although the transcription is largely accurate, in some cases may be incomplete or inaccurate due to inaudible passages and grammatical corrections. It is posted as an aid to the original audio file, but should not be treated as an authoritative record.

Due to the timing of the call for the end of Q1, ICANN provided estimates for FY16 Q1 that we will be covering in this presentation.

In addition to these quarterly stakeholder calls, we publish quarterly financial packages on our website. We continue to publish more detailed quarterly financials, including IANA functional costs and USG stewardship transition costs.

Continuing our transparency and accountability, we have the FY17 Operating plan and budget process, which is consistent with the FY16 process. However, the date for the FY17 Operating plan and budget update was moved up by approximately three months earlier than the prior year. This is in order to allow for even more time for planning and interaction between the community and the staff.

I'd also like to highlight that, in addition to these process, ICANN does publish our financial audited reports each year end, and we publish our annual external tax filing called the Form 990. We are not required these documents on our website, but we find that this promotes our financial transparency and accountability.

On this next slide, I'm going to cover the FY16 Q1 financial results. In general, for Q1, we're going to compare our estimate – again, highlighting that we published, as part of our quarterly

financial statement, estimates, as we had not closed the books as of the three months ending 9/30 and we're going to compare this to the budget. For the Q1 estimate versus budget, revenues are basically flat against budget, and we have lower baseline expenses, including operating expense and capital, which due to timing, are under the budgeted amount.

Our initiatives expenses were right on budget with the \$4 million, and with the \$26 million in revenue less the \$21 million in actual expenses and the initiative expenses of \$4 million, we're showing a net excess of \$1 million as of the quarter. This is mainly due to timing differences and the phasing of the budget.

I just would like to highlight the FY16 full year budget over to the right, where as we previously published our budget. Budgeted revenues are at \$113 million, and our baseline expenses for ICANN operations are at \$113 million, with initiative expenses of the \$13 million expense.

Moving on to the next slide, this is our Q1 revenue estimates. Our revenue results: we have two primary drivers, which is the number of domain name registrations and the number of contracted parties. This slide breaks out revenue by registries' and registrars' transaction fees and fixed fees.

As we can see for the registry and registrar transaction fees, we are slightly below budget due to the volume of registrations.

With the registry fixed fees, we can see that we are slightly higher than budget. This is due to the higher number of actuals than the budgeted registries at the beginning of FY16.

Most other categories are consistent with budget, and the estimated revenue of \$26 million, as we can see, is on target and consistent with the budget of \$26 million. Next slide.

This next slide is our Q1 baseline operating expenses and capital estimates for ICANN operations. With this slide, our largest category of expense is the personnel expense. We can see that, as of Q1, our estimated personnel cost is lower than budget due to slower hiring than budgeted headcount. This is a phasing, and we are reflecting a lower than budget amount.

For travel and meetings, we are lower than Q1, along with our professional services, and both categories at this point are just due to the phasing of our budgeted projects. We have had less project work than anticipated in Q1, but this is just a timing difference at this time.

For administration and capital, we are right on target and at the budgeted amounts for Q1.

This next slide is a view of our FY16 Q1 initiatives estimate. In total for initiatives, we are on target with the actuals at \$3.6 million versus the budgeted amount of \$3.6 million. As we can

see for the USG transition, we are slightly higher than budget, which is due to the unbudgeted legal expenses. We will be talking about that on the next slide.

The next major category, the public responsibility, is lower than target for budget for Q1, and this is just primarily due to timing and phasing of this initiative.

I would just like to highlight that the initiatives are funded by our reserve fund.

At this time, I'm going to pass this over to Xavier, who's going to go into more detail about the cost categories of the USG stewardship transition. Thank you.

XAVIER CALVEZ:

Thank you, Becky. On this slide, we provide more information relative to this project, which is very significant and timely. The data here is presenting the project-t0-date costs, so since inception approximately for July 2014 up to the month of September, which is the last month that we have closed 2015, which is the last month that we have closed. This is the information to date, cumulatively across the past 15 months.

We can see that the total costs to date is estimated at \$12 million with a corresponding budget of approximately \$9 million. We have seen that, in the past – it appears here as well –

that we have a large independent legal advice expense of \$4.6 million that contributes to the total and that was largely unbudgeted since it was not anticipated to happen, nor to this extent.

The costs also include the personnel allocation. This is the time spent by the supporting staff to the work of the ICG, CCWG, and CWG. Those are estimated times.

There is also of course the cost of travel and meetings representing the support of the groups that met in several different instances over the past 15 months, as well as other professional services, which includes also internal legal fees, the costs, as well as translation services, communication services, and a number of other professional services.

On the bottom left, we can see that the costs associated with the ICG are approximately \$1.7 million included in this overall project costs, though this number does not include the staff allocation, which we are in the process of estimating at this stage.

Just to note on this slide that on our website we have a page specific for the IANA stewardship transition project. On that page, there is a link box that also includes a link to a subpage for project costs. That information is on that webpage and is updated regularly. If you have any interest in looking further at

the costs, including detailed legal advice, costs by month and by group, you will find this information on the website. Next.

This is an overview of the New gTLD Program multi-year forecast. As you know, the New gTLD Program is a program that started effectively in 2012 that is expected to last approximately five years, and we are in year four of this program as of now.

On the left, you can see the total estimated financial impact of the program. With application fees collected in 2012 – \$362 million – with an estimated amount of costs in refunds of \$274 million. The costs that we are displaying here include all the application processing costs and evaluation up to delegation into their root and contract signature.

On the right, you see the breakdown of this total by the periods of this overall five-year program. We just closed FY15, and we have approximately \$80 million forecasted to be spent over the next couple years, FY16 and FY17.

The remainder between the total fees collected in the total estimated processing costs of \$274 million leaves a remainder of \$89 million, which is expected to cover for any unpredictable costs, including risk and including, potentially, lawsuits.

We had a question in previous presentations relative to how long is the program going to last. Right now, we are only

disclosing here the visible part of the program relative to application processing. The events that could be happening later than 2017 could be related to any risks or lawsuits. Notably, the only experience we have is the last TLD delegated in 2004. There was a specific legal proceeding relative to that TLD and it closed in 2011, so basically more than seven years later. So the prediction of the end of the program is something that's very difficult to do. Next.

You can see here our funds under management. We break down these funds into two large buckets. One, the new gTLD program funds on the left, and the other one the ICANN Operations funds on the right.

The New gTLD Program's funds include the remainder of the fees collected in 2012 that's not yet been spent. This is approximately \$157 million at the end of September 2015. Of course, there is also auction proceeds that have been collected for nearly \$60 million at the end of September.

On the right, our ongoing operations funds include both an operating fund, which is, in other words, the cash on hands for daily operations, and a reserve fund, which is currently at \$84 million in level, from which, as we indicated a little bit earlier, the USG stewardship transition costs are funded. Next.

STUART BENJAMIN: Sorry.

XAVIER CALVEZ: Yes?

STUART BENJAMIN: Going back to the reserve funds, could you explain for the record
– sorry.

XAVIER CALVEZ: May I ask you to state your name?

STUART BENJAMIN: Sorry. Stuart Benjamin, .au. – the logic of how the reserve fund
multiple is justified or calculated?

XAVIER CALVEZ: The reserve fund so far has been accumulated from excesses
generated in the past years. There is an informal guidance that
we are using of twelve months of operating expenses, though
the Board has initiated a review of that benchmark to re-
determine in the current circumstances of ICANN what that ideal
target should be. So when the Board will have concluded that
exercise, we will revise potentially the target.

STUART BENJAMIN: Twelve months is a traditional, commercial protection mechanism. I would have thought that would be sufficient, unless you've got extra money and into quarantine.

XAVIER CALVEZ: The rationale for reserves obviously varies very much from organization to organization. I think, admittedly, we are looking sometimes like a commercial organization, but we also have a different aspect of our activities that expose us to a different type of either pressures or risks. So that's part of the intent of the project that I referred to earlier is to be able to spell out the risks that the organization on a structural basis, on a long-term basis, is potentially exposed for. That provides rationale to what level of expenses without giving too much insights and digressing too much.

There are benchmarks in the domain name system area that of your colleagues in other TLDs, ccTLDs notably, who have different benchmarks, including two years of operating expenses. So there are different approaches to it.

Thank you. Yes?

DEBBIE POWER: Debbie Power, Rightside Registry. I have a question in terms of the New gTLD Program funds, specifically. We've spoken about

some of the initiatives that are funded by the operating and reserve funds. Are there any initiatives planned for the funds that are obviously accumulating from the New gTLD Program? I know you mentioned some unknown risks and legal costs, but those funds are obviously accumulating and quite large. So for the program itself, are there initiatives?

XAVIER CALVEZ:

The application fees for the program, which the unspent amount appears in blue on this graph, that's the \$157 million. To your point, this is the amount of funds that I indicated are dedicated to the New gTLD Program processing and that are not expected to be used for anything than the New gTLD Program, at least at this stage.

The fees were designed to be funding a cost recovery program, and the only thing we're expecting are – of course, as we have seen on the previous slide there – cost remaining for the program, right, because it's not finished yet. Then there's potentially legal or risks types of costs that could appear as well.

So right now the funds for the New gTLD Program have been designed solely for the purpose of processing the applications.

If they would be leftover funds in the future, then the decision would need to be made about how we use those funds. At this

stage, we do not have a perspective as to whether there will be funds remaining. But if there would be, this would materialize over time, and then discussion would be happening within the community to be able to determine what those funds are being used for.

As it relates to the auction proceeds, the auction proceeds were, very early on in the design of the program, considered as “extra money” in the sense that they were not required to cover forecasts. They were not expected or needed in terms of cost recovery.

So there is a process that has been initiated really in Buenos Aires to gather input on how to define the process to spend that money, as well as ideas on how to spend that money. This is a very broad, consultative process with the community, so there will be a lot more opportunities for input from the entire community on how to use those proceeds for programs, for anything.

DEBBIE POWER:

Just to come back, is there a timeline then that we’re looking at for use of those funds? Because, okay, the piece in blue is the excess of fees collected over operations costs, which is still pretty significant. If we are to wait until the closure of this round of the gTLD application, it could potentially be a number of

years. But with the auction proceeds that you've rightly identified – they were surplus funds that you didn't need in a forecast, and they're not operating – do you have any indication as to how long that process will take to gather ideas and come up with suggestions?

XAVIER CALVEZ:

I wish I would. It's a community process. It's going to be a community-drive process. So it's difficult for me, or for us, or anyone on this slate to predict how long it's going to take. I think that right now the discussions are formulated in terms of what process are we going to put in place to define the usage of those funds. So there is a bit of a process design stage because there's a lot of interest in designing usage for those funds that will meet the objectives and the mission of the organization.

From that point on, there will be very substantial community consultation, I'm sure, and that takes a certain amount of time. So it's very difficult to predict, unfortunately.

UNIDENTIFIED MALE:

Thank you. [inaudible] from the ISP Constituency. We discussed that point in another context with the Board yesterday with regards to the universal acceptance and the activities there and the [voucher] for that program. Because we were of the opinion

that there should be made a difference between part of those auction proceeds, which would be really related to the gTLD program where it was raised from [inaudible] So that is a point that we'd like to point out in that coordination group so that there may be two baskets to be thought about under certain priorities, are to be discussed in that way, because expectation are from several different directions coming in which doesn't have anything to do with new gTLDs [inaudible]. Thanks.

XAVIER CALVEZ:

Thank you. I know the APC has been making such comments into the community, comments that have been gathered so far, so there will be more opportunity to be able to provide those insights and directions. Thank you. Next slide.

We will focus a little bit more now on the fiscal year ahead of us that we are starting to plan for. This is FY17. Just as a reminder for everyone, we are currently in our FY16 fiscal year, which has started in July 2015 and will finish in June 2016. The budget for this current year was approved in June 2015, a few months ago. We are now working on developing the operating plan and budget for FY17, which will start in July 2016. Next.

This is a reminder of our overall planning cycle, which starts at the top of it with a strategy plan which has currently a five-year horizon. That strategy plan defines the objectives to be achieved

by that five-year horizon. It then is supported by a five-year operating plan, which indicates across each of the five years of that horizon the milestones to be achieved along the way and that are basically defining the activities of the organization that supports that objective.

This five-year operating plan is then the basis used on an annual basis to develop at a more detailed level the annual operating plan and the corresponding quantification of this action plan, which is the budget.

We are right now in this period of updating the five-year operating plan, as well as developing the annual Operating plan and budget. Carole will explain further the five-year operating plan update process, which is a new one for us today. Next.

As we start this process for FY17, we felt it was useful for us to look at what are possible challenges associated with this year's planning, which if we address well those challenges, could become key success factors for our planning process. We have the USG transition, of course, to plan for. There are costs associated with that. There are also a lot of activities that will result from post-transitions state, which are not necessarily very well-known at this stage.

So planning for it will be an interesting exercise. It will be very assumption-based, as information may be missing in the details to be able to plan for this project.

We will also have a new CEO, and our current timeline is suggesting that we would publish a first draft of the budget, a first complete draft of the budget and operating plan at a date prior to the new CEO arriving. So this is not a timing that lets the CEO be able to influence, in a very meaningful or a very structural way, the plan. However, it's just a plan, so we'll have to manage that with the new CO and have a detailed briefing of the new CEO on the operating plan and budget and its draft.

As I indicated earlier, number three here on this slide, we are for the first time proceeding with an update of the five-year plan. So FY17 will be year two of our five-year plan. In order to determine what year two is going to look like, we will need to know how year one will have finished, which is FY16, and how this position at the end of FY16 potentially impacts the timing and nature of the objectives for the remaining four years. Carole again will look at that further.

We are also looking at trying to produce more functional information in the budget, and notably relative to IANA costs, for example, but also other functions. This is something we need to

develop and try to make some progress in as part of the FY17 budget.

Another challenge is that we have a very tight timeline. This is a very intense planning process, which is why we try to start early, and we have started the process earlier this year than we ever have before. We also need a lot of discipline on how we conduct this process to ensure that we keep on time at every phase.

Obviously, the objective for this is that we do approve the budget prior to the beginning of the fiscal year that it relates to and no later, therefore, than June 2016.

Another challenge is simply resource limitation. Like every other company, we have resource limitations. It's a good incentive to ensure you prioritize activities which are required, which is an activity required in these circumstances, which also means that the interaction with the community is even more so important and indispensable. Next slide.

I will pass it onto Taryn. Thank you.

TARYN PRESLEY:

Thank you, Xavier. In FY16, we had a lot of lessons learned that we would like to share with you. There were a number of things that we think we did well and worked well and that we should

continue, and there are some items that we know we need to improve upon, so we're looking for your input on how to do so.

As far as what we should continue, the annual operating plan and budget was derived from the five-year operating plan, which had gone out for public comment. We know that's something very significant and that we need to continue with that in the FY17 process. Again, Carole will talk later about how we'll be updating the five-year operating plan for year two.

Last year we also advanced our schedule. We started earlier so that we could ensure that we had enough community/staff interaction. We also had an earlier public comment period, which allowed us to have more interaction around the comments that had been submitted by community groups, and we would like to continue that.

We had a lot of interactive engagement last year. We had a face-to-face working group session at Singapore, as well as some over-the-phone webinars to interact with the community on a process and timeline and baseline assumptions for FY16. We have already started that process for FY17. On Sunday, we actually met with a small community working group and outlined some assumptions, some key success factors, and the process and timeline for FY17.

Last year, we also improved our communication on the public comments and draft responses. The process last year included ICANN hosting calls with community groups that had submitted comments just so we can get a clear understanding of the comments so that we could draft the most relevant response as possible.

Last year, we also involved the Board in the public comment process. The Board actually sat in on the calls that we had with the community groups that had submitted comments and actually helped with drafting their responses to those comments. That helped improve Board accountability.

As far as what we should improve, while we did have significant interaction with the community, it was limited to SO and AC groups, so we'd like to expand the participation to the wider ICANN community.

There was communication on the USG transition project and how we monitor the costs. We would like to have even more communication on that point. Then we would also like to integrate more and better information on KPIs and to the planning process. Next slide, please.

This is the timeline for the FY17 operating plan and budget process. It includes many months of collaborative work between the community, staff, and Board. There are a series of steps

leading up to the adoption of operating plan and budget in June. Our planning phase occurred in August and September. During this time, we focused on ensuring that there was adequate time for multiple interactions with the community.

The next step was the development phase. That phase has begun this month and will go through February of 2016. This phase includes building a detailed, bottom-up draft operating plan and budget by project, as well as updating year two of ICANN’s five-year operating plan.

The publish phase will go from March through April of 2016. We plan on publishing the draft operating plan and budget document for public comment on March 5th. The public comment period will go for approximately 40 days, and after the close of the period, we will again, like we did last year, host calls with all the parties that submit comments. The purpose of these calls, again, is that staff and Board gain full understanding of the comments from the authors so that we can provide the most clear and relevant responses.

The next phase of the process is the finalization phase, which will occur in May. This is the time when staff will revise the operating plan and budget, as a result of the public comments received, and submit a final version to the Board for adoption in June. Next slide, please.

CAROLE CORNELL: Excuse me, Taryn. I just think it's important to know that the public comment period is going to have both the five-year operating plan and the FY17 operating plan and budget. So it's two documents that we will be asking the community to weigh in on and provide information.

TARYN PRESLEY: Thank you, Carole. This is an overview of our SO and AC additional budget request process. The SO and AC additional budget pertains to a dedicated part of the overall ICANN budget that is set aside to take into account specific requests from the community for activities that are not already included in the recurring ICANN budget. We plan on communicating the process on December 15th, so we will be sending out instructions, guidelines, and the application template to community groups on December 15th.

The groups will have December 15th through February 15th to submit their request. On the timeline, you'll see there's a typo there. It says December 14th. It should say December 15th. I apologize for that. So again, the submission period will be December 15th through February 15th.

ICANN staff will begin reviewing requests on February 16th, and that will go through March 4th. This will be a preliminary review of all the requests in preparation for some face-to-face meetings and consultations at ICANN55 in March. So some of the feedback that we received on this process is that community groups who have submitted applications and requests would like to have some face-to-face time to make sure that ICANN staff has a full understanding of the request and the rationale for the request so that they can take that into consideration during the evaluation. So again, consultations will take place during ICANN55.

After that, ICANN staff will evaluate the request and the applications. That will go from March 11th through the 31st, and that will result in assessments being given to the Board for review and consideration. We anticipate that the Board will adopt the assessments in April.

STUART BENJAMIN:

Sorry. Question, if I can. Stuart, .au. So that slide is for additional budget [bits] outside of the existing forecasting. What is the budget that is allocated for those [inaudible]?

TARYN PRESLEY: We have an overall envelope that's usually around \$600,000 or \$700,000. It's really less about the amount and more about the type of request and what we should be granting to the community. But on an annual basis, we usually have an overall bucket of about \$600,000.

STUART BENJAMIN: As part of that request process, are they standalone requests, or are they where you would look for people to make submissions on cost savings as well as bids?

XAVIER CALVEZ: The requests have been so far about funding activities rather than any other type of requests. Comments on possible saving activities would be better viewed as part of the public comment process because then there's the opportunity to comment on the entire part of the budget, including the operating plan. Certainly, that type of comment would be very welcome by referencing the operating plan as well because, yeah, saving money is definitely something that you want to look at on an activity basis.

So we very much welcome comments on how to save money, which is something that we look at on an ongoing basis as part of our overall fiduciary responsibility in managing public funds.

But certainly, input at that time is very welcome. Any by the way, of course, it doesn't have to be limited to the public comment period, but this is very good timing for it because there's a lot of information offered to be able to do that at that time. Thank you.

UNIDENTIFIED MALE:

Yes, let me just add one. As it was expressed, it's relatively small compared to the overall budget. But it takes a lot of time to discuss it. As usual, if it comes through the smaller bits, people like to discuss. They have more and more details. So what I would like to say is, your period from December 15th: that's a communication period between the SOs, the stakeholder groups, and you? Is that right? Because what I'm saying is that there would be a good opportunity. We are planning to hold an intersessional again from the Non-Contracted Parties House. That may fit to that plan, all depending on when it is. Our usual is being held in February or March or so.

Now, before the next Marrakech, maybe January or February, that would fit to that. We should put that on the agenda.

XAVIER CALVEZ:

Thank you for that comment. Remember that this process pertains for planning for FY17, so an intersessional that would happen in January coming up is during FY16, for which the

budget has already been approved. So those requests do not pertain to the FY16 period, but to later on.

UNIDENTIFIED MALE: We are also looking at... We could do that, to discuss that. It would be good to have a kind of exchange.

XAVIER CALVEZ: Right. And your point it about using the intersessional as an opportunity to exchange on the requests. Absolutely. This is definitely possible.

Carole, may I ask you that we go on the ERM section? Because I'm going to have to leave right after that.

CAROLE CORNELL: Sure.

XAVIER CALVEZ: If you don't mind.

CAROLE CORNELL: I'm going to advance [inaudible] and come back.

XAVIER CALVEZ: Yes, if you don't mind. Thank you.

CAROL CORNELL: Sure.

XAVIER CALVEZ: Thank you, Carole. This is a quick update on our enterprise risk management activities. ICANN created an enterprise risk management formal function a little bit more than two years ago in July 2013. Over this past period, the function was designed, elaborated, and taken off [inaudible] with quite good success. We have taken stock at the end of about a two-year period, so May and June. We have proceeded with an assessment of where we are along the path of developing that function at ICANN. Next slide, please.

We have initiated a process through this assessment that is now leading us into defining a target maturity position for the enterprise risk management function at ICANN.

We have worked with the Board, and notably the Risk Committee of the Board, during its recent workshop in Los Angeles three weeks ago. We now have a suggested target stage of development, and I will show a little bit what that could look like on the next slide, which we are now validating.

This target maturity level is going to lead us to define a feasibility of the target suggested by the Board. The Board has

also suggested a timeline of three years to achieve that target. Then we'll define a roadmap. This information will then be submitted to the community for feedback.

Let's look at the next slide very quickly. This is simply a diagram that shows what we are going to look at. It's a bit small. The seven rows here represent basically the seven areas of how to manage risk in any organization. At the top, for example, you have risk strategy and appetite. Any organization needs to define its risk strategy and what is its appetite for taking on risks and monitoring risks.

The second row, for example, is risk governance. How do we govern a risk at ICANN? ICANN is fairly advanced on that front by having a very risk committee of the Board, for example, which drives the governance of risks at ICANN.

Another aspect is the risk culture. How strong, widespread, and deep is the culture of risk management at ICANN? This is also something that of course we need to define for ourselves. What level do we want to be at?

You can see that the columns reflect from left to right a less or more advanced level of, I would say, professionalism and maturity risk management. So the first column on the left is weak. The second is sustainable. The third is mature. The fourth is integrated, and the last is advanced. The Board has been

looking at where do we think we need to be along that maturity level.

Of course, you can also want to be advanced on everything, but there's a large cost to that – a cost in terms of resources. It's an extremely demanding activity, and it needs to be weighed in a relation to also benefit

So the Board is working on basically with the Risk Committee on filling in this model to define which target we want as an organization to be. Then we will define a roadmap on how to get there over the next three years.

This is a best practice in any large company, or even small company. We probably try to do it a little bit more like a lot of large companies who have different types of risks. Managing your risks is simply an activity that a lot of people think we can ignore or do either way, but the bottom line is, you have the risks. Managing them is just looking at them and deciding what you're doing to do about it. If you decide to do nothing, you still have the risk.

So ERM is being conscious about having the risks, doing something about monitoring those risks, and about, of course, mitigating them. Embedding that knowledge into the planning or your organization is key to be able to avoid as much as

possible those risks, or to be able to react well to them at minimal costs. Stuart?

STUART BENJAMIN: So is it your expectation that the Board or the Risk Committee would establish the appetite on these levels?

XAVIER CALVEZ: Yeah, they have. Yeah. Yeah.

STUART BENJAMIN: Do we have any visibility of where that sits?

XAVIER CALVEZ: This is what we're trying to finalize. This is very recent, so the whole Board has not yet even looked at it because it was a small subset of the groups that have looked at that three weeks ago. We're in the process of validating that whole metrics, basically.

I can tell you that the risk strategy and appetite is something that the Board said we should be in an integrated mode, so nearly all the way on the right. The point of that is "mature" means that you've defined it. "Integrated" means that you've defined it and you use that information across planning all the activities that you have. So there's a fairly significant difference there.

But there's also a difference that to get from mature to integrated is a distribution of the strategy and implementation of the strategy to a fairly deep level of the organization, which therefore is representing a large effort from an organizational standpoint. But this is where the Board is thinking where they want to be.

STUART BENJAMIN: I'll be fascinated to see their response, but the integration of this within the culture of your organization will be how you validate the appetite.

XAVIER CALVEZ: Absolutely.

STUART BENJAMIN: Thank you.

XAVIER CALVEZ: Absolutely. This is definitely something that we will want to look at beyond simply the corporation. It's an ICANN community risk management that we need to do at the end of the day. Thank you.

[CAROLE CORNELL]:

I'm going to spend a few minutes and go back to the five-year operating plan. The five-year operating plan and the FY17 operating plan and budget, as we mentioned before in our planning cycle, the two of them are very much linked, and we are going to be, for FY17, incorporating both of them in the timeline that Taryn talked about earlier in this presentation.

To remind everyone, the five-year operating plan: we will not be adding onto it, but eliminating the first year, FY16, and just doing a four-year-out operating plan.

The five-year operating plan follows the same management structures that we've used in the strategic plan, as well as in the operating plan, as well as our annual operating plan. That is, for everybody as a reminder, there's five objectives, 16 goals, approximately 60/61 portfolios, and over 300 projects. They do roll up, so the projects roll up to the portfolio, which roll up to the goal, which roll up to the objective. So that's how all the information is integrated in one picture.

The five-year operating plan has the same five objectives as the strategic plan, as is shown on the screen, and this is how the information is integrated, as I mentioned before.

For the five-year operating plan, one of the elements we will do is assess how we have done in FY16 phasing. We will take that set of deliverables that we have shown in the five-year operating

plan and see how we did in terms of completed carryover in progress. We will incorporate that into the impacts of FY17 through FY20 in terms of the phasing set of deliverables.

This is a sample page from the current five-year operating plan. It shows that the elements that would be modified and reviewed over this update process would be the portfolios, adding or subtracting from them. The key performance indicator: taking some of the current metrics as key performance indicators and putting a little bit more detail to them where applicable. As the key performance indicators were written now almost a year-and-a-half ago, we are looking at what they are and refining them and updating them accordingly.

The dependencies, where applicable, would also be updated. As I mentioned, for FY17 through 20, we would change the phasing and/or deliverables associated with each one of the objectives.

Any questions on the five-year operating plan? Otherwise, I'll move forward to the key performance indicators. Please?

UNIDENTIFIED MALE:

I'm interested in what's going on with IANA, but in the five-year operating plan, I remember from the last [inaudible], there were certain uncertainties in that. So how are you dealing with that?

CAROLE CORNELL: There's been quite a lot of discussion in the last weeks and here in Dublin. In fact, at the FY17 operating plan and budget work group session that we had on Sunday, we talked a lot about the IANA stewardship transition and possibly even considering having a few scenarios and exploring them.

The specific details of how that's going to be incorporated into the five-year operating plan we have not formalized at this point, so I don't really have a specific, other than we would have to look at how some of the phasing and the impact may be of a deliverable within that phasing.

But the overall five-year strategic plan will not change, so fundamentally it would be more of the timing of some of those deliverables.

UNIDENTIFIED MALE: But you keep it fully separated as an – how to say it – [inaudible] project, or what else you call it; the IANA transition or IANA operations. What is all in? [inaudible] big package called IANA, or is it a package subdivided in transition plus operations? How do you deal with that?

CAROLE CORNELL: The five-year strategic plan and the five-year operating plan is a cross-functional view, so it's not a specific departmental view.

For example, 2.1 has some IANA efforts, and there may be an impact when you refine maybe the service levels on IANA. That's where that would be reflected in the operating plan.

But if it were to do with resources or reorganizing a component, then it might impact another area of the five-year operating plan, and we would reflect that in the different phasing efforts.

Now I'm going to give [just] a brief overview of the KPI Beta Dashboard. As you all might know, in September of 2015 we actually published the KPI Beta Dashboard on our ICANN.org website. We did follow the same format as the strategic plan and the operating plan in that it is based on that same structure. The key performance indicators are based on the 16 goals, and it is a drill-down process within that dashboard for those 16 goals.

Since this is a beta, we would very much welcome all input from the community on the development of the KPI Dashboards, or if there's information they would like to see covered within that and on our ICANN.org website under Beta KPI Dashboard, there's a button for public feedback. That comes in as an e-mail box and we would obviously respond to every question that was submitted.

Since the KPI Dashboards are still an evolving element, this is just showing the process and the roadmap as we continue to look to look at the key performance indicator, review them,

evaluate them, update them, and process them in a continual process.

As I mentioned, here's a quick status. We published in September. We mentioned that it's structured/aligned against our portfolio management system, along with our management structure. All of the ICANN functions engaged in collecting relevant data have begun and continue to do that, and we are in the process of refining some of the targets and showing trends on the KPIs as you've seen them evolve.

Obviously, it's a culture-drive approach to looking at data-driven decisions based off key performance indicators, and that's something we are continuing to evolve and educate within ICANN as well.

I mentioned the ongoing review analysis and reporting. We have... Since key performance indicators are put there as a good management tool, we actually have been having monthly reviews with our senior management team. We're obviously reviewing that same information with the Board at their various Board meetings, and we review them with the stakeholders. You see some of them in the quarterly stakeholder, like the one that was just presented on October 7th.

UNIDENTIFIED MALE: Sorry, Carole. So I'm gathering that a lot of the inputs into the dashboard are not necessary coming out of many information systems but are almost manually derived. Is that what you're saying there?

CAROLE CORNELL: It's a combination. Some of our systems that we have we have data from, and we actually use that data. But it is not across the board, so some are manual and some are system-driven. But the defining of the key performance indicator is something that has taken a while and does take a while to come to the right balance. We're still working on that. So if you were to go look at the dashboard today, there are about four or five that show just roadmaps that they've not actually yet produce data, but the roadmap says when that data is anticipated to be put up and shared.

The next slide is a sample of what, if you were to go to that page and if you look at the URL, if you went there, you would see the actual KPI dashboard. This is the August release, and it shows the five objectives and their scoring on the right as well as somewhat like a traffic light color code of each of one of those.

As you can see, they're not all green, so we are continuing to evolve, progress, and improve our processes accordingly to some of the KPI results.

At this time, I'm going to pass the microphone over to Christine Willett, who's going to give us a specific update on a KPI.

CHRISTINE WILLETT:

Thank you, Carole. Sorry for joining late. GDD Operations has reported in the first report that was published back in August on four dimensions of KPIs surrounding our service level delivery. We have been monitoring service level delivery against target for over a year now. As we continue to expand our service offerings and add additional dimensions, we continue to add additional dimensions of metrics that we report against.

However, we felt that it was important as these KPI dashboards evolve that, rather than simply report on monthly point in time statistics of those metrics, we begin to show trends. This is one example of how reporting against those service level targets are trended. So you have three months of data here – June, July, and August. There are four specific metrics from four different departments. So you can still see each department's metric, but you can also see an overall trend.

As we amass more data, more longevity, and more dimensions, we'll have to continue to explore other representations of this data. But this is representative of the direction we're going, and one way we might represent trending of our KPI work.

[WOLF-ULRICH KNOBEN]: Question: what are the targets? KPI, as I understand, are the indicators. The targets and how are they related to your incentives?

CHRISTINE WILLETT: Staff incentives?

[WOLF-ULRICH KNOBEN]: Yes. [inaudible]

CHRISTINE WILLETT: All of our staff have goals that we set out for semester evaluations. We have semester evaluations, so it's twice yearly. We set goals for our staff on a number of dimensions, including achievement of delivery of services that contribute towards achieving these service levels.

[WOLF-ULRICH KNOBEN]: I understand. So this is to be merged on a half-year basis with regards to the evaluation of your own personal targets. I understand you have a monthly performance review here, and then after half a year, you merge it together with regards to the achievement of your own personal targets.

CHRISTINE WILLET: Thank you. Thank you.

[WOLF-ULRICH KNOBEN]: Yeah.

CHRISTINE WILLET: If you look at the four bars that are presented here on any given month, they represent the work of an entire department, an entire team, of people. For instance, the one bar there – GDD Operations – is actually an amalgam of... I think right now these 18 different service deliveries are tracked towards that, so it's multiple people, multiple services. So this is a representation of the operational capabilities and how are we delivering.

I should also mention specifically, since we're talking about service level targets, that we have defined service level targets. We have published those. It's out on our website. We share. Every year, we also look at improving and enhancing those targets so we continue to raise the bar, if you will.

CAROLE CORNELL: Thank you very much, Christine. This is just one sample of the KPI for Goal 2.1: Foster and coordinate a healthy, secure, stable, and resilient identifier ecosystem. I'm not going to go through

and discuss each one of the KPIs in great detail. I just wanted to point out that I just put three in here as a sample set. The second one has to do with financial accountability, and therefore... This is in regards to the reserve fund and the trend and monitoring of that against the budget target.

The third example for this one is percent of staff voluntary attrition, trailing twelve month trend. Again, it's just another sample of the data that we're actually tracking and producing and putting on our website at this time.

STUART BENJAMIN: Sorry, Carole. Can I make just some observations please?

CAROLE CORNELL: Please.

STUART BENJAMIN: Stuart from .au. I had bit to do in this space, and I'll make a submission using that link that you've provided. Thank you.

A couple of observations. It's very easy when you're doing dashboards to take the easy marks first and do the easy data sources, so I'd be cognizant of that. You should actually try to do the high-risk data up front rather than the easy marks.

One of the issues that you've got there with your data is you've almost got a wide twelve months until you get a rollover to see some of those trends starting to come through. So I wouldn't be afraid to ask departments to go and produce historical data to backfill some of those holes.

You've got some great examples here; only three. But just be conscious of not getting sucked into producing too many KPIs. Don't become obsessed with the global current trend in accounting – traffic light systems – because as accountant, we continually try to dumb things down for non-financial people. So we make it simple and we develop traffic light systems. That's kind of where we're going with dashboards, to a large extent. So, please, don't get seduced by that traffic light system. Thank you.

CAROLE CORNELL:

Thank you, Stuart. The traffic light was done, yes, very much to keep it simple, but also to be able to roll it up and down within the management structure as indicator so that you could do that first flare, and for management to be able to quickly identify those elements. That's why that first got started.

I think the second thing is I've heard three times since I've been here about the importance of not overdoing and just getting too data-driven about producing lots and lots of dashboards. So we

will be very cognizant of that, and it is good feedback. I appreciate that.

STUART BENJAMIN: So just to clarify for the record, Carole, you're saying you needed to introduce the traffic light system to make it simple for management?

CAROLE CORNELL: No, not so much, but thank you. It's just a good way for us to do a quick effort and look.

UNIDENTIFIED FEMALE: Carole, may I? I also think that the traffic lights, the color coding – red, yellow, and green – at the top are also intended to provide the community a very simple way to figure out how to drill down, what areas to focus on, instead of having to look at every number. “What does 82 mean? What does 75 mean?” But I'm sure Carole will continue to look at that and how we make it as meaningful as possible.

Thank you. That was a good comment.

CAROLE CORNELL: The next subject – and it's just to give an overview – organizational excellence is another component of our

operations that we are continuing, and it has to do with the spirit of continuous improvement. This is just a brief roadmap for FY16 on some of the efforts that we're taking within that, from doing an internal assessment and continuing to do education. Now each department is doing their own assessment and rolling that up to do an overall assessment.

We have done our first FY15 full internal assessment. WE will be using EFQM as a foundation, and by FY18, we'll have done an EFQM external assessment as well.

That concludes the presentation on the information. I know it is 10:25, and I do very much thank everyone for the continuous questions throughout. I wanted to know if there's any other questions or topics anyone would like to discuss before we close.

UNIDENTIFIED FEMALE: And anyone in the chat room, feel free to type a question if you have one in the chat.

STUART BENJAMIN: Sorry, Carole, I'm going to indulge if I may again.

CAROLE CORNELL: Please.

STUART BENJAMIN: We're hearing a lot at this ICANN about the proposed meeting changes or change to the formats to the three different systems. Has that been factored into forward projections, or is that going to be part of the review that you'll be undertaking? Because I imagine that has a significant impact on the cost of meeting operations and meeting [room].

CAROLE CORNELL: I do know that the three-meeting format is something that was looked at during our FY16 operating plan and budget process. I don't have any specifics on the direct impact to give you at this time, but I could come back and ask the Meetings Team.

BECKY NASH: As part of the FY17 budget process, it has come up in our planning notes to look at the new meeting strategy and to incorporate scenarios related to the confirmation of the ICANN community meeting strategy of the A, B, and C meeting. So it will be contemplated as part of the FY17 budget process.

STUART BENJAMIN: Thank you. Could I just make another observation and compliment the finance team on the transparency that you

show and your preparedness to come and talk to this community in this manner? But also I want it on the record my disappointment at the poor turnout. I think this is one of the more important things that occurs at ICANN, and apparently the financial acumen or the interest in such things is limited across the community. But thank you for your service.

CAROLE CORNELL:

Thank you very much. I think today is particularly difficult with many of the meetings going on and continuing to be changed in Dublin, particular with the IANA stewardship transition. But thank you.

Thank you. This concludes today's Operations Update.

[END OF TRANSCRIPTION]