
BUENOS AIRES – ccNSO SOP Working Group [C]

Sunday, June 21, 2015 – 13:30 to 15:00

ICANN – Buenos Aires, Argentina

GIOVANNI SEPPIA: Welcome, everybody. Welcome to the ccNSO SOP Working Group meeting during the ICANN meeting. Thanks for coming. First of all, we have to record the apology of Lesley who cannot be with us today. She's very much looking forward to joining the meeting during the ICANN meeting in Dublin.

We have also one remote participant who is [inaudible] at the ccNSO secretariat, [Kim]. Welcome, [Kim]. Can you hear?

[KIM]: I can hear you, thank you.

GIOVANNI SEPPIA: Will you be with us at some point in the future, one of the next meetings?

[KIM]: I sure hope so.

GIOVANNI SEPPIA: Okay. So we'll look forward to knowing you face-to-face. I'd like to thank Bart who has had to draft the agenda and liaise with Xavier and

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Carole, who are going to join us in about 15 minutes. Bart later this morning sent out the presentation that they will go through during today's meeting.

Is there any other point you'd like to add to the agenda, which starts with the short review of the process which led to the submission of our comments to the draft fiscal year 16 operational plan and budget? Then it will be followed by a few points we may like to highlight without killing each other in preparation of the meeting with the board. Then we're going to spend a few work about the preparation of the meeting with Xavier and Carole. Then [inaudible] will guide us through the presentation which Bart shared later this morning. Then we have last part of the agenda is to wrap up and think about the next steps of the work of this working group.

I don't know at one point that I may like to add eventually to have a call for new volunteers of the working group. There have been some changes. Dina left. She's no longer working at ISOC Israel, so she's not anymore a member of this working group. We may like to have a [inaudible] call for new volunteers who may like to participate in the work of this working group.

Yes, Peter?

PETER VAN ROSTE:

I think this is probably the appropriate topic. Am I queue to announce as well that I'm going to step down from the SOP Working Group? My board instructed me to reevaluate the time that I'm spending at ICANN

meetings. I've been doing this now for about six years. I don't know when the first one was, but the first one I remember was probably in Mexico City. So this will be my last meeting in the SOP Working Group.

GIOVANNI SEPPIA:

Thank you, Peter. So we definitely needs new volunteers. I'd actually like to [inaudible] chairman of the board, so I may reassess my opinion as the board is not here. I'm the only board member and I'm the chairman of that board. Is it approved? Okay.

So we'll definitely need new members of this working group to make sure that the working group is strong enough to cope with challenges of common reviews of the strategy plan and also of the fiscal year 17, as I guess there's going to be quite a lot of changes in the planning considering the transition, the accountability, and much more. So I guess we will have a bit more work in the near future.

Anything else for the agenda? Mathieu?

MATHIEU WEILL:

Just to state that I apologize I will have to leave the meeting a bit earlier.

GIOVANNI SEPPIA:

Okay. Anything else [inaudible] related to the agenda? Thank you, Mathieu. I really appreciate Mathieu is there because it's one of the busiest members of the community these days. Really busiest. It's

really good to see him [inaudible], at least at the beginning of the meeting.

Okay, so we consider the agenda approved as it is, and we'll start with the first point, which is the due process of the comments we submitted to the fiscal year 16 operational plan and budget of ICANN.

We have submitted those comments in time and ICANN responded to all the comments they received recently. The main common pattern that can be seen when going through all the comments, and especially the comments of different constituencies is the fact that there is a common comment that is the highlight in the lack of proper metrics and proper KPIs in what we have been provided. As well as there are more specific comments regarding some of the figures that were presented regarding the budget.

But as I say, the main comment which we can spot in the long list of comments [inaudible] received is this need to introduce more metrics and more key performance indicators when presenting an operational plan and budget to the community.

Regarding our comments, I had quite a constructive discussion with Xavier and Carole in preparation of this meeting on Thursday and I pointed them that the fact that we really have been spending now many years highlighting the need to have more clear goals, much more detailed KPIs in this kind of planning. There was an acknowledgement that they're in the process of getting there. I invited them to give specific examples at today's meeting.

Together with the presentation we are going to be provided with – at least I hope we are going to be provided with specific examples of getting there, including there is some feedback. There was some feedback to our comments which was saying, yes, we will doing that. But it was nothing more than “we will do that.”

So I said to them that instead of reading “we will do that” it would be more valuable to read “we’ll do that by . . .” and then they can put Q2 2017 or Q2 2016. I said to them that we are all human, we are all working in a challenging environment, and it would be understandable if at some point instead of being Q2 2016 that deliverable is in Q3 2016 or at a later stage, or even earlier, but at least there is a time reference for the community to evaluate [inaudible], which is something that is still missing, including the introduction of indexes of different kinds to manage the activities.

They acknowledge also that they’re working on those indexes and they are aiming to have most of the indexes ready by early next year. But again I said to them that in the responses that we are provided, instead of saying we’ll work on that, we should be given a timeframe and more specific examples how they are working internally to get where we pointed them to.

I believe part of the presentation of today will be enriched with different examples of what they are doing at an internal level. As I said to them, this will be a very first example of being accountable to the community because you give the community the chance to evaluation what you are doing during a specific timeframe without keeping the

entire goal [at a very] generic level without the possibility for the community to see when they can check the work done.

Is there anything that we should – you would like to specifically point out to Carole and Xavier when they come to the meeting regarding this approach that I recommended them? No? Consensus. Okay, time of the day. Okay.

Regarding the preparation of the meeting with the ICANN board and the ccNSO SOP Working Group which is taking place this week, I had an e-mail exchange with Lesley. We were both in agreement to stress three elements of what we have been doing so far when providing comments to the strategy planning or the operational planning. The three points are related to the need to have more concrete KPIs, the need to have a more specific figure regarding the projection of income and expenditure at ICANN side, and also the need to have [inaudible] timings.

I added that I believed there should be a way to educate ICANN senior staff to have this culture of having objectives with clear KPIs. As I was discussing with Carole and Xavier I believe that those KPIs, those metrics, should come from the different ICANN departments rather than being imposed externally. It should be the first job of an ICANN department, and I give you the example of the one in charge of international relation. I believe that we should not hear anymore that one KPI to evaluate the level of engagement at the international level is the number of MOUs. That's really something that my seven-year-old son can say to me. But from senior staff, this is very superficial.

So it's not the quantity that measures the work in this case, but is how those MOUs translate into concrete and valuable [inaudible] not only for ICANN, but for the entire community.

They agreed that – this is something in the talk I had with Xavier and Carole. This is agreed that this is something they are really working hard to get there. Those are the three points, plus [inaudible] culture. Yeah.

So the first one being the need to have more concrete KPIs, the second one is more specific details regarding the projection of income and [inaudible] being the timing of the action, and the last one is to have a sort of culture of KPIs at ICANN senior staff level, which will help again the community to see some accountability at ICANN staff level.

Mathieu?

MATHIEU WEILL:

Thank you, Giovanni. I [inaudible] with those three items. The third item about the culture of setting KPIs and feeling accountable to them is something that I think Carol and Xavier will certainly struggle with because it's definitely not something they can achieve within ICANN without very strong support from the board and the leadership. So I think it's a very important aspect to stress to the board of ICANN.

At the same time, I think there's something that we should certainly stress as advice which is that there are out there frameworks to enhance the orientation towards results of an organization. This is routinely used in the industry, in the service industry, but also in

public services. There are many frameworks. They're all about business excellence. One of them was used by ICANN for a time. That was EFQM, the European Framework for Quality Management. There are others.

I think we should signal our concern that it has been given up for IANA for another framework which is more of a compliance framework – compliance with a certain set of things. The overall aspect of business excellence which is about continuous improvement which is about results orientation – so KPIs and a maturity of the KPIs, because what's the problem you're pointing out is a maturity of the KPI. You start with measuring how many clicks you're making and then you start thinking, "Maybe that's not performance. Maybe that's just the number of clicks and I can improve this in terms of quality, in terms of cost, delays."

I think we should stress very strongly to the board that the absence of this right now at a time where ICANN is changing and structuring [inaudible] processes is a very strong concern, and probably ask them what they intend to do on it.

Probably we could give a head's up to Xavier and Carole that we have this concern or at least explain why they [gave up] on EFQM for IANA, for instance.

GIOVANNI SEPPIA:

Thank you, Mathieu. Gabby?

GABRIELA SCHITTEK:

I'd just like to back Mathieu's comment about KPIs and link it to an observation that Xavier actually said when we had that meeting with them, because there are a couple of KPIs and these are actually quite good and tight and solid. And he himself said that the difference of what he was getting from the different parts of ICANN was a big part of actually trying to put the whole thing together and they actually struggled to get even a consistent response from [inaudible].

I'd actually like to know when there is a KPI how that KPI goes back down the line to being the manager's performance objectives and targets for them, because there shouldn't be a KPI in anything that we're seeing that isn't also then in a staff member's or all the members of the appropriate teams individual performance objectives and targets that they've got to meet. So how do they actually tie that back into the whole performance management regime?

GIOVANNI SEPPIA:

Thank you, Gabby. [Leonid]?

[LEONID TODOROV]:

Thank you, Giovanni. I just wanted to pick on some on some critical keyword, which is consistency. My understanding is that no KPI are valid until we have a certain consistency and predictability policy-wise.

Let me just remind you the first year of Fadi in office. We talked multi-stakeholderism and all the resources were actually focused on multi-

stakeholderism. Next year it was NETmundial. So again, lots of activities, lots of funding.

The third year was quite understandably IANA transition, and then I guess you followed that. There was that note by Steve Crocker and Fadi about technical excellence, the need to urgently achieve technical excellence, which I would welcome of course. But this means a complete change of the discourse and I've seen the figures like 5+ something million dollars. I mean, for that particular purpose, I cannot recall if that figure has been already budgeted for year 2015. If so, that's great.

We need to better understand the direction they are taking us well in advance so that we wouldn't have that confusing situation, which we already so many times found ourselves in – like we are trying to arrange certain comments and then all of a sudden we are thrown into some new situation, which just emerged out of nowhere.

GIOVANNI SEPPIA:

Thank you, [Leonid]. I think it's very good input regarding consistency. We may like to ask – this is going back to the strategy plan [inaudible] operational plan. What are the concrete and objective priorities they have for each of the years of the strategy plan which we have commented on last year?

I agree that at some point there is a sort of confusion what is the key priority for one year. Again, it should be kept throughout the planning – again, the community should be informed.

Wow, we have – hi, [Xavier].

XAVIER CALVEZ: Hello.

GIOVANNI SEPPIA: I paved your way for your presentation.

XAVIER CALVEZ: I don't know if it's a good thing or a bad thing.

GIOVANNI SEPPIA: It's very good and you have [inaudible] on here, because from this [inaudible] drank coffee. This is really something that we keep for [CSI] just in case.

To wrap-up one comment, again thank you so much. It's really a very good comment. I think this is something we may take up in the next phase when we may be asked to comment again on the review of the strategy plan, but it's really something important to understand about the consistency and the priorities. We're really talking about high level. I feel [pressed].

UNIDENTIFIED MALE: No, you should feel supported.

GIOVANNI SEPPIA: I feel supported. I feel honored. Okay. I'd like to thank again Xavier and Carole as I went sent to the group for the very good meeting we had on Thursday. I was sent to the group that it was a good meeting to try – that helped, at least me, to understand. And this is what I said to the group [inaudible] working to make sure that our comments are taken on board, and also they are destroying the proof. And also how you are putting together the plans that you are presenting to the community. That is really important.

Thanks Xavier, and thanks Carole, again. Bart shared later this morning a presentation. Honestly I didn't have time to go through it yet because I was in other meetings. I guess most of us didn't have time to go through it.

I believe that you may like to introduce some new people in ICANN who are going to help you in the strategy and operating plan and the process. So thanks again, Xavier and Carole.

XAVIER CALVEZ: Thank you, Giovanni, and thank you for taking the time to meet with us on the phone and face-to-face over the past few weeks. That was very helpful. Thank you for inviting us to work with you today. I'll start by introducing people that you may not know either by name or face or both.

In the end over there you have Becky Nash. Becky is our recently arrived VP Finance at ICANN, which means that I will go on vacation soon because she's taking care of everything now.

Aba Diakite used to be in the Finance Department. He is now in the PMO and BI Department working with Carole. You may have seen his name before. I don't know if you've met any of the members here, Aba, before. Aba has been with ICANN for a while now. Eight years, nine years? Okay.

Bart, can we start with the presentation? Okay. You were blending with Mathieu. Introduce yourself.

JACKS KHAWAJA:

My name is Jacks Khawaja. I'm Enterprise Risk Director and I appreciate you guys having us here today and we'll give you a little bit of information on enterprise risk as we start the presentation. Thanks.

XAVIER CALVEZ:

So we have at ICANN meetings and also on calls in the past we have more presented, either finance-specific subjects or dashboard-specific subjects and we're trying to consolidate this information in terms of how it's communicated with the community under an operations update. So we will talk about more than simply the budget process or more than simply finance subjects with you today. And we intend to continue doing that on an ongoing basis and speak with all the various groups about an operations update, in which there could be different components depending upon what is more timely at any point in time.

This is basically the operations infrastructure update and it includes different subjects. Today we are suggesting to have a quick look at our management systems as a reminder, talk about the FY16 operating

plan and budget and [inaudible] public comment part of it, have a quick look at the FY15 financials. We would like to be able to talk about enterprise risk management, as Jacks indicated, and have a look at the status on the dashboard project and on the organizational excellence.

I want to stop here, so that we check with the group if there's any other subjects that we would like to make sure we include in the list that are not there right now. Any ccTLD contributions you want to talk about?

GIOVANNI SEPPIA:

During the meeting I had with Xavier, I asked that we are going to be provided with the updated figure regarding the ccTLD contributions to ICANN. But just [inaudible] we were provided was having some incorrect figures. So I think that we agreed also to get some examples, practical examples. The entire group is very much looking forward to get some examples, which we spoke about in our informal meeting on Thursday. Are there any other points you'd like to see in this agenda for the presentation of Xavier and Carole? No? Don't worry about the [inaudible]. It's a bit of [inaudible]. It's a lot going on.

XAVIER CALVEZ:

No problem. Carole, you want to start on management systems?

CAROLE CORNELL:

Sure. If you'll go to the next slide, please. This is a picture of what we would call our management systems. As you can see, it starts with a strategic plan and it rolls through the five-year and the one-year operating plan to the budget and cost management.

You'll notice that the ones in orange are what we would call implementational management components, and then it goes from the budgeting costs to portfolio management to people performance because we now have a more updated halogen performance, which ties to all of our strategic goals as well as our operating plan to enterprise risk management, and then to reporting and dashboard.

As one of the outer rings of this, it also shows that we've taken into account organizational excellence which is a continuous improvement program and we wanted to recognize that that is a key piece of this as well and we will continue to evolve and change and improve as we go. Xavier, thank you.

XAVIER CALVEZ:

One important point is that the strategy plan, the operating plan, the budget, the portfolio structure [DRM], everything is structured on top of objectives, goals, portfolios, and projects that are the same across. That's what's been a tool for us to ensure there's a full alignment between the strategic plan all the way through the budget and the delivery and the reporting as well. That's the structure over which each of these systems or processes are based. Next.

Update on the budget process, and more specifically on the public comment phase which is coming to a close now. Quick overview: we had nine organizations providing 85 comments. The main topics that came out were the policy support was insufficient, lack of clarity on the USG transition, and there were a good number of comments or questions on KPIs whether relative to understanding them better or to commenting on their adequacy or lack thereof for the measurement of the goals considered, etc.

In terms of new organizations, we had for the first time – for the first time in a long time, at least – the GNSO Council commented on the draft. Their comments were mainly related to USG transition and policy support.

As you may remember, for those of you who participated, immediately after the close of the public comment period on May 1st, we carried out a number of calls with the organizations that submitted comments for the purpose of ensuring that we have an adequate understanding of those comments and of the background for those comments as well as trying to set expectations for answers.

We have felt that it was very useful, but certainly the feedback from your group as well as others as to how useful those calls were will be very welcome for us. We felt it was useful because it helped clarifying comments. It helped setting expectations as well as how to answer and what are the expectations from the people who had asked the questions or made the comments. Of course it also helped us ensure

that the board and the Board Finance Committee members can attend those calls, so they were part of those calls.

We had a shepherd for each organization from the Board Finance Committee to ensure that they're involved in listening to the comments and they also had helped us provide a sort of quality control of the responses to those comments. So they listened to the comments, and once we drafted responses, we provided those responses to the board members so that they can look at them and determine whether those responses and their views were addressing the comments.

We believe it's helped us do a better job in the responses to the public comments, but this is really for all of you to indicate whether you believe there is improvement there, because if there is, we need to continue this. If there's not, we should find other approaches to improve.

The responses were published along with in front of each comment on June 5th with the intent to allow a bit of time between the time they're published and the ICANN 53 meeting to let anyone react to those questions, and Giovanni has provided some additional comments that are useful to us and that we're going to take into account.

As a result of the public comments, a number of changes have been made to the budget. First, the policy support has been increased as a result of the public comment. There's about three organizations that indicated that they thought the policy support resources were insufficient and we had therefore taken that comment into account,

increased their resources by [inaudible]. It includes two staff members as well as a [inaudible] of policy research professional services that have been included. That's David Olive that formulated those resources for that increase.

We had also to increase the language services budget due to the basically increased volume of translations that happened simply due to the growth of the number of documents that are being published. There is a part of that that is due to I believe the USG transition activity that creates more information, more documents, more translation.

GIOVANNI SEPPIA:

Sorry, one question. So have not added any language?

XAVIER CALVEZ:

Correct. It's not a matter of the number of languages. It's the volume of languages at this stage. These two changes add up to \$1.1 million. We debated whether we should go back to the entire organization to change the budget of everyone in order to take a bit from everyone in order to feed these increases, with the intent of course to remain within the same amount of expense because our revenue expectation didn't change and we didn't want to go over revenue in terms of expenses. So we wanted to stay within the very basic solution that we found is simply to decrease [a little bit] our contingency by the same amount, to remain at the same amount of expenses, while accommodating the policy support and language services increases.

The contingency, as a result, is at a level of \$3 million, which is probably a bit smaller than we would like it to be, but we believe is manageable under strict control. Just as a reminder, the contingency simply, it's a budgeted amount of expenses. It's just not allocated to any specific activity as opposed to the rest of the budget. \$3 million out of about \$115 million is a bit less than 3%. We would like it to be a bit more like 5% in the future, but that's the way we handle it this year.

We've also clarified language on the impact of the USG transition. The comments are mainly relative to, one, what have we reflected or not reflected in the budget relative to USG transition and post-USG transition. The basic answer is we have not tried to change anything to the structure of the budget of ICANN to reflect a post-USG transition world, which we don't know really yet how it will look like. So we have not, as a result, tried to make a lot of changes relative to that structure. That uncertainty also translates into the amount of resources that we have allocated to the USG transition activity, the completion of the transition project and then the implementation of the post-transition solution.

So we have – and you may remember last year we had basically defined an envelope of approximately \$7 million of resources to be supporting the project, the activity of the community who have worked on the project. We have this year about the same amount as an envelope allocated to both completing the transition work as well as the part of the implementation that will fall within FY16, knowing that we don't yet know what that is going to be.

So these are really at this stage envelopes and placeholders rather than very specific action plans with quantified detailed information. Any questions? Yes, Peter?

PETER VAN ROSTE:

Thank you for the update on that. With regards to the clarification on the impact of the USG transition, if I remember correctly – I didn't check, but I think one of the points in our submission was, an important aspect of that, was regardless of what happened, it would be good to get more clarity on the effective cost of IANA operations under the current mechanism, because regardless of what we're expecting in the future, that cost will likely be significant element in the discussions moving forward.

Is there any progress on that on singling out those costs?

XAVIER CALVEZ:

So I have provided mid-March to the CWG Design Team an assessment of the IANA functions costs. To your point of current model of ICANN operating those functions, I don't know how that's been distributed within the CWG, but this is something that I was intending actually to publish simply because everybody, a lot of people have interest in this funding. I'm very happy to [send it] to this group if it's useful.

It's an assessment of the complete cost, but under the model of operation where those functions are currently carried out by ICANN, which is fairly integrated for the parts of the services that are shared, like IT infrastructure is shared mainly, finance, HR – so the overhead.

There's three buckets in the cost model that I shared, the very dedicated resources. Of course there are dedicated resources and dedicated assets. The specific activities relative to IANA functions but provided by shared resources. For example, legal has very specific activities relative to the IANA functions, but it's a shared department. Then the overheads, which is what we said finance, HR, infrastructure, and so on. The total of that is \$6.3 million.

By the way, each bucket is around \$2 million each, approximately, and the specific is \$2.3 million from memory. I'll send that to everyone. It's two pages. It provides a list of the activities that are under-shared because those are a bit less clear to [inaudible].

What it does provide is the annual cost of operating the IANA functions. What it doesn't provide is the cost of the assets that are specific to the IANA functions, the key signing facilities for example, as well as the cost of the hardware and software which are capital assets. It's not that we don't want to provide them. That was not the original question that was asked by the [DTO] and we need to do more work to be able to provide that visibility when it's needed. But I will share. It's a PDF of two pages. I'll share that with everyone.

GIOVANNI SEPPIA:

Just echoing the interest of receiving this information in this group. Maybe a follow-up on this is can you confirm that you're already preparing for everything in the Fiscal Year 2017 to include separate information on IANA budget, including the capital assets, to be provided in the regular process of budgeting and strategy plan and

everything? Is that something that the Finance Department is already preparing, too, or has it not started?

XAVIER CALVEZ:

It's easy to redo the analysis that I've done and updated on a more or less recurring basis. It's [inaudible] because it's ad hoc, but it's easy enough. On one hand, we're going to try to produce that information on a more recurring basis. The analysis that I will share was produced with the FY15 information costs, and we will update that information with the FY16 costs. Honestly, we tried to do it before Buenos Aires. We didn't have time to do it because we focused on the public comment process. So we're going to do that with the FY16 information, so that we have the same budget for the IANA functions.

That budget will [inaudible] reflect the post-transition situation, which we don't yet know what it will effectively be. Having said that, this is the available information at the time. That's fine. We can provide that.

There is a much larger question, which is the production of functional cost information at ICANN. We want to get into that, not necessarily with this group and not necessarily now, but that's why – I'm conscious of time. I'm conscious of time for this meeting and there's still a lot of slides.

My only point to that is we need to work on the ability to produce functional information, because the question on IANA functions, someone else has the same question on policy and WHOIS and SSR and so on and so on.

The bottom line is that this is an area of research for us to be able to determine our capabilities of producing functional information, just like the IANA functions, for example. That's why I mentioned the two paths. One is to produce the IANA functions information and replicate that information that we've already created for FY15, but the structurally organize ourselves to be able to produce that for IANA functions and other areas of cost in the future.

UNIDENTIFIED FEMALE:

Xavier, can I just say something? You also mentioned the strategic and operating plan separating out the IANA role. At this time, we have not done that in the strategic plan. When we go and do the update, which would be closer to September, we would start to pull information and look what the variance and the impact would be, but we're not doing it before then because there's so many unknowns at this time and so many different scenarios, so we're not doing it right now in the strategic plan. It will be when we update the five-year operating plan will start to reflect that information.

It's a strategic plan, and then there's a five-year operating plan and there's a one-year operating plan.

XAVIER CALVEZ:

I think it's extremely important that in Fiscal Year 17 operating plan, whatever you call it, you will have all the information to incorporate from the CWG and the ICG. That needs to be in line. There's a significant probability that if things go further, it's going to go further

on July 1st 2016. So it's beginning of Fiscal Year 17. I will not understand if the ICANN budgeting or operating plans were not aligned with the proposals from the community.

UNIDENTIFIED FEMALE: [inaudible].

XAVIER CALVEZ: Completely agree in principle. Timing will be what we need to work on. We're going to need to update the operating plan year two which is FY17 in the next two to three months, and I'm hoping that we'll have enough information to do that at that stage. Mathieu, I'll finish.

We're going to have a first phase of updating the year two of the five-year operating plan, and then the second phase will be the annual operating plan and budgeting which will happen in the early part of next year. I'll finish again.

I think at that time we should have everything that we need to be able to reflect that in the budget. We have a planning process that spans over ten months and sufficient information will be available about in the middle of it, not in the beginning of it. You have the information.

After this meeting, I expect the CWG proposal will be handed over to – I mean, expect it will probably be handed over to the ICG. That will give it a sufficient level of confidence that it should be incorporated in ICANN's budget and plans. That is at least my personal expectation and I would be very, very critical of a budget and operating plan that

would ignore this extremely strategic change. Why do you think we would want to ignore it, Mathieu? We wouldn't.

We've seen before strategy plans that kept being just updated incrementally and not taking into account things like NETmundial or things like this. That's why I'm—

UNIDENTIFIED MALE:

Can I say something? I think I understand the two points. I believe that there is reassurance from [inaudible] department that the moment they are given what needs to be input in the process to get this translated into the strategy plan review and the operating plans Fiscal Year 17. They're a commitment to do that.

UNIDENTIFIED MALE:

The one thing I think where we might differ is at what point does [inaudible] strategy plan [inaudible] considered information available in the community as sufficiently credible to be integrated?

I think it should certainly not be – and I would welcome confirmation on this – not be delayed until Dublin, for instance, because as soon as it's on track, then it becomes the most – I mean, we're doing strategy. Strategy's about anticipating what is most likely and having back-up scenarios. So I would welcome this being considered as the most likely scenario.

UNIDENTIFIED MALE: Understood, thank you. We can move forward and we have some time constraints now, but 25-30 minutes left. Yes, please.

XAVIER CALVEZ: I'll go fast on the next slides. This is the forecast of FY15. We tried to use the last meeting of the year to provide a view of the current year's financials. You may think that we're really a few days away from the end of year, which we are, but we have not yet finalized the closing of the books for June, of course.

So this is a forecast that we do on an approximately quarterly basis. This last one was done end of April, early May. It has ten months of actual data, plus two months of forecast.

Basically, revenue is slightly below budget by approximately a million is our expectation at this stage. Expenses in the same situation. So from my perspective, this is really within budget. There's a certain amount of uncertainty relative to the month of May and June, which we will need to [true up], but I'm not expecting a huge amount of differences versus this position.

The larger recent information that this is reflecting is the USG transition related costs—

UNIDENTIFIED MALE: I said it's a weird discussion. USG transition indicates that we're transitioning to United States government.

XAVIER CALVEZ: I agree. It's USG stewardship transition.

UNIDENTIFIED MALE: IANA stewardship. Can I ask a question? What do you mean with baseline operational expenses?

XAVIER CALVEZ: So baseline is everything that's not an initiative, and an initiative is the USG transition project, for example. Our total company expenses include the baseline and the initiatives. The initiatives are funded through the reserve fund. The baseline is funded through the revenue of ICANN.

Any other questions on that?

UNIDENTIFIED MALE: Sorry. Maybe I'm just a bit slow, but this slide seems to indicate there is only one initiative going on at the moment. That is the case? Okay, thanks.

XAVIER CALVEZ: From the definition of funding, yes, that's the case. Of course there could be other projects considered initiatives, but [inaudible].

UNIDENTIFIED MALE: Are you confident that this figure that's now 7.9 is not going to explode into the 8.9 or 9.5 range?

XAVIER CALVEZ:

The unknown there is the amount of the legal bills from [inaudible] [Austin and Adler]. We've taken a position here that we have half-a-million per month that will be recognized in May and June. It is possible that it's above that. It's possible that it gets more to 8.3, 8.5 maybe. I'm hoping not. But that's the parameter.

There is a bit of a risk. I don't expect it to be in the \$9 million, hopefully. I don't think there's enough time for them to build that much money, even at the price that they bill.

UNIDENTIFIED MALE:

And it's a legal bill, so that's [inaudible] because it looks like, if anything, the inflection curve is going skyward.

XAVIER CALVEZ:

But we're working with Mathieu and Jonathan and Lisa to ensure we have adequate control on that. This was an uptick in actual when the lawyers came into the groups and had to be educated about the process. I'm hopeful, first of all, the CWG work hopefully will die down. At least legal advice to the CWG will die down, and for the CCWG, we're actively looking to getting things under control.

But I think it's good that this group makes sure that – I mean, [inaudible] expresses the importance of getting this under control as any other costs from ICANN. Absolutely.

UNIDENTIFIED MALE: Even more so with the visibility and the significance that it has.

XAVIER CALVEZ: Talking about USG transition costs, it's next slide please. We've already covered the main information here that we are at \$7 million at the end of May. This is a view at the end of May after eleven months. It's missing the month of June, for which we don't have actual costs yet. It's at \$7 million, so we have about a million for the month of June versus the 7.9 that we've talked about previous slide.

So, one, we will be over budget by definition because the annual budget is \$7 million. We have been trailing below budget – vastly below budget – throughout the month of March. Since then, the legal bills have accelerated [inaudible] is basically the story.

I think at the end of the day this is looking at cost. Mathieu can elaborate if need be, but the point is that I think the support received is of high quality and is considered useful. So as long as it helps the objective of the good work on the transition, that's what matters, of course within limits of means. Next slide. Jacks?

JACKS KHAWAJA: Thank you. Jacks Khawaja for the record, ICANN Enterprise Risk Director. I just want to give a little bit of background. I know that in the interest of time, I'm trying to be brief because I know we still have Carole after myself.

Enterprise Risk Management, the department itself was created at the request of the Board Risk Committee in July of 2013. That's essentially when I had taken over the position and started developing the processes and procedures that needed to be in place in order to understand the identification process or risks within ICANN.

Clearly, the identifying risks had been taken place well before the department, but this is a formal group that actually manages that function. In the management system slide that was shown earlier, it showed the strategic plan, the operating plan, and so on. If you look at those strat and op plans, you'll see risks within them. So we carefully align those functions to risk management to make sure that we are covering the risks that are potential threats to achieving the strategic initiatives that we really need to achieve.

This slide represents an illustration of the model that we use. It's the COSO [inaudible] model. Most of you have probably heard of COSO, the Committee of Sponsoring Organizations. But what we leverage is the internal controls integrative framework component of the COSO model.

What that is is it's the risk management piece of COSO. The reason we leverage this model is because it's flexible and it allows us to conduct other types of risk assessments such as the DNS risk assessment we conducted last year where we used [ISO 31,000] and we integrated that information into the COSO model.

So the overarching model that we use within ICANN is the COSO model. Some of the main points of the process itself is to identify the

risks, we reached out to internal staff, executives, GLs, and then board members. Then recently we had reached out to the SOs, ACs, and SGs for any of the top five enterprise risks that they may be aware of.

Based on that information that we're collecting, we evaluate those risks, we determine the likelihood that they'll actually occur. We look at the severity and the impact of that risk to the organization. And when I say organization, I'm talking about the whole model, the model itself, the multi-stakeholder model and ICANN. Anything that's going to impact our ability to deliver to our key strategic initiatives and our mission. So we look at it from a broader perspective, not just ICANN itself, the organization.

Finally, after we do the analysis, we make a decision. We make an informed decision based on the evidence that we have in front of us. Then we respond. We take action on the risk.

In some cases, we may purchase insurance. In other cases, we may avoid the risk by not even engaging in that type of activity to put us in that position. And most of the time, we mitigate the risk by putting controls in place. That's really what we try to do. If we can please go to the next slide.

So this is just a short-term roadmap for everyone to see. I touched upon the first bullet up there, the five-year strategic and ops plan alignment. We really carefully aligned those risks that we've identified through the processes of inquiry and surveys and outreach to the strat and ops and plans and our goal is to complete that entire exercise by Q1.

The framework and methodology, we've had it in place as of September 2013, but we're always fine-tuning it because we're always doing new risk assessments depending on the specificity of what we're conducting.

DNS is completely different than, for instance, enterprise-level risk like financial, legal, and operational risks. So we can constantly reevaluate our framework and our model.

Board and stakeholder insight. We reached out in January on behalf of the board co-chairs, the Risk Committee. Mike Silber and Ron Mohan are the co-chairs for the Board Risk Committee. We carefully work with them. We constantly report our results, constantly monitor risk. The landscape continues to change. It'll continue to change after the USG transition, so we have to look at that as a major risk.

We want to put the right controls in place. We have shared a list of our risks based on requests from the CCWG. That list is published and posted. Bruce Tonkin is the representative for the CCWG. We provided that information to him. You can find that on our website.

The Board Risk Committee itself, we published the minutes from those committee meetings. Those are on ICANN's website as well.

So as we continue to go through this process, we'll continue the outreach and engagement and the education of what risk management is and we'll continue to collect and work with the community to hopefully mitigate a lot of the things that we're facing.

I'd just like to leave it at that and open it up if there's any questions.

GIOVANNI SEPPIA: Thanks a lot. I would suggest we keep the questions for the end and we move to Carole's part, because again, we are quite tight on time. Thank you again.

CAROLE CORNELL: Thank you very much. Thanks, Jacks. The purpose of this slide is to talk a little bit about the audience and how we're continuing to build our dashboard model. If you look at the very bottom layer, the operational one, you talk a little bit about all of the metrics we're doing today and how we're doing them.

We have about, I'll say, 99 or 100 of those we do use regularly now. This is a standard format [inaudible] with the operational level and there's the directional level which is all the portfolios and gets reported up and rolled up through to the global and executives, and then it gets rolled up again into a more concise place into the strategic.

We are in the process of rolling out a KPI dashboard. The target date for releasing that is the 20th of August and that's corresponding with our quarterly stakeholder call because a lot of that data we would want to report on a regular basis, and it's a natural way to build that communication between the two and that's where we're going. I'd like to go to the next slide, please.

I think I talked a little bit about this, but I'll just do a quick recap. The dashboard is aligned with the objectives, the goals, just like we talked

in the management plan. So when you look at the dashboard, you'll see it is aligned and how it's reported and tied to those particular components. We will continue to advance – I jumped? Right there, status and plan.

We will continue to advance our portfolio and our project dashboards as well, and we've continued to use them and advance them.

Where we are today and what are we doing here at this meeting? We're actually starting to share some of that. We have a beta version that's very much in a development mode and we've started to get public input on it and talk a little bit about how those – what the measurements are, how they're correspondingly different for different KPIs to different goals and objectives and we're asking for input. And if any of you would love to, we'd like to spend a little bit of time outside of this meeting. We will be having some informal chats and getting direct feedback. So if any of you are interested, we'd love to hear from you and we'll make time to sit down and do that.

The last piece is what's coming next. I've talked a little bit about being released in August. One of the important pieces I would share is this is the first updated goal level dashboard, so it will continue to evolve. We won't get it right straight out the door. We want to make sure we include the stakeholder's concerns and inputs as well. So we will continue to revise and update.

Using this you can see the five objectives we've kind of put in data for three of them to see how they would look and how the model rolls up. You can see that two of them are yellow.

I think it's important to know that we know we're not done with them. I think it's also important to know that we used a fairly high margin [inaudible] to try to target and go to [inaudible]. Something between 85 and 100 is a high margin to hit. Most of you will find that a lot of the data is in that 50-84, which is the yellow, but it means we're continuing to work on it and to improve it and we're conscious of those changes and evolutions that will occur.

We do actually have a few in the red, which means there is some aggressive work working on those and corrective action. Let's go to the next page.

This is the second level. So from every top level, if you went from the objectives, now we're moving down to the goal. Just in the FY16 to FY20 strategic and operating plans, it shows that there were 16 goals. If you used three, which is advanced organizational technological and operational excellence, which is one of those goals. You can see how we're meeting each one of the parts, if you will, to build that higher aggregated goal score and effort.

You can see that and you can see how we did. For example, comparing actual to target staff, voluntary attrition, using a 12-month trailing approach. We're actually not where we want to be and you can see it is an area we would want to watch, as an example. Next level.

This is the third level. This is actually where you'll see a lot of actual what I'll call trend charts and various charts. The financial one is one that we've talked quite a bit about and it's a straightforward one, but there are others to show. This is just a quick model to show you what's

coming and to show you that the dashboard's in development and moving forward.

That's where I'm going to leave it for a quick demonstration and conscious of time. I'll hold off on the dashboards. Let me just go to organizational excellence and then I'll come back and answer any questions you have.

I think it's also important to know that in the strategic and the operating plan your feedback was the KPIs were not well-defined. A couple of examples was when it went to the government, KPI in particular, it was very much very singular in approach. It was about MOUs and numbers of MOUs. That is one that I am actively working on with Tarek and Mandy from our government group trying to look at the best KPI metric that there should be. It's a more aggregated one, more about the ecosystem and the participation within the ecosystem, not just about MOUs, as an example.

I just think it's important to know we heard that message from all of you and we are working on them. You will see that two of those high level objectives have not got data in it because they are also very key. One is GDD and it had very much to do with what is an industry and how are they measuring it. The other one has to do with public interest and a lot of that would need defining using the community to help build that definition of common understanding before we'd want to measure a metric and share out in an effective way, just to use two examples. Moving forward.

This is just a little bit to share from an organizational excellence perspective. I mentioned it on the chart. We have actually – this is a little bit of a progress of where we are. We’ve done our first full ICANN, I’ll call it internal assessment, and we are in the process of finalizing that and we will be sharing it after BA, after we’ve had a chance to roll up and summarize some of the strengths and areas of improvement to be worked on.

Since it’s an internal document, as you can imagine from a management perspective, it gets into a lot of detail and we’re going to roll it up and share just a summary of some areas of improvement and some strengths that were observed during that process.

It is a follow-on to the IANA process. IANA did three or four internal assessments and then used the EFQM to do an external assessment and validation, which they shared along the way. We will use that same methodology and approach expectation-wise. It’s a couple of years, if you will, to build that kind of a model and a process. So I’ll show a little bit of a road map that’s underneath that. So this is just sharing you progress.

This is the five-year roadmap. You can see that we have done our first internal and it shows for FY16, it shows that we’re going to go more of an in-depth, deep-dive on half the company and build on that. Then the next year, we’re going to do a deep dive and build on the second half of the company and do that. We will still do an internal assessment each time. And then by FY18, we’ll have completed a full in-depth and share that overall result. So there is a long roadmap to

this process and this is just sharing where we are to give you some understanding of the process and the elements ahead.

So that's all I wanted to share at this point. Any questions or things that we'd like to address?

GIOVANNI SEPPIA:

Thanks a lot, Carole and Xavier. We have heard that you are working hard to pass on this KPI culture internally and we really appreciate that. First of all, we'd like to reiterate our availability to help you as this community has experience a lot of good practices in this area. So any time we are available to help you to pass on the message internally.

Is there any question on what we have heard and what Carole and Xavier they gave us some interesting insights on what they are doing to make sure that all the different actions that are in the different goals of the strategy plan and operating plan are on track as for measuring their delivering as well as their contribution to the big strategy objectives.

Any specific questions? Okay, Xavier has a question.

XAVIER CALVEZ:

Simply while you're thinking through potential questions, your help has already of course materialized over the years through the comments that you are providing through a strategy plan, operating plan and budget and so on.

Notably, since we have included KPI information in the five-year operating plan, the comments that you have provided on that help tremendously of course in the annual operating plan and budget that just closed. You have provided comments on KPIs as well, so this is definitely very helpful.

I think we may want to try to consider a slightly less-formal process of communication and feedback if the group is willing and available to send maybe some pilot, some draft information, and have you guys providing feedback, if you would like. That would be certainly useful for us, but we also don't want to abuse your time.

UNIDENTIFIED FEMALE:

I'll just pick up on the point that I raised earlier. I noticed in Carole's diagram [inaudible] how this feeds into the staff personal management. I just wondered, the KPIs were quite loose in a number of places. [inaudible] my staff roll on quite strict and measurable KPIs.

So one of my questions is how the KPIs that you guys get given, we acknowledge that you're relying on other managers providing you with information, how does that really feed down? How do they manage the staff if they've got such loose KPIs?

CAROLE CORNELL:

It's a really good question. I would say over the last year, actually, we've been doing a lot of education on making sure that the, if you will, the performance of each one of the individuals has much more smart goals and those get rolled up to the bigger and how those tie

together and our performance management system has been rewritten to incorporate more alignment with management successes as well as individual successes as well as leadership successes as part of that factor. So now we've incorporated it into our [inaudible] goals.

With regards to vague and not having baselines and sometimes very concrete targets, it's an evolving process and I would say we're just continuing to grow and learn and be better at it, but the answer is because we have everything, all of the projects tied in, we have multiple ways and we are in the process of developing a much more concrete way to measure and to have specific baseline and target for not just departments, but people as well.

GIOVANNI SEPPIA:

Can I ask something that we also talk about? You gave this example about MOUs and that you are working with Tarek's team to try to find out more concrete KPIs for measuring the engagement of governments or ICANN against international organizations. We understand that and we really appreciate your efforts in again passing on the culture of KPIs. But can we expect this work to be completed by a certain [inaudible] in the future, a certain [inaudible]? Just like saying we will be able, according to the feedback we got from Tarek's team, to make that improvement by, let's say, mid next year. I think this is something that would reassure a bit the community. At least this community that there is a commitment to not to have it open until the end of the current five-year strategy plan, but at some point in the near future hopefully we get there.

CAROLE CORNELL: It's a really good comment. I didn't get a commitment from them to give me a hard date, so I don't want to give one to you, but I will come back to you and tell you when they feel that they will have that in some of the cases.

I would share that since we're going to roll out by 20 August a full first data version, you will see all five objectives with some detail all the way through all three levels and will encourage us to have more dialogue with you and you can [inaudible] and see those. You will also start to see some baseline and targets in that very specifically, so you'll see more of that information.

So the answer is Q1 will show an improvement, Q2 will show an even better improvement with regard to metrics.

GIOVANNI SEPPIA: Thank you. Xavier would you like to complement?

XAVIER CALVEZ: I think Carole said it. Our main objective right now is to finalize a [inaudible] of the dashboard, publish it, work with it, and then continue improving it from that point on. It's been a long in-depth work in the weeds to be able to cover the entire organization all the objectives and projects and map them to KPIs. The KPIs, you've seen it. It's not perfect everywhere, but we want to get to a point of completion so that then it can become a working document for

everyone and then we can move forward with continuous improvements on it. And I think we're really close now.

GIOVANNI SEPPIA: Thanks a lot, Xavier. You wanted to add something?

XAVIER CALVEZ: Just last comment. I sent it to Giovanni and Bart, the IANA Functions Cost Analysis that we discussed earlier, so that you can distribute that to the SOP Working Group.

GIOVANNI SEPPIA: Thanks a lot. We are having a quite tight schedule with all this accountability IANA transition meetings today. Thanks, again, Carole and Xavier. Just a last point. A last point is we spoke briefly before you joined the meeting about what's going to be our message during the meeting we're going to have with the board.

One great comment came back and said that we, again, reiterate our support, the work you're doing, especially we would like to invite the board to provide you your department [inaudible] support for your work in passing on this KPI culture internally within the organization. That I think is crucial for your future work.

That said, thanks again. Thank you also to all the team who helped Xavier and Carole during today's presentation and we look forward to meeting you again and seeing you again in the next meeting. Is there

anything else we like to discuss? Again, we are quite tight on time.
Anything else before we draw this ccNSO SOP meeting to a close?

I guess that's a no, so thanks everybody for coming to this meeting.
See you soon!

[END OF TRANSCRIPTION]

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