
ICANN67 | Virtual Community Forum – ICANN Org Operating Plan and Budget
Sunday, March 08, 2020 – 10:45 to 12:15 CUN

BECKY NASH:

Hello everyone. We will get started in just a minute or so. Again, this is the ICANN67 operating plan and budget community session. We'll get started shortly.

Hello everyone. We are going to get started now for the ICANN67 operating plan and budget community session. If we could go to the next slide, please.

For this session, we are recording this. The PowerPoint presentation and recording will be published on the ICANN67 website. This session is scheduled to last 90 minutes. The Q&A will be at the end of the presentation. However, if you have questions during the presentation, please feel free to put them into the chat room and we will attempt to answer all questions. We do have a session in the middle of the presentation with some discussion. Next slide, please.

For this remote meeting, virtual meeting, for questions and answers, we ask that you please raise your hand in Zoom if you would like to ask a question. The host will manage the queue. Please unmute your microphone to ask questions when it is your turn. However, please mute your microphones when not speaking so we can minimize the background noise. Please type your questions in the chat, and again,

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the remote participation managers of the Zoom room will read out your questions.

This is an introduction to the planning team. Several of the speakers will be speaking during this session. At this time, I'd like to welcome Xavier Calvez who will be our first presenter.

XAVIER CALVEZ:

Thank you Becky. Thank you, everyone, and hello in whichever time zone you are. First, I'd like to take just a second to thank all of you for your participation in this virtual meeting. It's a new experience for all of us and an unplanned one as you all know, but I think that altogether, we are trying to make the best of it and your participation is demonstrating that effort and that interest, and I think it's a great opportunity to see how we can face challenges and make the best of it. So thank you again for your participation. This is really important that you can continue to participate in an ICANN meeting while we're not face-to-face. And look at it this way, we get all to participate in our pajamas, so there's some advantages to this. So Judith, that's the reason for the no video, is the pajamas.

With that, let's start. Many of you may know that we published early December a lot of information about our draft FY21-25 operating and financial plan, and the draft FY21 operating plan and budget which is the first year of our five-year period.

And this operating plan supports the five-year strategic plan for FY21-25 that was posted for public comment—sorry, that was

approved in June last year. The public comment period on the operating plan, five-year and the one-year operating plan and budget was closed nearly two weeks ago on the 25th of February. It was about a 53-day public comment period.

And this plan was important why? Because this plan was helping us to understand what are we going to be able to do over the next five years to support the objectives of the strategic plan that are very important. As qualified by the chair of the board at the time, this is a very ambitious strategic plan. There's a lot of things in it.

So one of the questions was, can we actually afford this plan? Can we deliver on this plan? And the operating plan that has been proposed for public comment is saying we think it's possible. However, it also takes a lot of careful management of expenses and planning of our activities throughout the period. ICANN's resources are relatively stable. We will look at that. And the needs of the mission continue to be very large, very broad and to evolve.

The documents that we've offered for public comments are taking a little bit of a new approach versus the past. This new five-year period and the documents that we are proposing are offering a lot more narrative than we have in the past. And the intent of that is to help the understanding, offer more information to the broad range of interest of the community, and be able to explain more what we do.

So a bit less data, more information from our perspective, and it also has in it a costed plan, if you think about it this way, which is a first because our previous five-year plan did not include financials. So we

have taken an approach this time to try to quantify the activities and actions that were described in the plan, understanding of course that five-year plan is not one-year budget. The level of granularity changes, and we'll look at that.

We have received many comments over that [50 plus period] of public comments, about 170 and we'll look at those now, and this session is really meant for you to be able to engage with us on—it seems that we have lost audio. Now we can hear. Okay, it looks like it's back for everyone. Thank you. Next slide, please.

So we'll spend a little bit of time on the planning process and timeline. We'll spend a good half hour to look at the public comments that have been received. We then look again at the overview of the plan. We'll spend some time on the funding. It's important for everyone to understand the funding that ICANN receives and what we expect to see over the next five years, and we will have then a review of the five-year financial plan as well as the FY21 financial plan. And then there's some discussions about how the community can get involved in the overall planning process and then we'll spend more time on Q&A if there's anyone left by that time.

Before I move on to the next slide, I also want to acknowledge the board members that are participating to this call. A quick note to say that our board finance committee, who's having in its specific charter and role the oversight of the organization over its planning process, our Finance Committee's very active and very consistently

participating to the planning process as help to the organization to ensure that the planning process is adequate.

The Finance Committee has an emphasis on ensuring that the organization in its planning process continues to be as transparent as possible, as accountable as possible, and the engagement that we carry out is also something that the board is particularly interested in making sure we can do. So thank you for the BFC members who are on this call. I know Danko Jevtovic has identified himself and there's several other board members that are present as well. Next slide, please.

What is planning? The planning process at ICANN is a cycle process. It effectively starts with a statement of where we are at any point of time, so the strategic plan that we build is the first step starting from where we are, where do we think we need to be at a certain horizon, and this enables us to define in the strategic plan the objectives that we want to achieve at a five-year horizon. That's the strategic plan in the first quadrant on the top right.

Then the operating and financial plan is how we determine the actions and activities that will help us achieve those objectives. And as we go through that process, there is of course who carries out what activities within that plan to be able to achieve those objectives and how do we carry those activities. And of course in any process, what you define, what you plan, then you act, you actually do the work, you actually carry out the actions, and then you evaluate how you achieve the actions, the objectives that you actually intended to do in the plan.

You reevaluate your plan considering what you have been able to achieve, and maybe of course, new information that may have come in since the last time you planned, and that's what we try to do through the trends exercise that we carry out on a periodic basis and you adjust your plan as necessary and you start over. That's the cycle. Next slide, please.

So where are we today in our annual planning cycle? We are towards the right here in the month of March 2020 and you see that prior to that time, we've had two public comment periods on our planning documents. The first one was in the June-July timeframe. It was focused on our 15 operating initiatives and on our funding assumptions. We asked the public at the time what the public thought and the community thought of the importance of the operating initiatives that we had suggested and the assumptions that we had in our funding.

The second public comment period is the one that just closed at the end of February that had all the information together, including the operating initiative and funding but including the entire plan as well. The next step to this is the board approval process. Of course, the board comes at the end of that process once the community and the public has been able to provide comments on the plan proposed, then the board considers the plan that it has already seen. I want to emphasize that the board has already reviewed in fairly detail this plan, has participated or has seen the development of this plan and has seen this plan before it actually goes to public comment. But of course, the board wants to know what the public comment is in order

to ensure that this plan, as it approves it, is reflective of that public comment.

The next step will be therefore board approval early May which then will let the empowered community period of consideration of the potential rejection of the plan to occur for a 30-day period, which if it's not triggered, will then expire before the end of June and let the first year of the plan be in place on July 1st which is the beginning of our fiscal year. Next slide, please.

So this is, in a bit more detail, the same information. We are right now at ICANN67 in the red box towards the end of the process and this is— and as I indicated, the next [main] board workshop is when the board approval is expected to happen. Next slide, please.

We're now going to look at the public comment overview. Becky, please.

BECKY NASH:

Thank you very much, Xavier. At the time, Shani Quidwai from our ICANN Org Finance Department is going to present these slides. Please, Shani, go ahead.

SHANI QUIDWAI:

Hello everyone. Thanks for joining the call. Here you can see the overview of the public comment timeline. In the middle of December, we published the five-year and one-year operating plan and budget documents. Those documents were published and public comment

window was open until the 25th of February. We are now in the process of generating the staff report of these public comments and we anticipate publishing that staff report at the end of March.

During the session today, we plan to have a collaborative interactive discussion with everyone on the call to better understand the public comments that you were submitting, any questions and clarifications so that we can incorporate all of that feedback into the report that we publish along with the budget that will ultimately be presented to the board for adoption in the April time frame.

During this specific portion of the presentation, I would like to just provide a thematic overview of the comments that were submitted. We would like to get feedback from the community to clarify those questions, and then as I mentioned, use this clarification to better prepare our report and our budget.

So at a high level on this slide, we have the number of public comments that we received by year. You can see for this fiscal year we received 171, and that aligns pretty well with what we've seen over the last four or five years. We did see an increase of about 30 comments from last year, and one of the big drivers in that is that this year, there was a new five-year plan and that did generate more feedback and more engagement from the community.

In FY19, we did see our highest public comments over this time frame and that's due to the fact that there were a lot of comments and feedback that we received from fellowship due to some changes in the

program. But overall, the engagement continues to remain relatively high.

Here we have a three-year trend of the groups that have submitted public comments and the number of public comments associated with each group. You can see on the bottom that we've clarified the number of groups that submitted comments. This year, ten groups submitted comments. Last year, there were 14, and in the prior year, there were 21.

One thing to clarify is that when we receive the public comments, they come in more of a letter or a memo format, and then what our planning team does is we read through those letters and those memos and we try to highlight everywhere that somewhere, somebody is asking a question or making a comment that requires the ICANN organization to make a comment or respond to.

So this year, there were ten memos that we received, and in those ten memos, we found 171 questions or comments that require feedback. Here we have a thematic overview, and you can see that there are about three to four key themes that consisted of almost 50 to 60% of our public comments. 26% of those public comments related to operating initiatives, 19% of them related to ICANN's work regarding the multi-stakeholder model plan, and then about 11% was split evenly regarding financial management and the budget development process and content structure.

Here we have an overview of those themes and then which different SO, AC or group submitted them. I won't go into this slide in too much

detail. I think really what we want to do is get the feedback from all of you on the call regarding the comments that you submitted, or even if you didn't submit, as you've read through the documents, any questions that you have or anything that we can further clarify.

So before we go into this Q&A session, I just wanted to provide a couple examples of some of the questions or themes that we received, and hopefully this will help just generate some dialog with everyone and get the discussion going.

One of the questions around the prioritization of operating initiatives centered on a cost-benefit analysis of each initiative that may facilitate the understanding of its relevance against objectives. This was submitted by the SOPC group for the ccNSO.

Regarding the theme of community involvement and operating initiatives, the NCSG said it is vital that the whole community be included in the process from start to finish. We did receive some questions on funding and we do have Mukesh Chulani from the GDD group here who is our internal expert on funding and is very close to those assumptions.

The i2Coalition submitted a comment that said published industrywide reports from Verisign and others show these numbers to be unrealistic, domain growth is relatively flat. And then lastly, regarding the root zone management, the Registries Stakeholder Group submitted a comment that said, "We urge ICANN to proceed with caution and put parameters in place that will prevent wide scale DNS changes that may pose stability risks to the root."

So this is just a sample of some of the comments that we've received. At this time, I want to check the queue and see if there's any questions or any feedback that we can address. And if you do have any questions, feel free to type them into the chat or raise your hand and we can unmute you so you can ask them.

Hi Chokri, please go ahead.

CHOKRI BEN ROMDHANE: Okay, thank you. I have a question about the generic comment that you received from community. Do you have the impression that such comment with the improved financial plan for FY21 until 25? Thank you.

SHANI QUIDWAI: I apologize, would you mind re-asking the question? I guess I didn't fully follow.

CHOKRI BEN ROMDHANE: Okay. My question is about the comments that you have received from the public comment that you have engaged in. So as I probably know, a lot of comments have generic aspect. Do you agree with me?

SHANI QUIDWAI: We received a variety of comments. Some of them can be more generic and some are very specific.

CHOKRI BEN ROMDHANE: So my question is about the generic comment. Do you think that such comment will improve or help to improve the implementing of this ICANN financial plan? This is my question. Thank you.

SHANI QUIDWAI: Thank you for the question. We appreciate all of the feedback that we received, and any kind of feedback we receive is helpful to us as we generate all of the content and ultimately the budget. The very specific information is helpful, but even the high-level and more generic commentary is helpful. We do realize that there's a wide audience that we are trying to get to, and any feedback that we receive is helpful to us. So thank you for the question.

Okay, I'm not seeing any more questions right now, so we're just going to move to the next phase of the presentation. I'll give it another minute or so. We will have Q&A at the end of this presentation, so if something else does arise throughout the presentation.

[SÉBASTIEN BACHOLLET:] You have two hands raised. Sorry.

SHANI QUIDWAI: Sorry, I didn't see that. let me check again.

BECKY NASH: Thank you, everyone. We do have two hands raised in the chat. We would ask that Marita Moll first present your question. Thank you.

MARITA MOLL:

Hi. Good morning. My question is a little bit about the way the actual request for comment was organized. It was good to see that 19% of people commented—in your themes chart you had 19% people commenting on the MS plan, multi-stakeholder system plan which was, I felt, a little bit buried at the end and I'm wondering why this was put in that way, because it was my fear that many people just wouldn't go there, they would spend all their time on what was previous to that, the financial aspect, the strategic plan.

But many people did, but I thought it was a risk. Also, bundling them together like that meant our resources were stretched and we had less time and less resources to focus on the stuff in the main budget and strategic plan issues that came up before the appendices. I hope I'm not making that more complicated than it should be. But maybe you can elaborate on that, cast some light on it. Thank you.

BECKY NASH:

Thank you very much for your question. I don't know if anyone from ICANN Org wants to address this at this time. Thank you. We do have Eleeza. Go ahead, please. Eleeza, we can't hear you at this time. Did you want to address this question? In the meantime, I just want to check that everyone can hear me speaking. I know Eleeza may want to provide a comment.

Thank you so much for your question as it relates to the Appendix C for the multi-stakeholder model. On our public comment page, there is a

link to all of the next steps and the roadmap as it relates to the information that was provided as part of this overall planning public comment, and the importance is that for the five-year operating plan and financial plan, this initiative was included as part of that. And again, the public comment page has a link to all of the next steps that will be coming up which will involve a lot of community involvement and a significant roadmap.

ELEEZA AGOPIAN: Becky, can you hear me now?

BECKY NASH: Yes, we can hear you now. Thank you.

ELEEZA AGOPIAN: Hi. I'm sorry about that. Apologies, my headset wasn't working. We're all learning today. So as Becky notes, this plan represents the culmination of a facilitated process that began last year at the ICANN meeting in Kobe where, as many of you know and were involved in this process, we'd hired an outside facilitator, Brian Cute, to basically lead this community conversation and help us develop a draft workplan that would ultimately become a part of the operating plan. We talked about this a bit in Montréal as well in several sessions where I know a number of people in this session participated as well.

The idea with including it as an appendix to the operating plan is, one, a recognition that this is just a draft, it's not yet complete and we're

still seeking community input on it. And we've received quite a bit. Obviously, this is the second most commented upon topic from the operating plan. It was great to get so many detailed comments on this draft workplan. And the input that will come back will be considered and will help to shape a final version of the workplan so that the resources that are needed to address the six issues that Brian and the community together identified are appropriately assigned. So I hope that's helpful. I'm happy to answer any other questions.

BECKY NASH: Thank you, Eleeza, for responding. We do have another hand in the queue. Please go ahead, Jaewon Son.

JAEWON SON: Hi. Can you hear me?

BECKY NASH: Yes, we can hear you very well. Thank you.

JAWEON SON: Thank you. I have a question regarding the planning timeline which was on the page eight of the presentation. Public comment period one and two seem to be a bit away from each other from my perspective as it has five months skip in-between. Why the board has to adopt the plan after two months since the second period of the public comment has been finished? Is there any reason why it has been planned like this? If I was one of the persons for scheduling this, I thought like

maybe if the public comment period one can be shifted like a bit earlier maybe, and then the public comment period two will be somewhere like September, October or something like that, then I think maybe the board will have more time to evaluate all the questions and comments before adopting the plan. Thank you.

BECKY NASH:

We want to thank you very much for your question. I'm here with my colleague, Victoria Yang who can give some information on the public comment number one timeline.

VICTORIA YANG:

Thank you, Becky. Thank you for your correction. Let me try to address the first half of your question here. So public comment number one, as Xavier mentioned earlier in the introduction, opening remark, this is a new five-year operating and financial plan, and then there are a couple of new elements we introduced. One of them is the operating initiative which we're going to cover a little bit later in the rest of the presentation.

The operating initiatives are the priority and the major work that ICANN Org identified from the strategic plan that we think are critical in order for us to achieve this strategic plan. So the operating initiative is one of the new elements.

The second new element is the financials. We didn't provide financials for a horizon of five years in the current five-year operating plan, and for the fiscal year 21 to 25, we introduced the funding—the

assumptions and the projections involved with three scenario. So before we try to use these assumptions and this information to complete the rest of the development, we want to get feedback from the community. That was the purpose of the first public comment, is focusing on these two new elements that are introduced in the five-year operating plan.

And for your second half of the question about the timeline for board adoption on the plan that is very close to the effective date, I will let Becky address the general timeline. Thank you.

BECKY NASH:

Yes. Thank you, Victoria. In summary, the question of why was there so much time between the two public comment periods and why so little time after the second public comment period and the board decision, as Victoria had indicated, during the plan development process, the public comment received as number one provided significant input into the actual plan development.

The public comment period number two, the timing of that is part of the standard timeline in order to prepare both the five-year operating plan and financial plan and the fiscal year operating plan and budget. The operating plan and budget for a fiscal year, it is something that we intend to have completed prior to the beginning of the next fiscal year.

So ICANN has a fiscal year that runs from July 1st through June 30th each year, so the beginning of the next fiscal year will be July 1st 2020 and runs all the way through June 30th 2021. As a result, we work on a

timeline that permits the ICANN community to engage, the ICANN Org to develop and present to the ICANN board Finance Committee and board and then to hold public comment so that we can ensure that we receive comments on the draft plans in time to present for a— proposed for adoption before the beginning of the next fiscal year.

We have tried each year in the most recent years to ensure that we have the board adoption in advance of the next fiscal year along with permitting the bylaw-driven empowered community process. based on that, the early May proposed adoption by the ICANN board will permit the approximately 21 days plus one week timeline needed for the very important empowered community process. And we do have some additional information on the timeline in this presentation. So I hope that provides an adequate response for you.

JAWEON SON: Yes, it was. Thank you for the answer.

BECKY NASH: Thank you. I do see Susanna Bennett has her hand raised in the chat room. Please, Susanna, unmute and go ahead.

SUSANNA BENNETT: Thank you, Becky and to Victoria for a response to a very good question, and thank you for the question. I do want to emphasize in addition to what Victoria and Becky described that this five-year operating and financial plan to support the five-year strategic plan,

this is quite new to us, although right now we are towards the end of the current five-year operating plan.

What's new about this, as Victoria mentioned, is we added the financial aspect to the operating plan, and that's a very important addition. The current five-year plan we have right now which is ending soon does not have the financial aspect. So adding that piece required more time for assessment and many cross-functional discussion, and also more time to engage with the community. That's one aspect I want to add.

The other aspect I want to add is as we begin to develop this new five-year plan, we realize how much of our work is very much cross-functional and require a lot of collaboration among the whole organization. And we have several sessions of getting together with several functions together to review and think through how to best plan for the five years that's coming. So that took some time, but that was extremely worthwhile for all of us to really look at our work cross-functionally and that really added a richness to the plan and to really help us to collaborate much more to look at how we can achieve this strategic plan.

So I just want to emphasize these couple of pieces. Of course, we learned so much from this period, and the planning team already started to look at the lessons learned, how we can do better for the next version, FY22 to FY26 operating and financial planning. So we take all the learning and also the comments from the community very

important for us to learn and do better for the upcoming five-year plan. Thank you so much.

BECKY NASH:

Thank you very much for that, Susanna, and thank you, everyone, for your questions. At this time, please feel free to submit questions into the chat and they can be addressed at the end. At this time, we're going to go to slide number 18 and continue on with part of the presentation. The next speaker is Victoria. Please go ahead.

VICTORIA YANG:

Thank you very much, everyone. So the team will now talk about the draft fiscal year 21 to 25 operating and financial plan next. I will start by covering the operating plan portion of this draft. The content that I'm speaking to now applies to both the five-year and the one-year operating plan.

On this slide, you will see the two purpose that we tend to achieve with this operating and financial plan. First is to communicate in general what does ICANN Organization do, and second, how do we plan to achieve the strategic plan. As a result, you will see that the draft plan is structured by two key areas: the functional activity and operating initiatives.

In general, functional activity represents the various organizations' functions. It describes either the day-to-day work to operate the organization such as our HR functions and the finance function, or the functional activity that we need to implement in order to achieve

ICANN’s mission such as our contractual compliance and the IANA functions.

These 35 functional activities are further grouped into five which I will demonstrate a little bit later on.

Then the other key element is operating initiatives estimation. [inaudible] by answering the question, these are the high priority work that ICANN Org aim to achieve the strategic plan. There are 15, and we obtained community feedback during the first public comment period. The list of these functional activities and operating initiatives is available for your reference in appendix.

In the next slides, there are some assumptions and approach we use during the development of this draft plan, and there are five. I will touch on each of these five here. First of all is affordability. As Xavier mentioned during his opening remarks, one of the major questions we’re trying to answer by using the operating and financial plan is, is the strategic plan affordable? Can we achieve it?

So using the base funding projection scenario with 1.5% annual growth, which the finance team will explain further down later, the ICANN Org project that the strategic plan to be affordable and practically implementable.

The second assumption and approach here is most of the organization’s work is recurring and ongoing. Therefore, you’ll see some consistency between the five-year and the one-year operating plan as you go through the draft plan.

Thirdly, we emphasize two elements here. One is emphasizing the major work that we need to achieve the strategic plan which is operating initiatives, and secondly, we introduced a delta.

So what is delta? Delta represents either the new or changes to the functional activity, either due to ongoing improvement the function plan to implement or changes that they need to implement in order to support the strategic plan. I will highlight this area later when we go through the demonstration.

The fourth assumption and approach on this next slide is we point out that some of our major work is highly dependent on the community, such as the SubPro PDP, auction proceeds or the reviews. So as the community make progress through this very important work, we, ICANN Org, intend to implement the update in the next five-year operating plan and annual operating plan.

This is linked and attached to the last point which is per our bylaw, the five-year plan will be rolling forward each year. So we will have the opportunity to collaborate with the community and update, refine the next five-year plan as we progress. So these are the assumptions and approach that we implemented during the development of this draft plan.

Before I hand it over to talk about the financials, I'd like to do a quick demonstration. We recognize that this is a session that's intended for a wider audience so we understand some of you attend our webinars in January, but in order to make sure and help to educate those who are new, especially our fellows, we would like to just go briefly through the

draft plan here. And if we may stop sharing this deck, and I will share the draft plan here. Shani, would you—yeah, thank you very much.

Okay. So here, what you see is the draft operating and financial plan that we post. We understand this is a very large document. As Xavier mentioned in the introduction, we focused on increasing transparency by introducing what does ICANN Organization do function by function. Also, the main focus that we want to focus to achieve the strategic plan, which are the details of each of the 15 operating initiatives.

As a result, it's a large document. It's more than 300 pages. In order to help the reader to better navigate and easier on the eye, the planning team and especially our amazing communication team put in a lot of effort adding navigation features and adding the color codes for the content. We're hoping that we tried to make this document as friendly as it can be.

So here in front of you, you're seeing the table of content. All the headings include the subheadings hyperlinked for easy navigation. For example, if you want to have a quick highlight of this document, you can click on this highlight and it takes you to this page where it provides you a link to download the highlights document.

Earlier, I introduced that the operating plan is structured around two key elements, which are the functional activity and operating initiatives. As you can see here, following the introduction, the rest of the content of the document is structured by five-year operating plan, five-year financial, one-year operating plan and then the one-year budget.

The reason we clearly separate the five-year and the one-year is to ensure the document supports the empowered community process which are two separate process for the five-year and the one-year.

Now, in the interest of time, I'm going to just show one example of the functional activity and one example of the operating initiatives. So here, diving into the five-year operating initiative, this is a divider to provide some overview of what is an operating initiative and what's the purpose it serves. On the right, you'll see all 15 operating initiatives.

One example here, I'm just going to click into this [inaudible] internal and external ethic policy. The content for all 15 operating initiatives is structured the same way which has six elements. First, what is the purpose of this operating initiative? And the scope of work. Next, how it is connected to the strategic plan. Many of you saw the strategic plan. We have strategic objectives followed by goals, and for each strategic goal, there is a set of targeted outcome. So that's where we're trying to connect how is the operating plan, which in detail each functional activity and operating initiative is supporting and linked to the strategic plan.

And the fourth element is how progress is being tracked, how do we report the progress here. The fifth element is resources. As I mentioned earlier that for the five-year financials, we have three scenarios: low, medium and high. We use the medium point for the projection and planning for this five-year operating plan. So this is the resources for this operating initiative. And the last element is

consideration. Consideration can be either risk or dependency, or the challenge that this operating initiative may face.

Now, if I switch back to the table of contents here—I'm just jumping to page two of the table of content—I'm going to show one example of the functional activity here. As mentioned, there are 35, and it was further grouped into five groups. So I'm clicking onto this community engagement [inaudible] take public responsibility support as example.

So all 35 functional activities are explained by six category as well, six elements. So first, the purpose. What is the purpose of this function? And in the next five years, is this function supporting or leading any operating initiatives? How is this function supporting or contributing to the strategic plan? Which is, again, [by] targeted outcome.

The next element is activities. What does this function do? I know we also heard from the community that—what does this or that function do within ICANN Org? So we're hoping that this draft plan will help to answer this question so we provide a lot of details of each functional activity, includes what do they do, why do they exist, things like this.

Earlier, I mentioned the delta sign that I would highlight during the demonstration, so you see these little triangles here under activity. These are the deltas that this function plan to implement in the next five years, either because a part of their operational excellence, continuous improvement, or things that they need to adjust or introduce in order to achieve the strategic plan.

Next element is how progress will be tracked for these functions. The last two elements are resources and consideration. Let me talk about consideration first, then resources. Consideration, again, similar to operating initiatives. It's basically either the challenge or the dependencies or risk that this function may face in the next five years.

For resources, there is a difference between the five-year and one-year. For the five-year, we plan resources at a status level, meaning either we project the resources for this functional department—functions will stay stable, or it's going to decrease or increase. And there are some bullet points providing high-level reasons why we think the resources are going to be at this status. Let me show you quickly the difference of the one-year, and we will move on to the next section.

So I'm clicking the one-year functional activity using the same function, community engagements, public responsibility and support. If we go to the resources here, you'll see there's more details. It includes some cost category here. The finance team will touch on this a little bit with more details when they talk about the fiscal year 21 budget.

And with that, we can switch back to the presentation. I hope this is helpful. I'll pass this to Mukesh to talk about the five-year funding projection and assumption. Mukesh, it's yours.

MUKESH CHULANI: Can everyone hear me?

BECKY NASH: Yes, we can hear you.

MUKESH CHULANI: Perfect. Hello, everyone, hope you're having a good Sunday. And Shani, if you open the—okay, perfect. So I'm here to just give an overview of the five-year funding projection approach, and then the outcomes, and really, if we take a look at the details—before we get into the details, I think it would be helpful to present this overall approach taken first to develop the forecast. And then of course, if there are questions on the details, we can dig into that.

So the five-year funding projection was developed through these three activities. We're going to go through each one in some greater details. So if you move to the next slide, Shani.

The first one is obviously the marketplace horizon scan. We kicked this off in the November 2018 timeframe. If you had a look at the chat with Xavier's response to Sébastien on the importance of constantly pinging the marketplace to make sure that your view of trends is kind of in line with what's going on, we did the same thing, and by evaluating key factors which really have a significant effect on the industry, we looked at those trends over the prior five years as well as developments likely to impact conditions into the five-year horizon. And those two elements informed the development of the funding forecast through 2025.

This effort was done with an independent industry analyst. We decided not to drink our own Kool-Aid and write that ourselves, so we engaged an independent analyst to summarize these key historical trends as well as expected or forecast trends to support the process. That effort was done based on interviews with industry representatives, a review of publicly available information, so this is a scouring of investor statements, regulatory filings, having a look at news profiles, and having a look at historical domain transaction data as well. So the outputs of that effort resulted in the marketplace horizon scan, and I'll ask you to go to the next slide as well, Shani.

So this slide really recaps the nine major trends which this effort resulted in. So the intent here is really not to state ICANN Org's view or position on this aspect, so personally, we may all have different perspectives on these trends. The point was not that everyone kind of congregate towards agreement on these trends but to recognize these as a viable option mor a viable position on such trends.

So when we uncovered these nine trends through the expert interviews, the marketplace scan, that was really used to update five-year projections on an annual basis into the future. And I'll show you how we transformed this very qualitative exercise to develop forecasting assumptions.

So I'll just give you a few. I won't go through all these in great detail, but for instance the very first one, rollout of new gTLDs functioned as a key enabler of domain name marketplace growth over the past five years, and the report goes on to say something like with over 12001

new gTLDs in operation since rollout, the segment of the market has injected competitive opportunities and increased options for registrants. The assumptions recognized new gTLDs as an important parameter for marketplace growth over the upcoming five years.

So that's one perspective which was uncovered, that's the perspective which was written into the independent analyst report. And we all may have different views, like the eight blind men and the elephant having a look at this from different perspectives. I won't go through the remaining eight in the interest of time, but I'll ask Shani to go to the next slide to essentially just have a look at how we transform some statements like this into the assumptions essentially.

First off, I want to make a plug for the domain name marketplace indicators effort which I'm also facilitating on behalf of ICANN GDD where you can actually see concrete indicators that help dispel or confirm some of these statements, where we may have a statement saying no, we disagree, the market really has flatlined, and if you look at the marketplace indicators you'll see that it's a very volatile market, especially for new gTLDs where you have a very fluctuating kind of environment there.

So in this slide you have in front of you for instance, we're saying as a result of the scan finding, in green box there, we uncover the following: the continued importance of controlling a domain name to craft and maintain a digital presence remains a key market enabler. That's a scan finding. And in terms of formulating our assumptions, still keeping that qualitative, we say, "Okay, great, digital presence will

still rely on the use of domain names, and because of that, transaction volumes for new gTLDs and legacy gTLDs will continue to see positive growth momentum over the forecast period.”

But of course, it’s going to do that at different levels. At the base case scenario, we may grow at the level of inflation or at historical growth. And at high funding scenarios, we may assume a bump up, for instance alongside scenario of higher adoption or increased penetration across developing marketplaces, etc.

But we also have the flip scenario where to account for really rapid maturation in the marketplace, let’s also factor in a low scenario which would incorporate a decline in transaction volumes. So that’s qualitative, essentially, and then we would build our quantitative scenarios for legacy and new gTLD transaction volumes and growth.

So this is, I guess, just a demonstration of how we would take qualitative market findings, transform that to qualitative assumptions, and then build those qualitative assumptions, break it down further into quantitative assumptions.

And if you would have had a scan of the public comment, of course, there are statements like ICANN does not really know where the market industry is headed. The forecast incorporates both growth and decline, so it seems like ICANN really has no clue about where the market is going.

And I think that speaks [a bit elusive] nature of knowledge. If you think of the Socratic school of philosophy, you first acknowledge, “I know

nothing” in spite of the findings. And that’s why we build this wide range of assumptions and try to stay conservative with our base case assumptions. I will request to move to the next slide, Shani. One slide ahead. Perfect.

So we would then transform the quantitative assumptions and kind of apply that onto our base numbers from the prior year and then really just extend these lines into the future, essentially. So if you take a look at the following slide—Shani, I request you to move one slide ahead. There you go.

So it’s a wall of numbers. I apologize for that. it’s typically how you would kind of present this. But in general terms, you’d have each of these three funding scenarios describe an assumption of marketplace development.

So let’s have a look first at the base case scenario which you see is the second column from the right. we view this as the funding outcome most likely to occur, so this we feel takes a conservative appraisal of change within the contracted party base and also in the domain name transaction volumes. Of course, this assumes retention of current fee values, so there's no change to fee values.

If you look at this scenario, we’re looking at historical growth values, so we’re extending historical growth forward and we’re excluding any significant marketplace disruptions. So if you look at legacy transactions for this scenario, we’re saying it’s in the range of 2.3% which is the five-year CAGR assumed for legacy. And then for new gTLD

transactions, we're saying in the range of 3% five-year CAGR for that subcategory.

And if you look now at low scenario next to that, we're again saying retaining the current fee values, this scenario factors in a decrease in all drivers of funding. So if you look at the contracted party base, from the base forecast on the extreme left, you would see number of registrars, 2542. In the low scenario, that's dropping to 2129. And very similar to the number of registries there, extreme left at the very top, 1194 dropping down to 1122.

So beyond that, of course, it's also forecasting a drop in transaction volume, and so this really looks at a decrease of all the drivers in tandem. And in this case, this reflects a contraction of the entire market space.

The high scenario is essentially the flip of that. it's reflecting resurgent growth, essentially, so you'll have assumptions here like the resolution of universal acceptance issues, you may have greater uptake in emerging economies, you may have from the supply side better category management, you may have all sorts of mergers and acquisitions improving the efficiencies, and so you would have here assumptions of higher growth across these categories. Now I ask you to go to the next slide, Shani. Perfect.

So I think it's easier to see it visually in this way as well. If you look at our historical growth for starting FY14 until FY20, we've had roughly 9% compound annual growth rate across that period, so it is true that we are seeing flattening. You can see that towards the end of that

actual estimate period. And then you'll see here the three scenarios which are being forecast. You'll see the base scenario in the middle which is extending that linear trend of growth in a very conservative manner, you'll see the contraction of the marketplace as your low scenario which you see there in dark blue, and then you'll see a scenario of resurgent growth in orange there.

So it's kind of an interesting effort to transform qualitative statements of marketplace growth into such assumptions and then use that assumptions to actually look at funding scenarios.

And just one last slide for me which just gives a little more granularity here of the actual values for the low, the base and the high scenario across those five years. So I think there's not really a lot to add to this slide deck. I think I've said all that I wanted with respect to this. And with that, I can turn it over back to Shani who's moderating the session.

SHANI QUIDWAI:

Thank you, Mukesh. We only have five minutes left, so at this time we are not going to go through any more of the slides. These slides, as mentioned, are posted on the site. Feel free to download them and review them, and if you have any other questions, you can submit them to this group at planning@icann.org.

With the last five minutes, we did want to open it back up for any questions and answers and see if there's anything else we could address before the call is ended.

MUKESH CHULANI: Shani, I see a question from Elaine Pruis on whether the forecast will be adjusted considering the economic impact of COVID-19. And I think I may not have said it so clearly, but this document was essentially just like a car, the moment you drive it off the dealership, the moment this document is published, there's so many developments in the marketplace which essentially mean it's out of date by the moment it's published.

So we do have a quarterly review. This is an ongoing process where we look at changes both to supply side conditions and demand side conditions and to make sure that our funding forecasting is based on the current state of affairs.

SHANI QUIDWAI: And my apologies to everyone, I misspoke. The session actually has another 15 minutes, so I was wrong.

BECKY NASH: Thank you, Shani. We had a question in the chat that needed translation, and our language services team did translate it. I believe there's been some responses, but I just wanted to read the question for the participants. This was a question from Sebastian [Fortin] and the English version is “It is quite probable that what is at stake for ICANN will evolve due to the multiple uses of the Internet and its impact on the stability of the system. I feel that ICANN is a useful organization but that it is losing ground. It does not keep up with its

evolving mission. In this context, isn't a five-year plan too long in order to tackle all of the issues that are not known yet?"

That question was posed in French and that is the English translation, and I do see that there was a response in the chat room from Xavier highlighting that the five-year plan is a rolling annual plan which is meant to exactly address the point that you made in your comment that a five-year horizon can lead to a plan that becomes quickly stale as the environment changes faster.

We will now look for other questions in the chat room. And as a reminder, please type your question for us and/or raise your hand if you would like. We do have several minutes left for questions. Okay, we do see a question from Sébastien Bachollet. Please go ahead.

SÉBASTIEN BACHOLLET:

Thank you very much. I hope that you can hear me okay. Currently middle of France even if we are in a virtual meeting in Cancun. Thank you for the presentation, and I would like to congratulate for the work done and all the documents published and the presentation. I think it's a very good enhancement and improvement of what we have the previous year, but I want to raise one question. It seems to me that it's a little bit in line with the question raised by Marita Moll before, is that we had very important subtopic in this discussion, the multi-stakeholder model and its evolution. It's a topic in itself. Can you explain why it was mixed, even if of course it's in the strategic planning, of course there are consequences for finance and for operations, but it seems to me that for what we as community have to

do if those important topic can be taken out, it will be better and it will be easier for us to participate to the comments. Thank you.

BECKY NASH:

Thank you very much for your comment, and we appreciate the feedback. We do have another hand raised in the room, and we do see a couple of different hands that are starting to pop up, so we're going to first go to—if Mason Cole—oh, that's a question in the chat. We will address that in just a moment. So Kristine, would you like to go ahead?

KRISTINE DORRAIN:

Thank you. So maybe I missed the announcement at the beginning. I was really enthused by the slide early on where you broke down how you had analyzed all of the public comments, and there were places where you were responding kind of to the questions and things in the public comments. Where will those responses be posted? Will you be responding directly to those SOs and ACs? Or how will we get sort of that feedback back from this group before the board votes?

BECKY NASH:

Thank you very much for your comment, Kristine. My understanding is your question is about the responses to public comment and the information on the comments received. So part of the public comment process which is on the ICANN Org website under public comments recently closed, we are scheduled to provide a staff report on responses to public comment at the end of March. So approximately around 27th of March, a detailed report with all of the questions

posed, the statistics that we've included in this presentation which is available on our meetings website under this session, and we are going to provide detailed responses by theme which is similar to a process that we prepared last year, along with each individual question by submitter. That particular report, again, provides the details for each of the submitters and our community at large with the responses.

Then separately, should there be any changes as a result of public comment or any other changes? The updated documents that are proposed for adoption will be posted on the public comment page again mid-April, and those are the documents that are then submitted to the ICANN board for the recommendation to our board Finance Committee to recommend to the board for adoption. So those would be the documents that are then sent to the board. I hope that answers the question adequately.

And just as a follow-up, Kristine, you've indicated—so it sounds like we—the commenting SOs, ACs will wait for the report of public comments and find the ICANN Org responses there. Yes, that's correct. We do have a couple of other questions that have been typed into the chat.

Okay. We do have information that there is a question that has been submitted from Mason Cole. “Is there a plan to extend budgeting beyond June for the EPDP work?”

Currently, the amounts or the budget envelope for the EPDP workplan was to complete a certain stage of the work. So we would have to just

evaluate at this time what the workplan is and be able to then identify, has the work been completed that was requested and then approved for the additional budget envelope.

If there are any other questions, please raise your hand and/or type in the chat. And if there are no more questions at this stage, we certainly can go back to the presentation and cover a couple of the select slides. We can start with this five-year financial plan which definitely follows the five-year funding. So at this time, Shani, did you want to cover a couple of these slides for the participants?

SHANI QUIDWAI:

Sure. Thank you, Becky. Mukesh did mention in his modeling that we have three different funding scenarios. We have a high, a base case and a low case. Our five-year financial projections leverage the base case scenario that he eluded to. That scenario has growth of about 1.5 to 2%. So in the following slide, I will show you the funding and all of the expenses that we project over the five-year, and that will coincide with that base case scenario.

We do have an annual contribution to the reserve fund in all of our annual projections. This aligns with the reserve fund replenishment strategy that was approved by the board about a year and a half ago. Over the five-year horizon, we expect headcount to remain relatively stable.

In the operating plan for the one-year operating plan, we have provided headcount at the functional activity level. However, in the

five-year projections, we don't provide that level of granularity given the goals and objectives and resourcing within the organization will shift around. So we don't have that level of detail for five years, but we do publish that on the one-year.

And then lastly, we do want to point out that the five-year plan will be a balanced budget where funding minus expenses and the contribution to the reserve fund will equal a flat amount every year.

Here you can see the projections that we have. We have funding starting with \$140 million and ending at \$149.9 in FY25. That's approximately \$726 million of funding over this five-year horizon.

Below that, we break out the various expense categories that we project over that timeframe, and then you can see an allocation to the reserve fund. It starts with \$3 million and declines all the way to \$1 million by the end of the five-year horizon. And in the last line, you can see our projected reserve fund balance. We start at \$126 million and end at approximately \$144 million.

The goal of the reserve fund was to get approximately 12 months of expenses in our reserve fund, and you can see that we have \$141.7 million of expenses in FY25 and a balance of 143.6. So we are projecting at the end of this five-year horizon to have met that balance, which is ahead of the eight-year window that was outlined in the reserve fund replenishment strategy.

One other item I would like to call out here is the operating initiatives envelope, and we have more detail on the next slide specific to that.

But here we have \$24.5 million earmarked for operating initiatives over the next five years, and the key thing to point out here is this is the amount that's incremental.

There are some operating initiatives that are already part of our ongoing day-to-day work and consumed within the budget, so the actual effort is greater than 24.5 million, but these are the ones that we see as incremental.

So here we do have a list of all of the 15 operating initiatives, and you can see the ones that have financial figures here, these are the ones that we believe have incremental costs, whereas the other ones, there is a cost to the organization, but this is already part of work that we're doing and embedded within our budgets.

We did have a high and a low estimate for these, each one of these operating initiatives. We took the midpoint as far as our projections, and on the right, you can see some of the assumptions that went into the calculations of these projections. And we did receive quite a few questions here, so we do appreciate all of the valuable input that we received, and all of that will be addressed in the public comment report.

With that, I'll just briefly go into the FY21 financial plan. Here we have the assumptions, and these assumptions are going to look relatively similar to the five-year assumptions. We do have stable and modest growth for funding and expenses. Our headcount is aligned with this growth, and we do have a contribution to the reserve fund.

One thing that I did want to point out here in the last bullet is that there is cross containment across the organization that has enabled ICANN to offset the reserve fund contribution, inflation and other necessary increases. We did get a question in the chat specific to inflation, and we do acknowledge that there will be inflation and that's something that the organization has to absorb and has been able to absorb within these projections. We don't publish the specific inflation assumptions. However, that is factored into the plan.

Here you can see the funding and cash expense trend starting with FY17 and ending at FY21, and you can see that funding growth has really moderated from what ICANN had historically seen and the organization has taken note, and you can see that our headcount and expenses have mirrored that whereas headcount peaked at around 400 in FY17 and we expect that headcount to remain relatively stable throughout this timeframe.

With that, that will be the last slide for today. I'll just quickly take a look at the chat to see if there's anything else we can address before ending the call. Becky, would you like to read the question that you referred to in the chat?

BECKY NASH:

Thank you very much, Shani. I know that we are just out of time. I will read the question and then we can certainly follow up on any responses. We received a question from Sebastian [Fortin] and it reads, "Several North American providers do sit on a goldmine, rare IPv4 addresses. It has an impact on IPv6 development. Would you

consider getting revenues from IPv4 addresses in order to relinquish them and move to wall-to-wall IPv6 technology?”

And we do see a response from Xavier in the chat for everybody to read. And we have now come to the end of the time allotted for this session. we really would like to thank all of the participants on the call today. Should you have any follow-up questions at all, please feel free to reach out to us at the e-mail box planning@icann.org, and these slides are posted for your convenience. And also, the recording of this session will be posted.

We again appreciate everyone’s participation in this virtual meeting, and thank you very much.

[END OF TRANSCRIPTION]