ICANN74 | Prep Week – Planning and Finance Update
Wednesday, June 1, 2022 – 20:00 to 21:30 AMS

MARGARET BENAVIDES: The session duration is 90 minutes. During this session questions or comments submitted in chat will only be read aloud if they are put in the proper format as notated in the chat. I will read questions and comments out loud on behalf of the remote participants. If you would like to ask your question or make your comment verbally, please raise your hand. We will have Q&A at the end of each section as notated in the agenda, as well as at the end of the presentation to ensure questions are addressed in a timely manner.

When called upon, please kindly unmute your microphone and take the floor. Please state your name for the record and speak clearly at a reasonable pace. Please mute your microphone when you are done speaking.

To ensure transparency of participation in ICANN's multi-stakeholder model, we ask that you sign into Zoom sessions using your full name. For example, a first name and last name or surname. You may be removed from the session if you do not sign in using your full name. With that, let's please start the presentation. Victoria, next slide please.

Our presenters for today are Becky Nash, Victoria Yang, and myself and the planning team, and Shani Quidwai, Alex Morshed, and Kirsten Crownhart from the finance team. Next slide please.

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

Shani will be beginning with a financial overview for FY22. Victoria and Alex will share an update on the recently adopted ICANN FY23 plans. I will provide an update on the first step of the FY24 planning cycle, the strategic outlook program. And Becky will close with an update on the planning prioritization framework.

With that, I will hand this over to Xavier Calvez for some opening remarks. Xavier, the floor is yours. Thank you.

XAVIER CALVEZ: Thank you, Margaret. And hello everyone, nice to see you virtually here and hopefully we'll have a chance to see some of you face to face in The Hague in a couple of weeks from now. Thank you for participating to this session, it's an important opportunity to share information about our planning process, to also get your comments and feedback on this process and on the information that we will share today.

I want to thank the board members that are also attending this session, and particularly those of the board members who are specifically involved in providing oversight to the organization on the planning process and on the financial information that you will see here. Danko Jevtovic is the chair of the board finance committee and is present, and other board members are present as well. And thank you for that participation, which is demonstrating how important this is to the board.

We are at the time of the year where we deal with three different fiscal years together, as Margaret has indicated with the agenda. And you will

see a lot of information about the current situation of ICANN from a financial standpoint which is quite healthy thanks to the unfortunate circumstances of the pandemic. But that has prevented us from, of course, all meeting together in ICANN meetings and therefore traveling. But that has led therefore, for ICANN to save the expenses of travel during that period and that has reinforced ICANN's financial position.

We will also talk about prioritization and a lot of work happening there with the community and the ICANN org teams to support that prioritization work, which is really important in improving our efficiency with planning. And with that, I'll simply let the team provide you the update, but we look forward to your participation, your comments, and your questions, don't hesitate. It's a lot of information, it's a lot of sometimes complex information. And there's no bad questions and please do feel free and remember that if you have a question, probably many other people also do have the same question and therefore you asking it is beneficial for to more than just you. So thank you again for your participation. And with that I'll let the team start up. Thank you

SHANI QUIDWAI: Thank you, Xavier, and hello everyone. My name is Shani Quidwai from the ICANN org finance function. If we could move to the next slide. I'll go through our year-to-date financials starting from July 2021 through March 2022.

I wanted to quickly remind and advertise the fact that we do produce quarterly financial reporting that is on icann.org. So several of the slides that you'll see in this presentation are on our website and are updated

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throughout the year if you're interested in learning more and tracking the financial progress of the organization.

At a very high-level ICANN org continues to operate in a strong financial position, despite the ongoing COVID 19 pandemic. Starting with funding, our funding through March is $113 million, or $5 million higher than the budget. Funding has grown at a modest pace and slightly higher than what we had projected.

Expenses through March are $87 million, or $17 million lower than the budget. And this is primarily due to the fact that there has been lower costs as a result of the pandemic. Travel restrictions have led to two virtual meetings for ICANN 72 and 73 and those were planned to be face to face when the budget was developed. In addition to that there have been other savings from planned travel that did not occur. Lastly, we have also had lower than planned personnel expense as the staffing levels have been below our projections.

In total, we have an excess through March of $26 million. And I'll go through more details around the costs and funding in some of the later slides. Lastly, our funds under management, which are essentially all of the cash and investments that ICANN org has available to carry out the mission have increased by $10 million compared to the end of the prior fiscal year. The result of this increase is primarily due to the fact that we are operating at an excess, as mentioned.

Moving to this slide here we have an overview of our financial reporting structure. Starting at the top that is what we call total ICANN. Most of our financial reporting will be broken out into two or three different

themes. We have ICANN operations, which is where all of our core activity is captured, all of our funding and day-to-day expenses are recorded. This includes PTI and IANA. Separately, we do have the new gTLD program, the 2012 round, and the recently started SubPro ODP. There is specific reporting for both of those and those both have their own funding and expenses.

On the bottom here, we have our funds under management, as I mentioned. These are all of the funds that ICANN has available to carry out the work above. And those are divided into four distinct areas, we have the operating fund, which is where all of our day-to-day expenses are pulled from and our funding goes through. We have the reserve fund, which is for emergency and is not funds that we typically use often. And then to the right here, you'll see we have the new gTLD funds, those were the application fees that were collected in 2012 and then the auction proceeds that resulted from some of those applications.

If we move to the next page, here is an overview of all of those funds and how they're tracking. The row at the top starts where we ended the prior fiscal year or where we started this one on July 1st. And then the lines below kind of show all of the funding that is coming in and any expenses that have come out. And so you can see here that within ICANN operations we've collected $112.9 million in cash. And then below that you can see some of the corresponding expenses as it relates to payments to employees for salaries and benefits and so forth, expenses paid to vendors, and then working capital timing.

The operating funds started the year with 77 million, as of March we have 66.9. So there has been an excess along with $35 million in Board-approved transfers. And so those transfers, you can see off to the right, there was $20 million that has been transferred into the supplemental fund for implementation of community recommendations. This was a newly created fund a little over a year ago. This is a fund where we plan to utilize this to do community implementation work that is longer and larger and challenging to fit into the budget. To date we haven't utilized this fund, but we do expect to use this in the future. And then you can also see a transfer into the reserve fund of $15 million.

Moving to the right of the operations, you can see the new new gTLD 2012 round. We started the year with $67.5 million. We've incurred $5 million of expenses and currently have $61.8 million.

Next we have the SubPro ODP, which launched in January. There have been some minimal expenses incurred on that. And the $9 million that we have as the starting balance here, this aligns to the board approval of funding for this ODP work.

I've touched on the supplemental fund. Next we have the auction proceeds, here you can see that there has been no operating expense or activity. There has been a slight decline in the balance due to market value. And then also on the reserve fund we have a decline due to market value. Overall both of these funds have generated a lot of positive return from market value. But given some of the volatility and events within the financial markets over the last few months, there is a slight decline that we show over this timeframe.

If we could move to the next page, here's just a more high-level overview of ICANN operations comparing the funding expenses and headcount year to date against the budget and against the prior year. You can see I've talked a lot about the budget, but compared to prior year the funding is higher. We had $104 million in funding through FY21 at this point, 113 million this year. I'll go through funding in more detail in a few slides. But there has been some modest growth along with an SSR contribution that is driving some of that growth. On the expenses side we have a seen a rise in $2 million of costs. And then on the bottom here you can see the headcount, we actually have a slight decline when compared to the prior year and an even bigger variance when comparing the headcount against the plan.

Here is an overview of our funding broken down into the key categories. The biggest component of our funding is transaction fees. The registry transaction fees compose 39% of the funding and the registrar transaction fees compose 26%. This is the area where we have seen some steady growth and the key reason why funding is higher than budget and growing compared to the prior year.

Next we have some fixed fees from registries. This is driven by the number of TLDs. This composes 19% of our funding and has been relatively stable compared to the prior year, but not growing at quite the clip that we have seen from transaction fees. And similarly we have registrar fees that include accreditation, variable fees, and application fees. This is also very similar to what we have seen in the prior years. Lastly, in our other category of 7% this is where contributions from country codes primarily and some sponsorships are presented.

Moving to the next slide here, this is an overview of our expenses through the first nine months. The expenses have been $87 million. And you can see here that the primary component of our costs are personnel expense. This includes compensation and other personnel-related costs for the approximately 390 ICANN staff. In addition to that we have professional services. This includes contractors, services, legal fees, language services, and some of the other costs to run meetings and engagement and things such as that. These costs have been lower than projected due to the fact that meetings and face-to-face events haven't occurred at the rate that we had projected.

Next we have administration costs, this includes rent, facility costs, and other telecommunication costs. These costs have also been lower than what we projected due to the fact that our ICANN offices have been closed for the majority of this fiscal year.

And then lastly, we have capital expenses consisting of 1%. This includes IT infrastructure and security improvements.

So switching now from ICANN operations to the new gTLD 2012 round, this is a multi-year view of the program. There's a lot of numbers here so I'll try to focus on some of the key ones. But you can see that this is broken out by year. And so in the first column we have highlighted from FY12 through FY20. We then have FY21 to give a comparison how the prior year did, we have our budget for the current year, and then the forecast and beyond.

And so at the very top you can see here that we collected $361 million in fees, and we project refunds of $53 million to get to net revenue or

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net funding of 308 million. Below that, we have all of the costs and these are broken out into operating costs, non-operating costs, other income, and interest expense.

The operating costs you can see here, this includes all of the development costs and all of the evaluation costs to process the applications. The majority of those were incurred from FY12 through FY20. You can see here that we do still have program costs and staff cost to process those remaining applications. For the current year we project those to be approximately $3 million.

Next, we have historical development and risk costs. The historical development costs were the cost that the organization incurred prior to receiving the applications. These were all of the costs associated with developing and building out the program before applications were taken in.

Next we have the risk costs. These are costs that we still continue to incur as it relates to certain applications. And then below here we have the investment income. You can see that over the first eight years, the investments, these funds, these application fees have been invested. While we're not utilizing all of the funds, they have generated $11 million in gains.

Moving to the very bottom you can see here that we project each year, essentially, what the usage or what the remaining funds against this program have been and will be. And based on the current forecast to process these remaining applications in the bottom right we've

projected $46 million in remaining funds based on the information we have today for the program.

Here's just a little bit more detail about the total costs for the full year and kind of what consists of them. The risk costs are the largest component, 42%. These are legal claims or challenges for new gTLD applications. Next, we have the program costs which are administration costs such as trademark, clearing house, and registry system testing. And then lastly, we have staff costs which are direct and allocations of staff labor and time for the program and for these applications.

Here we have the last slide. This is an overview of the SubPro ODP expenses. And as a reminder, the board approved a budget of up to $9 million for the organization to secure the resources and costs needed to carry out this work. This initiative launched in January 2022, so far these expenses consist primarily of staff time and personnel expenses for the staff that are working on the project. We are in the very early stages of the ODP and expect these costs to rise in the coming months. And you can find this reporting in our quarterly financial reporting and all of the financial reporting that we do, along with the SubPro team within ICANN is also producing more comprehensive reporting. It includes operational highlights and milestones and does also include this.

And just to round this out, the total staff efforts to date equate to approximately 8 or 7.9 full-time equivalents. This is approximately 5,500 hours in work, and $972,000 in costs. We've broken out the cost

by work track and this is internally how we've organized the work and to hopefully provide more transparency into where the efforts are being spent. So you can see starting at the top we have the governance, policy development, and so forth, the various work streams that are working on this project.

So thank you all. I will pause, I've seen a lot of chat and I think my colleagues are answering those but I'll pause to see if there's any other questions or comments. Thank you.

MARGARET BENAVIDES: Thank you, Shani. And thank you everyone for all of your questions and comments in the chat. Just as a kind reminder, please use question or comment prior to writing in the chat just to make sure that we know what you would like to be read out loud if so. Thank you so much.

VICTORIA YANG: Thank you very much Margaret and Shani. I do see some exchange about SFICR and before I move on I do want to give the opportunity and ask Xavier do you want to highlight or respond to any further before I move into the next section?

XAVIER CALVEZ: No, thank you, Victoria. I think the questions have been answered in the chat. And if not enough, then please raise your hand up so that you can ask further questions. Thank you.

VICTORIA YANG: Okay, perfect. Thank you. All right. So hi everyone. My name is Victoria, I am a member of the planning team. So welcome to the session. I will be covering the fiscal year 23 planning update together with my colleague Alex in this next session.

So first, please let me briefly explain the overall planning process here at ICANN, a process I believe many of you are familiar with. In general, the planning process starts with strategic planning. This is the process to define ICANN's strategic direction, which includes its mission, vision, strategic objective, goals, and targeted outcome.

So ICANN's strategic plan is a five-year strategic plan, and we plan by fiscal year. So the current strategic plan in place is for fiscal year 21 to 25. On top of that, each year ICANN also runs a strategic outlook program. This is the program for ICANN's ecosystem, including the staff within ICANN organization, the board, and the community to identify, analyze, and also assess if there's any major trend on or will impact ICANN's mission and its current strategic plan. And from there we evaluate whether or not a change to the strategic plan is needed.

With that, we move into the operating plan process. This is the process basically to define and determine what are the key operating initiatives and key activities for each function to plan in order to achieve the strategic plan. This process is usually conducted together with the budgeting process, which is to allocate resources to the plan activity. After all, all activity plans will be measured and report out, this is the progress reporting and measurement.

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Currently ICANN has several mechanisms in place, such as the quarterly financial reporting that Shani just covered, and the CEO report to ICANN's board, which includes key accomplishments, issues, et cetera, and this report is three times a year. And then there's annual report. The planning team is also working on other reporting mechanisms to further complement this process, so more to come on this piece of process.

So here are the background for fiscal year 23's planning and it's highlighted by the key milestones. In early December 2021 ICANN published the draft five-year operating and financial plan and the one-year operating plan budget for fiscal year 23 for public comment. The planning team also conducted two community webinars following the draft plan publication.

The public comment period ended in February. We received comments from six community groups consist of 100 comments. ICANN org reviewed and responded to all comment and the summary report is published in March. And for your convenience the link is on the slides and we can definitely drop a link as well.

Throughout the planning process ICANN org planning team actively engaged with the community via public webinars, community group meetings, and also ICANN pop-up meeting sessions during ICANN73.

In May 2022, last month, ICANN org reviewed the proposed for adoption fiscal year 23 plans was the BFC. This plan incorporated changes from the public comment proceeding where feasible and appropriate. The BFC recommended to ICANN board the adoption of the plan. For

transparency purpose those plans were published on ICANN's website along with the summary of change.

On May 26, 2022 ICANN board adopted the five-year and the one-year operating plan and budget for fiscal year 23. These plans are now subject to empowered community process. If there's no rejection petition raised or pending by the end of the empowered community period, the plan will go effective at the beginning of fiscal year 23, and that's first of July. And once again, the link here will lead you to all the planning documents for fiscal year 23. And on the same page you will be able to find the financial reporting that Shani shared earlier.

So on these slides is to show you how we structure ICANN's activity in operating plans. If you do look at the operating plan you will see that all activities are described either under the operating initiatives or the functional activity. Functional activity are work to either run the organization, such as our finance department and our HR department, or activities to support ICANN's mission such as the IANA function and the contractual compliance.

There are 33 functional activities within ICANN and that describes 100% of our activity. Among the 33 functional activities, some of the functions lead operating initiatives as well. Operating initiatives or key strategic work derived from the strategic plan. Currently, there are 15 operating initiatives.

To put things in perspective here, for example, planning department is one of the 33 functions within ICANN organization. We lead all planning related activities as I described earlier under the planning overview

slides. Besides our day-to-day work we also lead one of the 15 operating initiatives, which is planning at ICANN. There are specific scopes and specific deliverables described under each operating initiative and the planning department needs one of these operating initiatives, so I hope this is helpful.

In the next two slides I will cover the fiscal year 23 planning assumption, these are the key assumption that sets the foundation for all fiscal year 23s activity that planned in the operating plan. First and foremost, at the time of planning for fiscal year 23 and based on the strategic outlook program that I described earlier, the board has approved no change to the current strategic plan are needed. Which means all strategic objective goals and targeted outcome remain no change in fiscal year 21 to 25 strategic plan.

The five-year financial plan outlines three funding scenarios. And the fiscal year 23's plan are based on the base scenario. ICANN also planned for operating expense to remain at or lower than the budgeted funding. So in other words, we don't plan to spend more than what we have. And the third planning assumption is face-to-face meeting and engagement. This is key to ICANN's multi-stakeholder model.

Although we understand the current situation around the globe is still very unpredictable and uncertain, but for planning purposes we plan to have all face-to-face meeting and engagement activity resumed for fiscal year 23, and this is just for planning purpose. And of course, having said that, the execution will be very carefully handled and assessed in collaboration with the board and the community.

The next key planning assumption is prioritization. So in fiscal year 22's operating plan we prioritized the work stream 2 implementation and enhancing ICANN's multi-stakeholder model. These two programs are prioritized in fiscal year 22, and because they are multi-year programs, so they will continued to be prioritized in fiscal year 23. And as part of the planning at ICANN operating initiative, the planning team is working on planning prioritization framework. This framework basically define what to prioritize, who to prioritize, and how often to prioritize, et cetera.

Upon the publication of the framework ICANN org worked on a pilot in collaboration with the community. And as part of the pilot some activities were discussed during the pilot and those prioritized activities discussed during the pilot will be worked on in fiscal year 23. And my colleague Becky will cover it with more details later in this presentation.

Next we want to highlight that majority of ICANN's work continues year after year. So when you look at the five-year and the one-year operating plan, you will see that some of the activities mentioned in both the five-year and one year looks similar. In general, majority of our ongoing activities are either key activities to support its mission, such the policy support and processing over 30,000 compliance tickets each year. Or activities to run the organization, such as the finance activities and HR activities.

And the last key assumption that guides the planning process is ICANN org plan for activity that our board approved. In general and at a very high-level work within ICANN's ecosystem go through a very standard

process. It usually starts with community initiate the work to complete the work to board consideration and adoption. And then ICANN org can begin designed expected implementation work.

There is a five-year rolling roadmap, which includes all PDPs by GNSO, PDPs by CCNSO, reviews and CCWG work with a high-level timeline in the five-year operating plan. We encourage the community member to review and hopefully that's helpful resources to get a high-level overview of ICANN's activity for the next five years.

With that, I'm going to pass the floor to my colleague, Alex, to cover the five-year financial and the one-year budget as part of the fiscal year 23's planning update. And I'm happy to answer any questions. Thank you.

ALEX MORSHED: Thank you, Victoria. I just noticed the comment from Dave Kissoondoyal about the costs increasing from 234 to 262. I believe that is—Oh, Shani just answered it in Slack. So that is related to the 2012 round of the new gTLD program. So while you are reading that I will continue on with these slides. Thanks, Victoria.

VICTORIA YANG: Thank you.

ALEX MORSHED: The next few slides will be a financial recap since the draft plans were presented. Next slide.

Funding and expenses are unchanged from the draft publication. Since that publication we've seen the Russia Ukraine war unfold and volatility in the financial markets. However, our funding has remained resilient. So in consultation with the global domains and strategy team, we are keeping our funding projections the same as published in the one-year and five-year plans. Our funding projections are conservative and adequate to provide the necessary resources to carry out the missions described in our operating plans. Next slide please. Thank you.

This chart shows our funds under management which includes all cash on hand and investments for each of the segments seen here. In ICANN operations the five-year projections reflect balanced budgets where expenses are equal to funding with no planned excess. If any access is available at the end of each year, we will assess transfers to the reserve fund and SFICR at those times.

The new gTLD round segment includes projected costs for processing the 2012 round applications as well as subsequent procedures or SubPro ODP costs. Further costs for SubPro will be included when approved by the board.

And the other funds have minimal activity at this time, but as noted in the chats and earlier in the presentation we'll provide updates as decisions are approved by the board for those. Next slide please.

Here we see our FY23 budget for ICANN operations compared to the FY22 forecast. The FY23 budget funding is $3 million higher than the FY22 forecast driven by continued growth in the domain name transactions. And the FY23 budget for expenses are about 23 million

higher than the FY22 forecast primarily due to the assumption of unrestricted travel in the FY23 budget, which results in two incremental face-to-face ICANN public meetings and increased headcount versus the FY22 forecast. Next slide please.

This slide highlights the steadiness of ICANN operations funding over the past several years. The FY22 forecast and FY23 budget, the last two bars in light blue account for continued modest growth and a full-year contribution for SSR activities. Next slide, please.

This slide shows headcount trends for total ICANN by segment, which in terms of total ICANN headcount has been relatively flat the past few years. Headcount for the 2012 round and SubPro ODP are derived from staff directly supporting the programs and also allocations of staff from ICANN operations. Headcount is projected to increase soon as ICANN org begins staffing to support the SubPro ODP and take on other new upcoming work. Next slide, thanks.

Here it is a waterfall graph going from ICANN operations FY22 forecast expenses to the FY23 budget expenses. Additional personnel expenses, which is the first column, are driven by incremental headcount. And then that's followed by the next two orange bars, which is a result of two incremental face-to-face ICANN public meetings and incremental travel costs in the FY23 budget. The last two orange bars reflect incremental facilities and operating expenses, leading to a total FY23 budget of $152 million for ICANN operations.

That is it for me. I'll pause to see if there are any questions. And if not, I'll hand it over to Margaret. Thank you.

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MARGARET BENAVIDES: Hi, I see a question from Alfredo. Alfredo, please feel free to unmute yourself and ask the question. Thank you.

ALFREDO CALDERON: Thank you. It's going back to the chart where there was a display of the auction funds and the five-year projection. I'm wondering, and I don't know if you have an answer because I'm guessing it's an ICANN board decision. But you're projecting an increase, but we're not spending any of that money. And I'm guessing that it's because the board hasn't made a decision on how to use those funds. Thank you.

XAVIER CALVEZ: All right, Margaret, can I take that?

MARGARET BENAVIDES: Yes, please.

XAVIER CALVEZ: Thank you. You're guessing right, Alfredo. And thank you for highlighting that question because I'm sure others may have it as well. And this document has the challenge to try to simply model projections for the next five years, but does not necessarily reflect all the decisions that the board may be able to do and will do in the future to affect the allocation of funds.

There was an earlier question in the chat, for example, about more allocations to the SFICR fund. You can see here that we are not reflecting potential allocations to those various funds or usage of the auction funds, as Alfredo was asking about, simply because as he indicated, the board has not yet made a decision on proceeding with that now. Relative to the auction proceeds and the grant-giving program that is resulting from the recommendation from the Cross Community Working Group the board is in the process of considering this specific set of recommendations which then will lead into the organization of a grant-giving program and therefore the ultimate usage of those proceeds for the purpose of issuing grants.

So this is in process. This is soon to evolve, Alfredo, but you are correct that at the moment in these documents we are not yet reflecting that usage because that decision from the board has not been made. Once it is made in and we can try to project the potential usage of those funds over time then we can start reflecting that information into those projections. And as a reminder, predictions are always a bit speculative. It's estimates based on assumptions, so they're not necessarily accurate. But you're absolutely correct in your assessment there. And thank you for asking the question because, again, I'm sure others may have had it as well.

MARGARET BENAVIDES: Thank you, Xavier. Are there any other questions? I'll pause for a moment. Okay, I think we can move on. Thank you, Victoria, next slide please. So tracking new and shifting trends affecting ICANN and the

internet is a critical first step in the ICANN strategic planning process. The strategic outlook trends process is an annual step in the overall ICANN planning process that helps ensure ICANN has a consistent way to identify and track these trends, prepare for opportunities, and mitigate risks.

Trend sessions are held with the community, board, and org, and are followed by a detailed trend analysis and impact assessment with oversight from the board's Strategic Planning Committee, who assesses the impact from these trends and shifts and recommends if any changes or impacts are needed for the strategic plan. Additional tactical recommendations are utilized in updating the operating plans. Next slide, please.

This year for FY24 to kick off the strategic planning process we held 13 trend identification sessions with 261 participants from across the community, board, and org and collected 1,339 data points from February to March of this year that will serve as input across five focus areas: financials, geopolitics, governance, security, and unique identifier systems. We want to give a special thank you to everyone who participated in the trend sessions. Next slide please.

For FY24, as I just mentioned, the trend sessions are now complete so we are now in the trend analysis portion of the program. That will be followed by a trend impact assessment. We are targeting the completion of the strategic outlook process by September to obtain timely input for key activities and confirm a key planning assumption in the FY24 draft operating plan. With that in mind, that pretty much sums

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up the strategic outlook trends process and I can go to the next slide. Thanks, Victoria. If anybody has any questions, please feel free to ask. And if not, I will hand it over to Becky.

BECKY NASH:

Thank you very much, Margaret. Hello, everyone. This is Becky Nash from ICANN org planning. And I'm going to give an update on a project under one of the operating initiatives called Planning Prioritization Framework Project. Next slide. Thank you.

Just as an overview of the project called the Planning Prioritization Framework, planning at ICANN is one of the 15 operating initiatives in ICANN's operating plan. And Victoria earlier mentioned it as an example when we were discussing the five-year operating plan and it has been in the operating plan since FY21 and is included in the now adopted FY23 operating and financial plan. And a key component of this operating initiative is to deliver a draft prioritization framework as an enhancement of ICANN's overall planning process. And the reason why that is so important is that ICANN overall continues to have so much important work ahead of us, and prioritizing a roadmap for this work is so critical.

So this project is part of the planning process. And it is ICANN's planning department that is leading this operating initiative and the delivery of the prioritization framework. And the framework itself is intended to be used during the annual planning process. And another key element of the project is having a pilot. Based on all of the community input received we've conducted a pilot based on a specific scope of work for

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prioritizing which is the Board-approved specific review recommendations. And the pilot intended to be a hands-on community-led process to test the framework and the techniques.

So if we could go to the next slide here is just an overall status. For those of you that may not have been following this project, it did launch a year ago in April 2021. And then ICANN org spent several months holding webinars and consultations. And we want to thank all the community members that attended webinars and or hands-on consultations. And from that, we were able to prepare a document called the Draft Planning Prioritization Framework Proposal Version One. And that document was published in February 2022. And then we embarked upon launching a hands-on pilot with the community members.

So we ran a pilot during April and May. And in that pilot we received a lot of hands on experience and a lot of feedback from the community members, which we are currently evaluating in order to revise the framework and have a suggested version number two, which will be implemented in time for FY24 planning process.

So just to highlight, the project itself has two deliverables, which is to develop the framework which is intended to be used as a guide for this new step in the planning process. And then also to conduct a pilot to test the draft framework inputs or design elements that we'll be discussing in a few slides.

Just to highlight the draft framework, version one which is published on the ICANN finance and planning wiki does highlight that a prioritization step is recommended as a new step in the overall

planning process. This particular slide here covers the overall planning process, which starts typically each calendar year in January, which is nearly 16 months in advance of the year that we are planning for.

So as we progress through the key steps of the planning process we are highlighting that in the April-May timeframe we are suggesting a new step for community-led planning prioritization process to take place. And then we will incorporate that information into an assessment while developing the annual operating and financial plans, which then move on towards a draft publication in the December timeframe. And then we are moving into the next calendar year at the bottom of this slide where we then move into the public comment period and the summary public comment report. And then move towards the steps towards adoption, which takes place typically in the May timeframe. And as we indicated in this particular webinar, we are now at the end of the FY23 planning process. Next slide, please.

So part of the framework was to identify several design elements that are necessary for a prioritization process. And we've highlighted that in order to develop a process as a new step in the planning process, we needed to identify these key elements such as scope, participants, the frequency, and then also a selection of an agreed-upon prioritization technique. And then we highlighted systems, and tools, and recording, as important. And then finally, a key component again, is to have a hands-on pilot in order to have a step of validation. So the consultations that took place were structured around these design elements or inputs into a process and we will cover a few of them briefly in this webinar. Next slide, please.

So just to highlight the draft framework and the pilot, we had participants and scope as two main inputs into this process. So a recommendation in the draft framework and what took place in the pilot is that at the beginning of the process we asked the SO and AC leadership to nominate members to participate in this community-led prioritization process. And we are suggesting in the framework that there would be up to nine members that participate in this group. The reason why that we are suggesting this approach is so that this step in the process could not take too long during the planning process, have representation across the SOs and ACs, which would provide different points of view, and then also be able to take place in a short framework of no more than a month or so.

Another key design element here is the scope. What should be prioritized in this community-led planning prioritization framework? So based on all of the input received the framework proposes that the scope of activities to be prioritized are Board-approved implementation work. So this includes implementation work such as PDP recommendations, the implementation of specific review recommendations, and the implementation of other non-policy and advice work. And again, just to highlight, in the pilot we proposed and asked the community to prioritize only one scope of work just to test this framework out. And again, that was on the specific review recommendations that had been Board-approved.

Now for the pilot, again, this gave us an opportunity to observe and test the framework. So we conducted the pilot during FY23 in April and May. And this was a key element to link to the assumptions for the FY23

operating plan and budget that we discussed earlier in this presentation. So we want to thank both the SO and AC leadership for nominating members and alternate members to the pilot. And we would really like to thank the members that participated as noted here on this slide. And the members were also accompanied by an alternate member in the event that the member could not participate.

During five sessions the members were able to use a prioritization technique called urgent and important for prioritizing. We want to thank the group for all of their hard work during the sessions. And if we note, on the next slide we actually have the output from the pilot. So the community-led planning prioritization group were able to deliver the objective of the pilot, which was a prioritized list of the Board-approved specific recommendations.

Now, here we are providing a summary of the output from this planning prioritization membership that was sent over to org as part of an input into the FY23 planning process. And we are highlighting that the reviews that are listed, there are four reviews, and we're highlighting here that these review recommendations were eligible to be prioritized. And the output was that the highest priorities were highlighted to be 11 of the review recommendations. And the P2s are less urgent important, were 19. And then we have two further categories here, which are the P3s and P4s for a grand total of 45 review recommendations.

So the next step is for ICANN org to assess the action and the resources required for implementation of these Board-approved specific review recommendations. And we've provided the link here to the community

finance and planning wiki where we do have a summary with the details of these review recommendations. And then also we have for open and transparent purposes, all of the pilot recordings are there as well. So this was a great accomplishment for the group that participated in the pilot.

Just for the next slides for the planning prioritization framework project—for the next steps, excuse me. We are in the process of reviewing the output from the pilot along with lessons learned both with the community members and with the org and the board. And we are using this information to evaluate suggested updates to the framework based on the pilot and the lessons learned. And then the publication of the framework for a V2 will be in the late June or July timeframe, and that will then be the framework that is suggested to be used for a planning prioritization step during the FY24 planning process, which we are expecting to launch in the July timeframe.

And that concludes the update on this pilot and on the prioritization. And I think if we go to the next slide, we're ready to take questions. Thank you.

MARGARET BENAVIDES: Thank you, Becky. Before we start, we have a couple of questions that came in through the chat. So, Sebastien, would you like to unmute yourself and ask your question first? Thank you.

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SEBASTIEN BACHOLLET: Yes, thank you, but what I wrote in the chat was about the previous topic. Therefore, I think we need to concentrate on this one and we will come back to this one after I suggest. On this one I have a comment more than a question but I can turn it into a question. Are you sure that it's a good idea to put all the work done by ICANN in one single basket? In other terms, are you sure that mixing apples and oranges is the best way to prioritize the work?

And taking into account my question, you see where I am going in talking about different apples and oranges here. And when I am trying to pose the question for the previous topic, I would be able to come back. Thank you.

BECKY NASH: Thank you very much, Sebastien, for your question, which I believe is related mostly to the scope of this new step in the planning process. So from your question here, you're suggesting that it may not be prudent or a good idea to include in the scope of the planning prioritization process all Board-approved implementation work. The rationale for having the scope be all of the Board-approved community-led implementation work is in order to ensure that ICANN can develop the operating and financial plans to appropriately resource projects that are needed to be addressed in the five-year and one-year operating plan and budget.

So I think that this is very good feedback. We heard a few different members discuss this point as well. And again, the scope of the pilot was on a very specific list of specific review recommendations that were

eligible for prioritization since there is a prioritization criteria to prioritize the review recommendations.

I see that Xavier, you have your hand up. And perhaps Sebastien, then would like to come back in. Thank you.

XAVIER CALVEZ: Yes, I wanted to complement what you just indicated, Becky. But I'll let Sebastien speak first because I'm sure he will elaborate on his question. Thank you.

SEBASTIEN BACHOLLET: Thank you, Becky. Thank you, Xavier. Yeah, just to be sure that we are on the same page, I am not saying that we don't need to prioritize all the work, but I am not sure that we can prioritize altogether the, I will say the policy development, mainly from the GNSO side and bylaw mandated review in the other side and some Cross Community Working Group Proposal. I didn't participate in the pilot, therefore it's just from outside, but that it will be better to privatize each basket, I will say, and then to have an overarching prioritization way. But if we put everything together in the same place it will be difficult because you will have just few people who know about everything. And yes, [you took those ones,] but therefore they will be the only one able to do that in the future. And that's one of the problem.

The second is that we really need to find a way to take off what is way behind us and to start to a fresh, clean sheet. But if we don't do that, we will be in trouble for years. Thank you.

BECKY NASH: Xavier, did you want to speak now?

XAVIER CALVEZ: Sure, thank you. And Sebastien brings up a very important point about this overall planning process. And I think, Sebastien, when you mentioned apples and oranges, I think you were referring to, for example, looking together in terms of prioritizing the work, looking together at both policies and review recommendations, which are of a different nature and I think not necessarily mutually exclusive from a work standpoint. Meaning, and I'm presuming that was the point of your comment, that if we would prioritize, let's say, a policy for implementation, that should not necessarily lead to not do any work on review recommendations, and probably vice versa.

And I think it's an important clarity also, that we need to be able to put into this prioritization work, which is that there's not just one thing that can be done at one point of time. Meaning that several things can be done in parallel. And if we look at together all the implementation work, whether of policies or recommendations, the fact that policies may be prioritized up versus recommendations, or the other way around, does not mean that the things that are not prioritized at the top would not be worked on at all, if you see my point.

So there are, for example in the organization, teams that are particularly focused on the implementation of policies and other teams that are particularly focused on the implementation of

recommendations. But there are also resources that spend their time on both of those aspects as well as other things. And because some of the resources are shared, we believe it is important to ensure that the scope of implementation work is looked at as a whole. And then there's another practical aspect as well, is that it would become extremely challenging, complicated, and confusing for everyone, including the community, if we would have several parallel but separate processes of prioritization. So recommendation on one hand, then policies on the other hand, it would be complicated and demanding to be able to do that.

Now, I think that it is important to understand that the organization has a certain amount of resources. Some of those resources are dedicated, some of those resources are shared, and it's important that we have the ability to understand from a community perspective the importance of various aspects of work of implementation, and also to be able to take into account the things that are imposed on all of us to work.

I'll stop here, I see also Goran's hand up and I see your hand still up, Sebastien. I don't know if it's a previous hand or a new hand.

GORAN MARBY: Sebastien, do you want to add something?

SEBASTIEN BACHOLLET: No, sorry, I am waiting for your input and sorry for my hand still there. Thank you.

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BECKY NASH: Goran, please, come in.

GORAN MARBY: Thank you. And, Sebastien, it was so good to see you last week. There is another side to the story as well, which I began with a [inaudible]. So everybody knows that the community is overloaded with work, ICANN org is overloaded with work, the board is overloaded with work at this particular time. Planning only doesn't fix that. We have also to be truthful to all of us, that we have to engage in a conversation about how we do things as well. And I hope that the time we spend in implementation together with the community, how we do the PDPs, how we interact, we need to address that problem as well. Prioritization is a way to get things better, so we prioritize things. But the amount of work and the processes we use also have to be improved.

And every time we talk about prioritization I'm going to repeat that. It's an obligation that we all have together. Thank you.

MARGARET BENAVIDES: That's great input, thank you very much for addressing that. Sebastien, please, go ahead.

SEBASTIEN BACHOLLET: Yeah, I would like to bring again, one point is I think if we put everything together, and I understand the argument that if we have two space where we do the prioritization it will be also complicated. But if we want

to have one single space, we will have very, very few people able to do that work for the community, and that's something to be taken into account. And I am not talking about board members, about ICANN org. It's not my job to defend them or to see if there are people able to do that. But in the community you will have very few and that's something to be taken into account. Thank you.

XAVIER CALVEZ: Thank you, Sebastien.

MARGARET BENAVIDES: Thank you so much. So I guess we will go to Dave next. He had a question in the chat. His question was, do you reconcile the framework, which is I presume, 18 months within the fiscal year of 12 months? Is the framework only scope of work without any financials involved? Becky, would you like to answer that?

BECKY NASH: Yes, thank you very much. The overall planning prioritization step as a step in the planning process is upfront before the development of the operating plans and budgets. So we are seeking input from the community at a point in time upfront in the planning process without regard to the detailed plans and resources required in order to implement and there are a couple of main reasons as to why. This is, in part, due to the fact that ICANN org would like to receive the input on what should be prioritized from the community-led membership. And then they will take that information and evaluate what action plans,

what dependencies, what resource requirements are needed in order to further the implementation of that work. And that's in addition to identifying other roles and responsibilities that ICANN org needs to direct action plans or operating plans and budgets to complete, if it is ongoing operations and or other projects. And again, in case there are any dependencies of those particular implementation projects and how they may relate to other work within ICANN.

So this is a key element of this step in the planning process, is that it is feedback from the community on what should be prioritized and is given as input to org in contemplating the development of the operating plan and budget.

MARGARET BENAVIDES: Thank you, Becky. If there's any other questions about prioritization, we're happy to take them. If not we can go back to Sebastien about his question, which is about organizing the strategic outlook sessions. If you wanted to elaborate, Sebastien, please feel free to do so.

SEBASTIEN BACHOLLET: Thank you very much. Yeah, I wanted to understand—I wasn't able to participate this year, and I guess last year I was there, about how you organize your session and what is the group you gather together to discuss this issue? Thank you.

XAVIER CALVEZ: So just to clarify your question, you're talking about the compositions of each of the groups, how we develop that composition of the groups. Is that your question?

SEBASTIEN BACHOLLET: It is my question exactly, Xavier. Thank you.

XAVIER CALVEZ: Thank you.

BECKY NASH: Thank you for your question, Sebastien. When we set out to organize these sessions, as noted here in the upper right-hand box where we had over 260 participants, we first schedule within the organization a set of trend sessions, which are cross-functional. So that means that participants from all of the functions within org participate in a trend session. And we've had an overwhelming amount of participation as noted there, nearly 150 of the org staff members. We then run a session both with the ICANN board and the executive team. And then finally, probably what your question is related to is that we reach out to our policy support teams and ask each of the SOs and ACs to participate in a session. So we are able then to organize sessions. In some cases there have been a couple of combined sessions, but we reach out and on an elective basis organize these sessions.

And I see you have perhaps some more comments related to your question. Please go ahead, Sebastien.

SEBASTIEN BACHOLLET: Yes, thank you very much. It was my understanding. I would like to suggest that maybe for this type of discussion in the future you try to

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organize something breaking the silos inside the organization. I have the feeling that it's interesting to have that SO by SO, AC by AC but it may be useful to have some cross—As you have cross-functional within the org, you may wish to try cross SO ACs for some groups and see if there is some differences in what's happened and how the discussion go on. Just a suggestion. Thank you very much.

BECKY NASH:
Sebastien, thank you very much for your comment. So just to recap, you're suggesting that in addition to potentially reaching out to each of the chairs of the SOs and ACs and suggesting a session, that there actually be perhaps a public session and a cross-community session. So very interesting comments, we'll take that under advisement. And for us in the planning department that is quite interesting since the participation as part of the planning prioritization project also is intended to have representation from across the SOs and ACs. Thank you.

And Xavier, please go ahead.

XAVIER CHAVEZ:
Just wanted to add the comment that this has been done in the past, Sebastien. In previous iterations of the strategic outlook exercise there has been cross-community sessions. Based on experience there's pros and cons to that, but that doesn't mean that we cannot repeat these types of experiences or potentially combine both sessions within an SO or an AC and cross-community sessions as well. And your point about

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breaking the silos is very much understood and welcome and makes complete sense. And the experiences in the past of doing so have shown maybe challenges in carrying out these sessions in a cross-community fashion, but maybe those challenges are actually an indication that we should do it more, not less. So thank you, again, for that comment. Absolutely relevant point the and certainly we shouldn't lose track of those benefits even if there's challenges associated to them. Thank you for that reminder.

MARGARET BENAVIDES: Thank you so much for that, Xavier. If anyone else would like to ask a question or make a comment verbally, please feel free to raise your hand and state your name for the record and we can have you unmute your microphone and take the floor. Thank you.

With that, I don't think we have any other questions. I just wanted to provide an additional resource slide. We have an ICANN financial and planning information, we can post the links in the chat as well, that shares all about finance and planning reporting. There is also a link to the ICANN strategic planning page which outlines the strategic plans for the organization. And there are links to the planning prioritization framework, which are posted on the ICANN planning and finance community wiki, including the finalized prioritized list that Becky had previously mentioned, and additional information on the framework project and the results from the framework.

So thank you so much for everyone's time and we look forward to seeing you soon.

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BECKY NASH: Thank you, everyone.

[END OF TRANSCRIPTION]

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