

QUARTERLY REPORT

1 July to 30 Sept 2021

1. Summary

This report is prepared to provide a single view of outcomes we have delivered in the past quarter.

There are five goals for the 2021/22 financial year. They will help us create an Internet for all New Zealanders that is safe, accessible and a place for good.

<p>Develop an Internet for good We must look at ways to improve our internet for us all</p> <p>We'll investigate what an 'Internet for good' looks like and influence government policy to make sure we have an Internet that is good for all Kiwis.</p>	<p>Improve Digital Equity Having access to the Internet, and being confident to use it, is more important than ever. We must improve digital equity across Aotearoa.</p> <p>We'll support the establishment of the Digital Equity Coalition Aotearoa and fund digital equity initiatives.</p>
<p style="text-align: center;">Grow .nz</p> <p style="text-align: center;">We're investing in the .nz domain systems to make sure it's a world class registry for Aotearoa.</p> <p style="text-align: center;">We are replacing the registry to bring our technology into the 2020s.</p>	
<p>Provide new products We'll continue providing useful products that enable digital inclusion and safety online.</p> <p>We'll also look into the new digital identity technology and explore whether it can help Kiwis protect and control the data we share online.</p>	<p>Improve InternetNZ Our priority is to develop InternetNZ as a high performing organisation and an excellent place to work.</p> <p>We'll improve our flexible and distributed working systems, and support ongoing performance and development for staff.</p>

2. Strategic Goals 2021/22 - Q2 Progress

This section of the report gives Council an update on the projects related to our five Goals for the year. You can find the plan [here](#).

Public Good Area

Goal 1: Develop an Internet for good	ON TRACK
<i>1.1: What is an Internet for Good? We need to define how the Internet needs to change for the better. We'll collaborate and instigate community discussion to determine what an 'Internet for good' is.</i>	ON TRACK
<i>1.2: Misinformation is a critical challenge to the Internet's usefulness. We'll work in partnership to address the challenges of online misinformation.</i>	ON TRACK
<i>1.3: Influencing government domestic policy Law and policy can support or harm the development of a good Internet. We'll continue to contribute to government policy work addressing online harms, including the Christchurch Call, and other legislation or policy that impacts on our Internet for good agenda.</i>	ON TRACK
<i>1.4: Regional Internet governance We'll strengthen our engagement in regional Internet governance and participate in forums like the Pacific IGF 2021, APTLD, APriGF and dotasia. These forums can help us shape others' work in line with our Internet for good vision.</i>	ON TRACK
Q2 Progress - Goal 1	
<p>1.1: To support affected communities around Aotearoa as they grapple with the rising incidence of online extremism, racism, transphobia, and hate motivated abuse online ('dangerous speech').</p> <p>We will prioritise funding initiatives from groups who support and are led by tāngata whenua, Pasifika peoples, migrants and refugees, faith-based communities, the rainbow community and gender minorities, and people with disabilities.</p>	ON TRACK
<p>1.2: Our partnership with Tohatoha includes funding for its community engagement on misinformation.</p> <p>We also published a blog explaining why it's important not to share misinformation online https://internetnz.nz/news-and-articles/stopping-disinformation-in-its-tracks/</p>	ON TRACK
1.3: Government engagement this quarter included:	ON TRACK

<ul style="list-style-type: none"> • Talking to the Ministry of Justice and submitting on its consultation on incitement of hatred and discrimination (see InternetNZ – Final submission on incitement proposals). • Engaging with the Ministry of Social Development on its early work on social cohesion. https://www.beehive.govt.nz/release/social-cohesion-program-me-address-incitement-hatred-and-discrimination • Running workshops for Ministry of Foreign Affairs and Trade and the Ministry of Business Innovation and Employment on Internet issues • Work with the Department of Internal Affairs and the Ministry of Culture and Heritage on the Content System Review https://www.dia.govt.nz/media-and-online-content-regulation and planning for engaging our stakeholders on this. 	
<p>1.4: Regional Internet Governance engagement and capacity building included:</p> <ul style="list-style-type: none"> • Supporting organisation of Pacific Internet Governance Forum 2021 alongside APTLD in September 2021 • Asia-Pacific Regional Internet Governance Forum preparation and liaison with potential New Zealand participants • DotAsia Board and Community Programmes Committee work • Spoke to New Zealand and Australia government leaders in ANZSOG Executive Fellows Program on Internet Governance 	ON TRACK

Goal 2: Improve Digital Equity	ON TRACK
2.1: Digital Equity Coalition Aotearoa We'll support the establishment of Digital Equity Coalition Aotearoa (DECA) to help us achieve improved digital equity sooner.	ON TRACK
2.2: Online home for digital equity/inclusion We'll launch an online home for digital inclusion to better connect, support and encourage collaboration and investment in the digital inclusion ecosystem. It will support the work of the Digital Equity Coalition Aotearoa.	OFF TRACK
2.3: Evaluation We're supporting community groups to learn how to evaluate their work. This will help to measure the impacts of digital inclusion initiatives.	ON TRACK
2.4: Funding We will help to fund digital equity initiatives by: <ul style="list-style-type: none"> • Giving grants to digital equity / inclusion initiatives. • Promoting government investment. • Unlocking private sector investment in this area. 	ON TRACK
Q2 Progress - Goal 2	
2.1: Support for DECA continues. This included hosting an emergency meeting during the recent COVID-19 lockdown to understand urgent digital inclusion needs, connect the community and inform the government. The appointment of the new Stewardship Group is complete, and transition from the Establishment Group will take place on 1 October. We are also working to establish an affordable connectivity constellation. Outside of DECA our digital equity policy work includes engagement with the Minister for the Digital Economy and Communications and officials on the upcoming consultation on a digital strategy for Aotearoa, and government investment in digital inclusion.	ON TRACK
2.2: Continued delay due to COVID - DECA meeting to review the site and confirm its use case and whether any further development is required in the next quarter.	OFF TRACK
2.3: Our evaluation programme work with <i>Standard of Proof</i> , our subject matter experts in this area, is winding up and we will utilise this capability development in the community in the forthcoming Digital Inclusion focused Grants round.	ON TRACK
2.4: Grants round to be announced and launched in November.	ON TRACK

Product Area

Goal 3: Grow .nz	ON TRACK
<p>3.1: Replacing the .nz registry Working with the Canadian Internet Registration Authority, we will deploy and roll out a new registry system to replace the end of life 2002 Shared Registry System. This major investment will bring our technology for this core service into the 2020s.</p>	ON TRACK
<p>3.2: Policy review of .nz We are doing a comprehensive review of the .nz policies to make sure they're modern, robust, safe, world class and easier to read.</p>	ON TRACK
<p>3.3: Promote the value of .nz We'll be doing some work to determine how to promote the value of the .nz and show the relevance to coming generations.</p>	ON TRACK
<p>3.4: Registry lock introduction We'll introduce a registry lock service as an option for .nz domain name registrants. The registry lock will be a new security option for registrants.</p>	OFF TRACK
Q2 Progress - Goal 3	
<p>3.1: Registry Replacement Project</p> <p>The implementation phase of the project commenced as planned from the 1st of April. Overall the project is tracking well and on target for time and budget. Some of the key achievements over this period are:</p> <ul style="list-style-type: none"> ● No change to the overall delivery timeline range given in the business case (July - Sept 2022). ● Configuration (of customisations) for the registry system progressing to plan ● Infrastructure - QA environment up and running ● Registrar technical forum established and several briefing sessions have been conducted ● Test strategy completed and test management tools selected for management of testing. ● Security management plan completed and work underway to implement identified security controls ● Reporting and data migration work streams mobilised and ramping up 	ON TRACK

3.2: Policy review: our assessment of the second tranche of recommendations from the .nz Advisory Panel got underway. In the coming quarter we will be assessing whether these recommendations are desirable or feasible. We also appointed our first in-house legal counsel to be the go to person on the .nz rules.	ON TRACK
3.3: To promote the value of .nz , we have evaluated another set of tactical proposals for stimulating growth, on a smaller scale. We will move to execute these with our Registrars in Q3-4.	ON TRACK
3.4: We are reviewing the timing of Registry Lock given team and market constraints.	OFF TRACK

Goal 4: Sell New Products	ON TRACK
4.1: Defenz DNS Firewall We have developed a new product called the Defenz DNS firewall which protects against a range of cyber threats. We'll promote and sell this product to New Zealand businesses to strengthen their security measures	CRITICAL
4.2: Broadband Map We'll do ongoing improvements to the Broadband Map to improve quality and lower operating costs.	ON TRACK
4.3: Digital identity We'll explore the emerging digital identity technology. We will establish our role in this system (if any) and explore opportunities to provide products that could help us protect and control the data we share online	ON TRACK
Q2 Progress - Goal 4	
4.1: In light of the performance of the product and the reduction in staff capacity in Commercial, we will no longer actively develop the market for DEFENZ. We will instead focus on supporting current customers and their sales processes, and spend any additional product development effort on exploring enhancements. This will likely be the case through to the end of the financial year.	CRITICAL
4.2: Broadband Map is on track, and has not been substantively invested in in the last Quarter. We are in discussions with some parties about further development requirements to enhance use and utility - these will be rounded out in Q3.	ON TRACK
4.3: Our focus continues on the wider ecosystem and doing user facing research to understand perceptions, opportunities and concerns from New Zealanders. This will inform our Policy Team-led	ON TRACK

advocacy on the government frameworks, and also inform potential market positioning for InternetNZ in Identity. We have participated in the DIA-led Request for Information process about the potential of InternetNZ's identity solutions, and heavily referencing the user perceptions work.	
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Organisational Capability Area

Goal 5: Improve InternetNZ's performance	ON TRACK
<i>5.1: Together working better programme We want to be a successful flexible first organisation. We'll embed flexible, distributed and asynchronous working systems and processes to support this. It'll have twin goals of enhanced employee wellbeing and greater organisational resilience to shocks like natural disasters, pandemics etc.</i>	ON TRACK
<i>5.2: Risk management improvements High quality risk management is essential given the importance of the work we do. We'll work on new systems to manage enterprise and IT risk, to improve reporting and management of risks and the relevant mitigations across the group.</i>	ON TRACK
<i>5.3: Moving Premises We're relocating the Wellington office from Boulcott St to Willis St. The new office will be smaller and better suited to a flexible way of working.</i>	ON TRACK
<i>5.4 People strategy We'll develop a people strategy to support ongoing performance and development of our staff.</i>	ON TRACK
Q2 Progress - Goal 5	
<p>5.1: As mentioned in last quarter's report we had stated some new projects in the area to support our Together working better programme . Our focus over Q2 has been:</p> <ul style="list-style-type: none"> ● New Leadership development framework ● Review of our "Intranet" to support knowledge and information management practices <p>We have also commenced work on</p> <ul style="list-style-type: none"> ● Reviewing some of the changes we put in during Q1 to check how effective they have been <ul style="list-style-type: none"> ○ Flexible First Policy ○ Review and introduction of new rituals ○ New guidelines on common tools - Slack ● We are also looking at how we can advance some of the work around collaboration and what resources are available to advance this area. 	ON TRACK

<p>5.2: As reported to the A&R committee last month we have entered into agreement with Resolver to provide a Governance, Risk and Compliance 'GRC' solution for the group. This product will encompass Enterprise Risk Management in addition to IT Risk Management. The project has commenced and we plan to go-live in August or September.</p>	<p>ON TRACK</p>
<p>5.3: The lock down in Q2 had an effect on the timeline of this project as no work performed in level 4 and only one main contractor on site in level 3. The new timelines have seen the move in date to early December. This completion also has some key dependencies in supply of materials but nothing affects the new critical path to date.</p>	<p>OFF TRACK</p>
<p>5.4: Our People strategy - Q2 has seen our focus on</p> <ul style="list-style-type: none"> ● Staff Wellbeing and Morale overall (including the effect of COVID lockdowns and recent Council elections). ● Staff retention and workloads. 	<p>CRITICAL</p>

Other Significant Work

Public Good	
<p>Māori Aspirations</p> <p>6.2: Māori Design Group - we hosted the first Māori Design Group hui on the 6th of October, and the hui was a huge success. Although the main focus of the hui was for the group to understand the scope of the group, the group still found time to provide advice on the .nz engagement with Māori, and Internet for Good discussions paper that the Policy team presented to them.</p> <p>The advice sought from the Māori Design group was around how we can best engage with Māori on these issues, and if there was anything else that we should be aware of (is this something Māori want to be engaged on) before we commence engagement.</p> <p>The Māori Design group also discussed the possibilities of doing some engagements as a group on behalf of Ipurangi Aotearoa relating to some of these issues.</p> <p>6.3: Internal Māori capability training for staff - through a partnership with CORE Education, we ran a series of training modules for our staff focusing on Te Tiriti o Waitangi (part 1), pepehā, and now te reo training. We are still looking at the potential to do the last part of the Tiriti training, given the recommendation is to have the training in-person. We hope to close the loop on that one before the end of November.</p>	ON TRACK
<p>Nethui 2021 - we are still having ongoing conversations with our partners and Māori Design Group about the possibility of a kaupapa Māori styled NetHui around March next year, and what that may look like if the COVID19 alert levels are still high (level 2 -level 4).</p>	ON TRACK
<p>Funding (general) - Funding work is summarised in Goal 1 - digital inclusion.</p>	ON TRACK
<p>International - our focus on international work in the last quarter has been continuing with ICANN remote processes including through ccNSO, and ongoing Christchurch Call work particularly through our involvement with the Christchurch Call Advisory Network (CCAN).</p> <p>Our involvement with CCAN has significantly featured working through the process and hiring of a secretariat/coordinator role with the Advisory Network chairs.</p> <p>Ellen Strickland, our Chief Advisor, International has accepted a role in Government which now accounts for 80% of her time. The usual international environment for engagement remains tightly constrained</p>	ON TRACK

by the ongoing COVID-19 challenges, with many events and engagements moving online and changing timing and formats.	
Organisational Capability Area	
Annual General Meeting - the 2021 AGM was held on Thursday 29th July, primarily online. This was followed by a second by-election process, which is now completed.	ON TRACK
Governance Policies - evolution of an updated Governance Policies framework is paused in this quarter while the Council elections are held, and will be taken up with the new Council following the AGM.	ON TRACK
Security and Risk management In Q1 our new Security Engineer joined the team. The security team has been busy with work on the registry replacement project, some physical security areas including the new building design and as mentioned above in 5.2 the implementation of a new enterprise and IT risk management system.	ON TRACK
Membership - we have continued to roll out our engagement plan for membership, building off the highest in 8 years total membership as of 31 March 2021 of 417; up from 386 at the end of 2020. Testimony to the success of this engagement programme is the improved rate of renewal, up to 67% compared to 65% last year. Renewal has been a significant focus of Q1, as has continuing the member engagement pattern of regular events, such as the most recent one on the Christchurch Call policy process.	ON TRACK

3. .nz Summary

Our focus continues to be on the new Registry replacement work in Project Mimosa. This includes significant work for our support function, which has limited capacity due to vacancies, focused on registrar preparation for transition, testing, and development of the full set of registrar-facing services in a Mimosa context.

Alongside Project Mimosa, we continue to have three notable pieces of work:

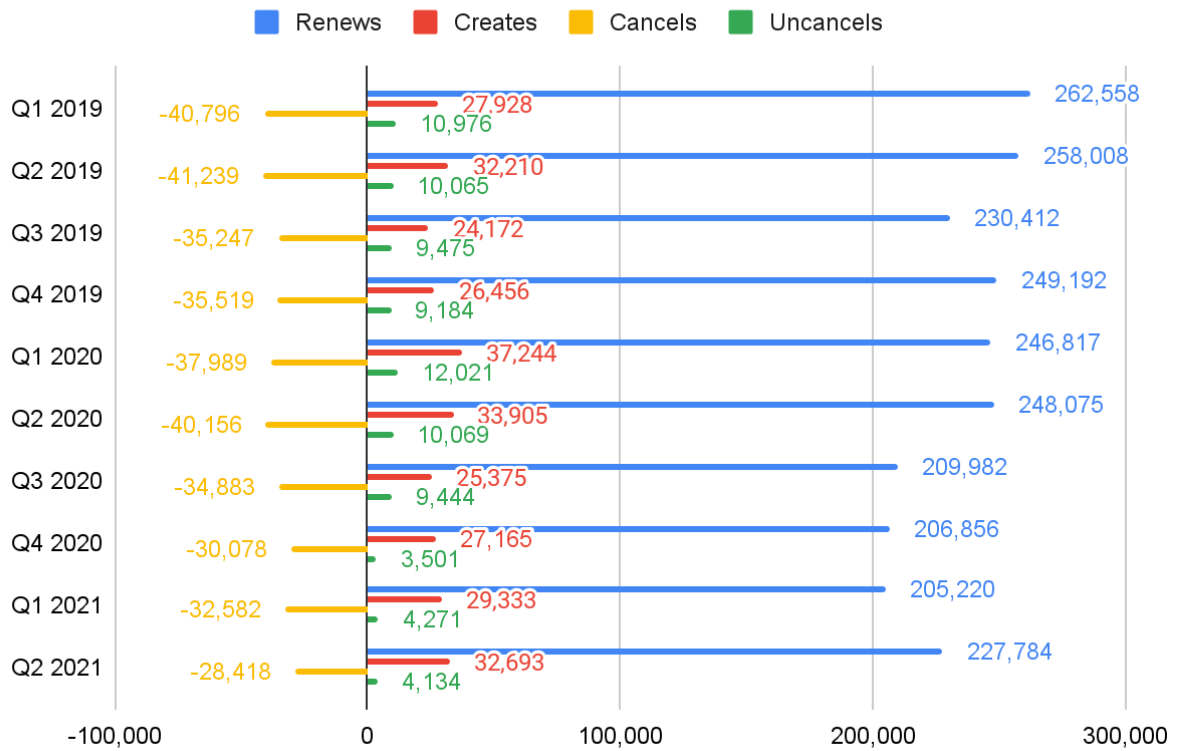
1. Two tactical marketing and promotion concepts for trial in Q3-4.
2. Analysis and utilisation of the responses from the annual Registrar survey.
3. Reconsider the timing of the Registry Lock product, in light of capacity in the team and marketplace.

Overall, the .nz registry has continued to grow to a new all time high of over 733,000 domain names. This is likely due to another “COVID-19 bump” as New Zealanders look to enhance online solutions to serve locked-down customers.

At a strategic level, we continue to see opportunities to invest further in .nz. We will explore these further in light of the new organisation strategy and following the rebuilding of the Commercial function.

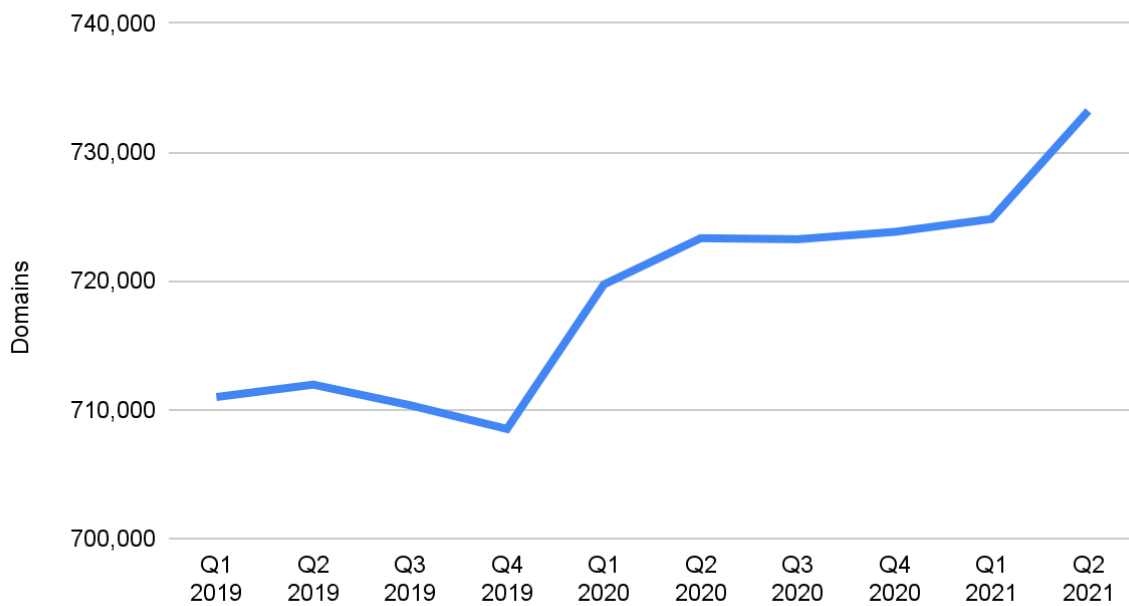
Domains

Creates, Cancels and Renewals



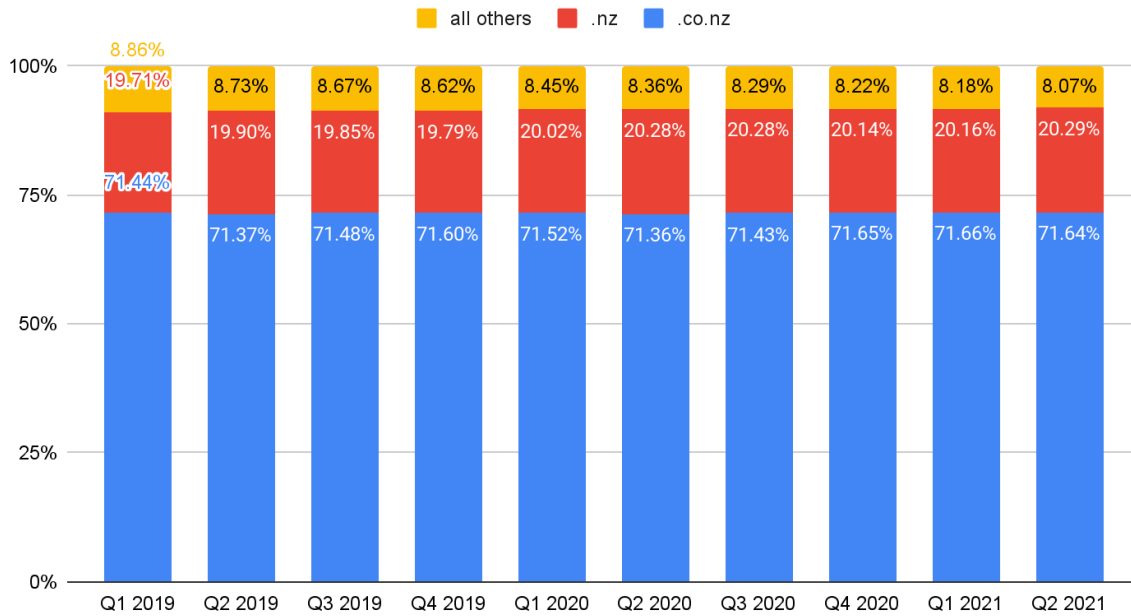
The increase in creates and renewals in the last quarter are consistent with the “COVID bump” hypothesis. Notable too is cancels dropping below 30,000 in the quarter for the first time in the scope of this reporting.

Total .nz Domains



Our previous statements about the unlikelihood of seeing continued growth above ~725,000 have proven to be incorrect, with the registry reaching a new all time high of over 733,000 in the most recent quarter. This is likely due to another “COVID bump”, caused by the recent lockdowns.

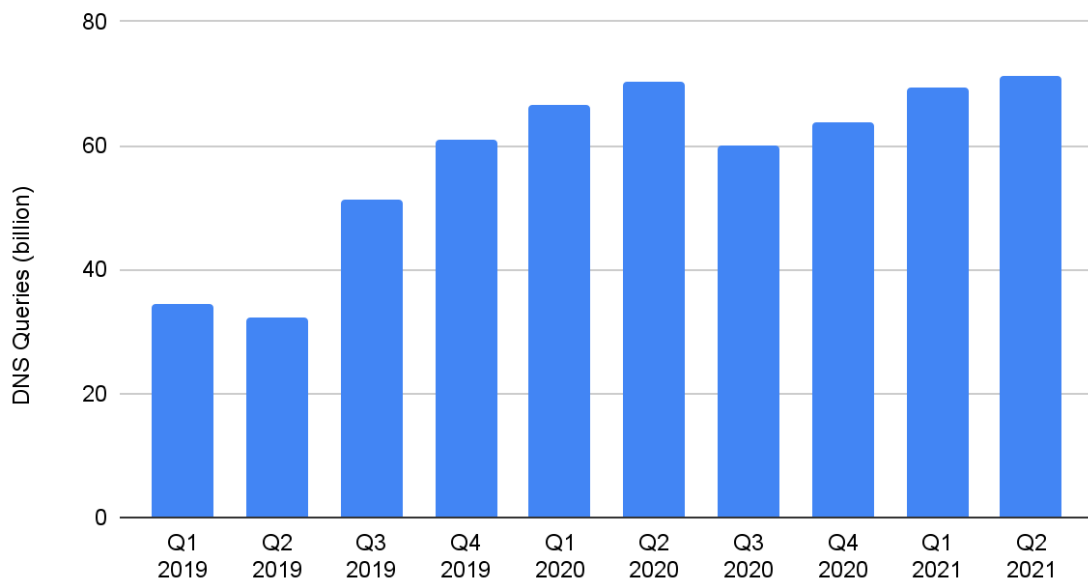
2nd & 3rd Level Registrations



There has been very little movement between the ratio of .nz and .co.nz names over the last year. We are exploring marketing tactics for Q3-4 to experiment with increasing the number of .nz domain names and selling these to .co.nz registrants.

Infrastructure

DNS Queries



No significant anomalies to report on with DNS queries.

Service Levels

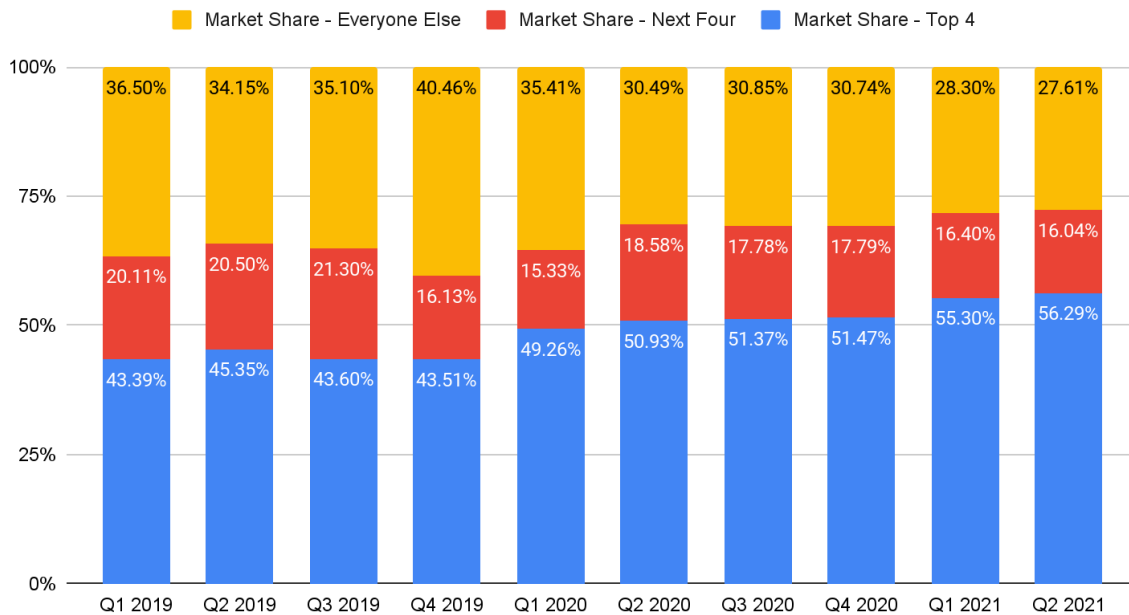
	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
DNS	100%	100%	100%	100%	100%	100%	100%	100%	100%
SRS	100%	100%	100%	100%	100%	100%	100%	100%	100%

Market

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
# of Registrars	90	87	87	87	80	80	78	78	79

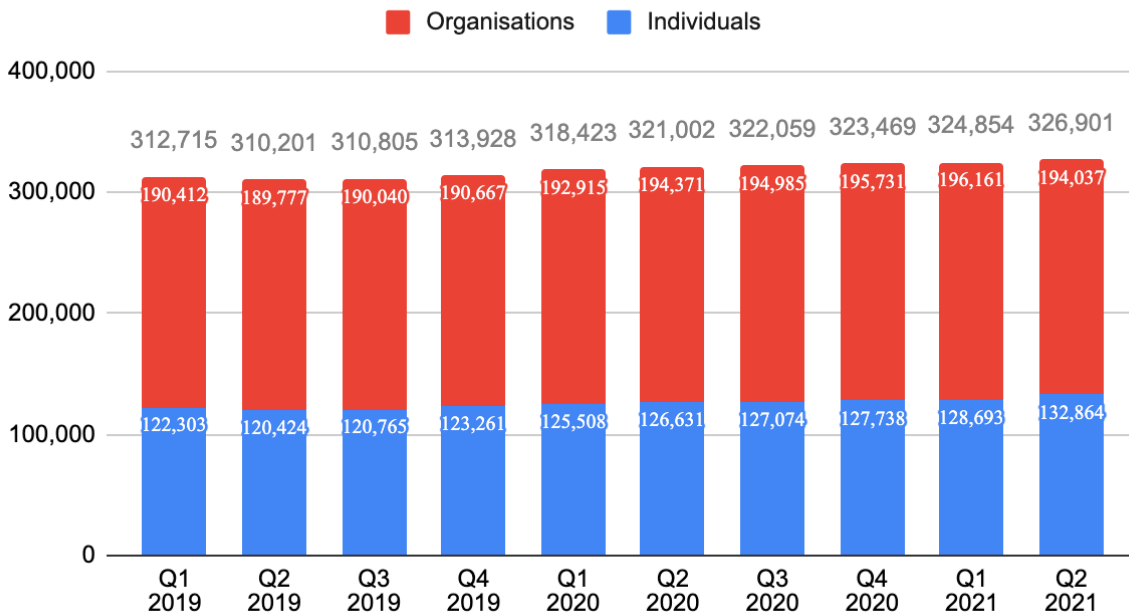
The total number of registrars remains static. The consolidation trend is offset by new entrants.

Market Share



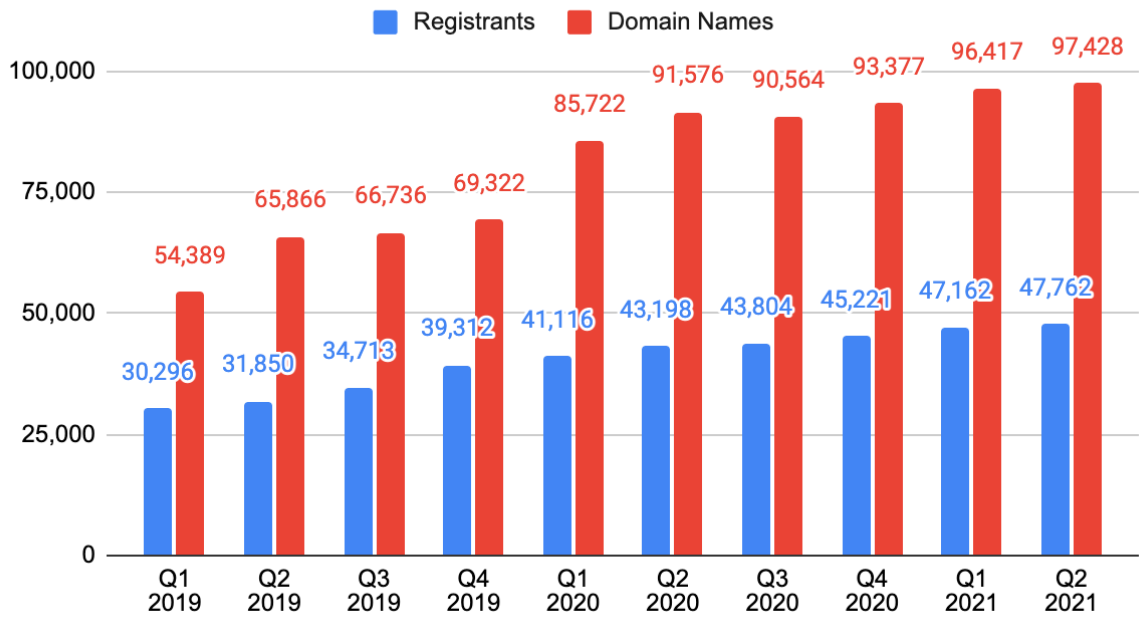
Market share for the top four registrars has proportionally increased in the last two quarters due to ongoing industry consolidation.

Unique Registrants, Individuals and Organisations



The number of registrants continues to grow. The proportion of individuals slightly increased while the organisations slightly decreased.

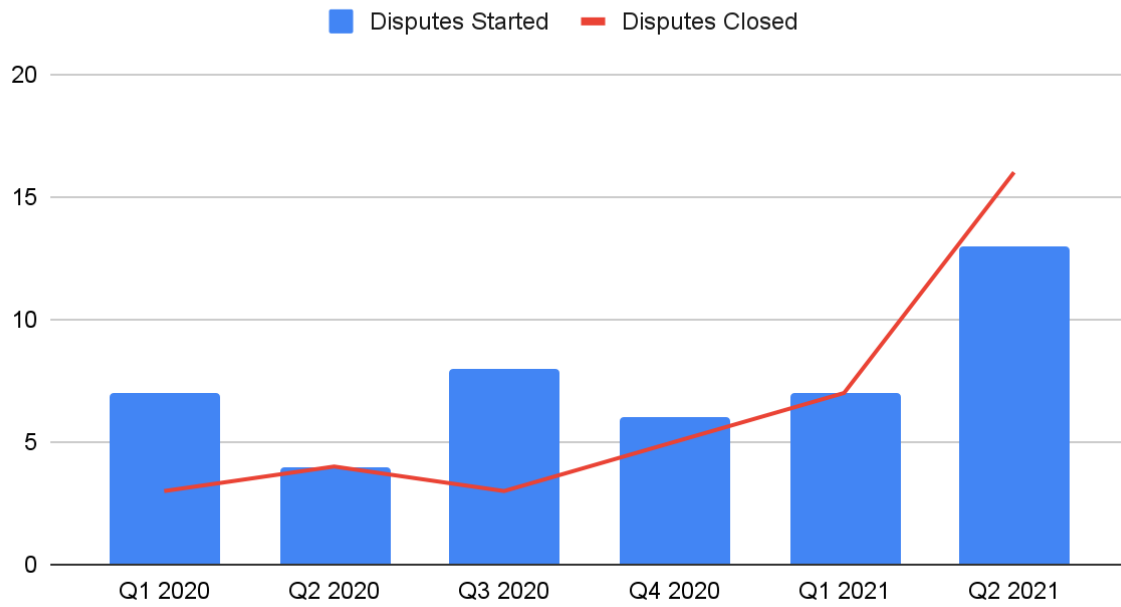
Individual Registrant Privacy Option Uptake



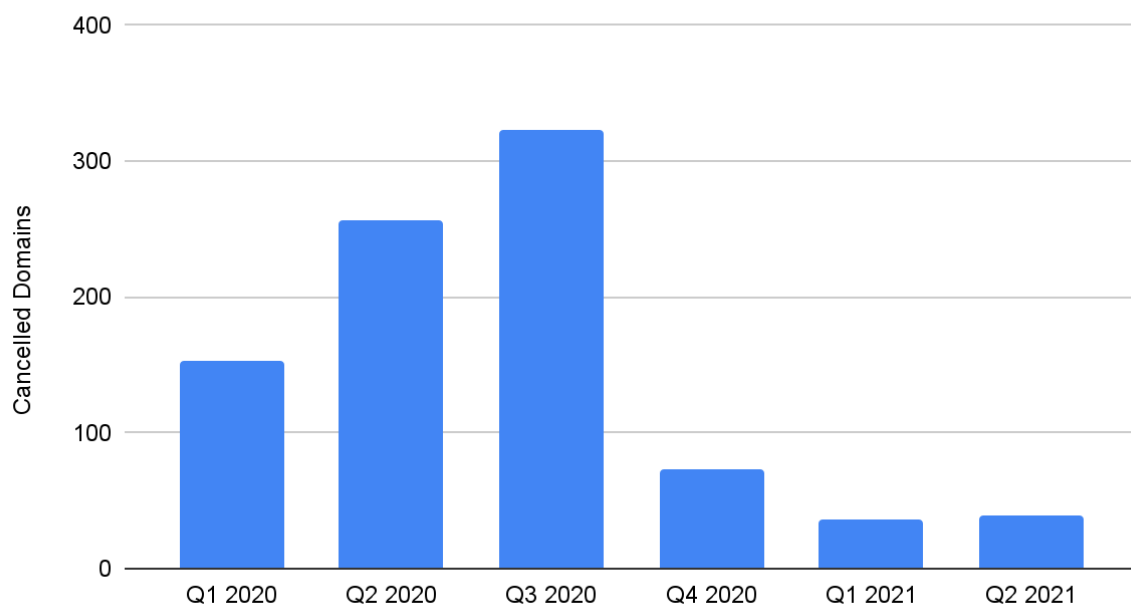
The privacy option continues to increase in popularity.

Compliance and disputes (Domain Name Commission Data)

Disputes Started and Disputes Closed



Compliance Cancelled Domains



4. New Product Development Summary

The second quarter has been disruptive for our new product development approach due to:

1. Departure of a number of key staff.
2. Reconsideration of our strategy and approach, which is ongoing.

The current state of our product suite is as follows.

1. **Defenz** has had some success in gaining significant new customers. The actual end-user uptake of the product, as well as additional partner relationships, has again been hampered by the latest COVID-19 lockdowns. Given changes in staff availability and the lack of progress made to date on this product, we will stop active work on Defenz - this means we will support the current set of customer relationships and their acquisition of new end-users but not look to acquire new partners. We will more fully evaluate the product in 2022/23.
2. **Registry Lock** is being reconsidered for this financial year. Given staffing constraints, the further development required to have a supportable product and team capacity constraints - particularly with billing - and likely market capacity issues we are considering whether to delay launch of this product into 2022/23 to align with the Mimosa launch.
3. **Digital Identity** has continued our user facing research into issues with identity solutions from the lens of shaping the ecosystem and policy with a user and values centric approach. We have also submitted a response to the Request for Information process that DIA has commissioned, and will receive a response to this in Q3-4.
4. The **Broadband Map** continues to be updated with coverage data from infrastructure providers around the country. Getting all data agreements continues to be a focus, while also now actively engaging with other potential collaborators to explore further enhancements to the product.

Product development pipeline

IDEAS BACKLOG	EXPLORE & VALIDATE	BUILD	ACTIVE	STOPPED
16	1	1	3	0
Themes: <ul style="list-style-type: none"> • Digital identity • Broadband • Data products • .nz features • Security 	<ul style="list-style-type: none"> • Digital identity Experiments 	<ul style="list-style-type: none"> • Registry lock design 	<ul style="list-style-type: none"> • .nz <ul style="list-style-type: none"> • Broadband Map v2 • Defenz 	

This is an InternetNZ report. Matters related specifically to DNCL are covered in the report from the company to the shareholder (InternetNZ).

Jordan Carter
Group Chief Executive

October 2021