AGENDA – COUNCIL MEETING - Friday 17th May 2019

InternetNZ, Level 11, 80 Boulcott St, Wellington	
8:45AM	Refreshments (coffee, tea, & scones) on arrival
9:00AM	Meeting Start
10:45am	Morning tea
12:30pm	Meeting Close followed by Lunch

Section 1 - Meeting Preliminaries			
9:00	1.1	Council only (in committee)	-
9:10	1.2	Council and CE alone time (in committee)	-
9:30	1.3	Karakia Apologies, Interests Register and Agenda Review	

Section 2 - Strategic Priorities			
9.35	2.1	Christchurch Follow Up ● 2.1.1 Plan - Goal 4 ● 2.1.2 Positions on related policy issues ● 2.1.3 Letter 10 May 2019 to President Jamie Baddeley from DNC - Emergency Response to Christchurch Terrorist Attacks	-
10.00	2.2	Danny Aerts visit follow up (discussion)	No Paper
10.20	2.3	Commercial Goals (Goal 3) - Measures improvement (discussion)	No paper
10.45		Morning Tea	

Section 3 - Matters for Decision			
11.00	3.1	Updated Chief Executive Delegated Authorities	
11.10	3.2	Acting Chief Executive: May - July 2019	No paper

		Section 4 - Matters for Discussion	
11.20	4.1	President's Report (verbal)	-
11.25	4.2	Management Items for Discussion	-
11.45	4.3	Product Decision Making (deferred from March)	-
		Section 5 - Consent Agenda	
11:55	5.1	Health and Safety Update	-
12.05pm	5.2	**Consent Agenda Items** ● Council matters ○ Minutes & Actions – February & March 2019 ○ Membership Update ○ Evote Ratification ● Operational Reports for Q4 ○ Activity Report ○ .nz Quarterly Report ○ Products Report ○ DNCL Quarterly Report ○ Financial Quarterly Reports ○ AUP Report ○ Grants Reporting Update ● Outreach and Engagement - Grants ○ Community Grants Process	

Section 6 - Other Matters			
12.15		CONTINGENCY (for any overflow)	-
	6.1	Matters for Communication - key messages ● Communications in general ● Upcoming events	
	6.2	General Business	
	6.3	Meeting Review	
12.30	6.4	Waiata	

AGM: Thursday 25 July 2019
Next meeting: Friday 23 August 2019

Council Register of Interest

Officers and Councillors are required to register any interests, commercial, political or organisational, which they believe may be relevant to the perception of their conduct as a Councillor or Officer. Officers and Councillors are, however, still required to declare a Conflict of Interest, or an Interest, and have that recorded in the Minutes.

Officers and Councillors receive the following annual honoraria:

President - $35,470
Vice President - $22,169
Councillor - $17,735*

Sub-Committee Chairs also receives additional 10% of their honoraria

Name: Jamie Baddeley
Position: President, InternetNZ
Term: AGM 2014 - AGM 2021
Declaration Date: 27 May 2017
Interests:
- Officer's Honorarium for InternetNZ

Name: Joy Liddicoat
Position: Vice President, InternetNZ
Term: AGM 2014 - AGM 2021
Declaration Date: 4 October 2018
Interests:
- Holder of .nz domain name registrations
- Holder of .com domain name registrations
- Member of the New Zealand Law Society
- Member, Non-Commercial Users Constituency of ICANN
- Founding Director and Shareholder of Oceania Women's Satellite Network (OWNSAT) PTE Limited. OWNSAT is a shareholder in Kacific Broadband Satellite
- Member of Pacific Chapter, Internet Society (PICISOC)
- Started a new job at University of Otago, researching human rights and artificial intelligence for this project: https://www.cs.otago.ac.nz/research/ai/AI-Law/index.html The project also links with the recently established Centre for Artificial Intelligence and Public Policy
- Officer's honorarium for InternetNZ

Name: Dave Moskovitz

Position: Councillor, InternetNZ

Term: AGM 2011 - AGM 2020

Declaration Date: 24 August 2018

Interests:

- Registrant of .nz, .com, .org, .pe domains
- Full list of register of interest (i.e. Board memberships, Shareholdings, and other memberships & non-profit activity) – see http://dave.mosk.nz/coi
- Councillor's Honorarium for InternetNZ

Name: Richard Wood

Position: Councillor, InternetNZ

Term: AGM 2013 - AGM 2019

Declaration Date: 13 February 2018

Interests:

- Member of ISOC, PICISOC
- Investor in Parts Trader Markets Ltd
- Receives additional honoraria for being Chair of the Grants Committee
- Councillor's Honorarium for InternetNZ

Name: Amber Craig

Position: Councillor, InternetNZ

Term: AGM 2013 - AGM 2019

Declaration Date: May 2019

Interests:

- Consultant and organiser of some corporate unconferences
- Holds .nz domain name registrations
- Trust Chair of Whare Hauora Charity
- Co-Chair of WWGSD Charitable Trust
- Co-creator and owner of Metimeti
- Receives additional honoraria for being Chair of the Audit and Risk Committee
- Co-opted Trustee of Kohunui Marae
- Co-opted Trustee Pāpāwai Marae
- Trustee of Rangitāne o Wairarapa Rurunga
- Co-creator of Te Rua o Mahara
- Director of Tahetoka Limited (Facilitation and Consulting)
- Research Assistant for Victoria University project Ngā Takahuringā ō te ao
- Councillor's Honorarium for InternetNZ

Name: Sarah Lee

Position: Councillor, InternetNZ

Term: AGM 2014 - AGM 2020

Declaration Date: 24 August 2018

Interests:

- Member of New Zealand Māori Internet Society
- Board member Injury Prevention Aotearoa

- Receives additional honoraria for being Chair of the Māori Engagement Committee
- Councillor's Honorarium for InternetNZ

Name: Richard Hulse

Position: Councillor, InternetNZ

Term: AGM 2015 – AGM 2021

Declaration Date: 11 September 2018

Interests:
- Employee of GS1 New Zealand
- Director of Eduvac Limited
- Holder of .nz domain name registrations
- Councillor's honorarium for InternetNZ

Name: Kelly Buehler

Position: Councillor, InternetNZ

Term: AGM 2015 – AGM 2019

Declaration Date: 14 November 2018

Interests:
- Holder of .nz domain name registrations
- Councillor for Science Fiction & Fantasy Association of New Zealand
- Board member of Tohatoha Aotearoa Commons Incorporated
- Business Chair for CoNZealand: The 78th World Science Fiction Convention
- Councillor's Honorarium for Internet NZ

Name: Keith Davidson

Position: Councillor, InternetNZ

Term: AGM 2016 – AGM 2019

Declaration Date: 22 November 2018

Interests:
- Domain name registrations including .nz names
- Sole shareholder and Director of KD Services Limited
- Member of numerous clubs, societies and associations, many of which are .nz registrants
- Member of ISOC and PICISOC
- Chartered Member of NZ Institute of Directors
- Consultant to the Vanuatu Telecommunications & Radiocommunications Regulator (TRR) regarding the .vu Domain Name
- Contracted by InternetNZ to participate in the ITU Plenipotentiary meeting in Dubai during October and November 2018 at a fixed contract fee, plus travel and accommodation expenses reimbursement.
- Director of Public Internet Registry (PIR), the delegated manager for the .org gTLD from 14 May 2019.
- Councillor honorarium for InternetNZ

Name: Don Stokes

Position: Councillor, InternetNZ

Term: AGM 2017 – AGM 2020

Declaration Date: 16 August 2017

Interests:

- Shareholder/Director, Knossos Networks Ltd, an authorised .nz registrar
- Shareholder/director of several inactive companies
- Registrant of .nz and .net domains
- Small holdings in publicly listed companies
- Councillor's Honorarium for InternetNZ

Name: Kate Pearce

Position: Councillor, InternetNZ

Term: AGM 2017 – AGM 2020

Declaration Date: 15 February 2019

Interests:

- Employee of TradeMe
- Member of the New Zealand Labour Party
- Holder of .nz, .com, .org, .net domain registrations
- Member of NZ Internet Task Force
- Board Member of New Zealand Internet Task Force (NZITF)
- Member and Co-leader of Aotearoa Tech Union
- Councillor's Honorarium for Internet NZ

The register was last updated in May 2019.

DRAFT FOR MEMBER DISCUSSION

This document sets out an amended draft Goal 4 for InternetNZ's 2019-20 Plan. This is for discussion with members. It will be revised following that discussion and Council will finalise the plan at its meeting on 17 May 2019.

Please share any comments to Andrew Cushen: andrew@internetnz.net.nz.

Goal 4: **Support New Zealand's online community safety, inclusion and wellbeing while ensuring that the essential openness of the Internet's governance, technology and architecture is taken into account.**
Lead - Outreach & Engagement Director

Rationale -	Measures
The terrorist attacks on the Muslim community in Christchurch in March 2019 have brought into sharp focus how the Internet can be a force for harm. However, through this horrendous time, the Internet remained a force for good as well. As the country responds to the attacks, there will be policy debates in several areas. In those that touch on the Internet, a clear understanding of those elements of Internet openness that matter most to the Internet's potential will be a crucial aspect that InternetNZ must be a voice for. No other organisation in Aotearoa understands what Internet openness means as well as us. We have a duty to the country to offer that expertise at this time, and to foster broad-based discussion on how we support community wellbeing in an online world. ***Strategic alignment*** WHY: Openness, Security and Trust WHAT: Inform and influence, Support the Internet community HOW: Ecosystem player; insight, evidence and analysis.	● Post-Christchurch policy outcomes are consistent with essential aspects of Internet openness. ● InternetNZ is seen to appropriately contribute to policy debates in this area. ● Essential elements of Internet openness are defined and their dimensions explained. ● We convene broadly based discussion of how to support safety, inclusion and wellbeing online that takes account of the essential elements of the Internet's openness.

Priority Projects	Explanation	Timeframe
Christchurch terrorism response	Following the Christchurch mosques terrorist attack, InternetNZ will engage in Internet policy debates that will be part of the country's response to these events, and conduct or commission relevant research to assist with this. The topics this will include will develop over the coming months, but will include how essential Internet openness is preserved in any changes to regulatory requirements on Internet platforms. The broader impact of social media on the community will also be part of this work. We will seek to convene forums to help with the policy response, working with other stakeholders.We will also advance discussion of these matters in Internet Governance forums, including at least the U.N. Internet Governance Forum.	All year

Define/Explain Internet Openness	Research, develop and release our understanding of the essential elements of Internet openness - how they are defined and what their dimensions are.	Q1-Q2
NetHui 2019	Openness and wellbeing as a theme of NetHui, and use this as a space to discuss and engage stakeholders.	Q3
Colmar Brunton Research 2019	Incorporate questions about Internet platforms, openness or other topics that arise from work in this area into our regular market research work.	Q3-Q4
International Stream	Engage in preparatory processes for IGF and APrIGF and AUIGF, as well as IGF national and regional initiatives work. Submit and work on sessions as appropriate. Attend. Supporting NZG Internet Governance work. Work with others to limit any ITU-based initiatives to become more involved in social media regulation.	Q2-Q3
Community funding	Grants funding on soliciting ideas and research on related topics.	TBA

Testing our thinking with Policy Propositions

InternetNZ members meetings | May 2019

New Zealand is starting to consider what changes to online regulation might be needed in response to the Christchurch mosque terrorist attack. Topics such as instituting a hate speech crime, social media regulation and tackling disinformation are all being considered and worked on as we speak.

We want to test our policy thinking with you, our members, through the below series of policy propositions. Think about each one.

Do you agree, or disagree with them? Why? Your feedback will help shape our stance.

If these are too radical a departure from the status quo for you, or not radical enough, please let us know what you would consider a reasonable response.

Direct response to Christchurch

Live-streaming video:

Prop: Facebook's live streaming service should be taken out of production until Facebook has conducted, published and made changes in response to a robust human rights and privacy analysis.

Note: A focus solely on live-streaming is a distraction from the real challenges of online harms and division.

Relevant questions: how can the harms of live-streaming be minimized? Time delay? Live moderation? AI tools? Other approaches?

Safe harbours for web platforms:

Prop: Online platforms which profit by curating the content that users see should have some level of responsibility for managing harms from user-posted content. Simple transit or hosting should not face the same level of responsibility.

Objectionable material or terrorism propaganda:

Prop: Online platforms should be required to transparently moderate content and enforce standards of participating communities online. In return for effective protection of community standards, platforms' liability can be reduced through safe harbours.

Site blocking and filtering

Prop: New Zealand should not rely on businesses like ISPs to manage online harm alone. NZ needs to develop an approach to potential severe online harms, through genuinely inclusive multi-stakeholder processes.

Prop: Any content filtering should be limited to objectionable material, and implemented in a technically appropriate way that does not block entire sites or domains of the Internet (like DNS poisoning). The current Digital Child Exploitation Filtering Service operated by DIA and available to ISPs on a voluntary basis should not be used for this, or any other purpose beyond its current role.

Relevant questions: Is there a risk of selective enforcement? Akin to the over-surveillance of muslim communities, how can we know that a content blocking power would be used without bias? Should ISPs and others have discretion, or be guided by Government advice? What's the appeal process?

Broader Internet and Platform issues

Responsibility of platforms

Prop: Imposing a broad duty of care on platforms for user content risks harmful shutting down of legitimate sharing, conversations, and disagreements.

Hate speech, harmful speech, and online communication

Prop: If New Zealand law is changed to provide protections against hate speech for vulnerable communities, such changes need to be developed based on an open process and in a way that protects essential aspects of Internet openness.

White supremacy, radicalisation, and fringe online communities (wider than main platforms)

Prop: Bad faith behaviour online is a symptom of an absence of norms, a lack of social cohesion and a sense of precarity from sections of society. Remedies should involve building community and cohesion offline.

Note: Online and offline, meaningful civil engagement needs protection from destructive and bad faith behaviour.

Fake news (mal, dis, misinformation)

Prop: Platforms should not incentivise the creation and sharing of disinformation or misinformation. Instead, platforms should enable and support sharing of high quality information and good faith engagement by real people.

Algorithms (curation and its implications)
Prop: The public needs to have the ability understand how, and why, AI/ML is influencing or controlling what we see and how we interact on platforms. Government-supported human rights analysis should be part of improving public understanding of AI and ML.

How NZ law can have impact online (jurisdiction, overseas influence, local presence requirements)

Prop: New Zealand laws and courts should apply to online services which are used by large numbers of New Zealanders, or which target New Zealand.

Question: Should platforms, of a sufficient size, be required to have a New Zealand legal presence or local agent in New Zealand?

Governance / International collaboration

Prop: New Zealand should be seeking to lead, not follow, a global response to these issues of social media regulation to ensure our interests are being taken into account.

Privacy, incl transparency of sharing of data by platforms

Prop: New Zealanders should be protected by privacy standards at least as good as New Zealand's for uses of their personal information online, regardless of which jurisdiction the service is provided from.

Fair and competitive markets for online services

Prop: Regulation by states should not entrench the power and position of current platforms.

For any other comments please contact:

Andrew Cushen – andrew@internetnz.net.nz.

Chief Executive Delegations

Policy	OTH-DEL: Chief Executive Delegations
Version	2.0
Date in force	February 2010
Reviewed	March 2018
Planned review	November 2019

The Chief Executive of InternetNZ is authorised to commit and approve on behalf of the Society with effect from 1 February 2010:

Staff
All matters related to employees and contractors including but not limited to appointment; salaries/rates and terms; leave; reimbursement of expenses; contracts; and terminations.

Financial

Operational Expenditure
- Operational expenditure within approved annual budget
- Operational expenditure not within approved annual budget: $5,000.
- Operational expenditure beyond the limits above shall be approved by Council prior to commitment.

Capital Expenditure
- Capital expenditure within approved annual budget: Capital expenditure not within approved annual budget: $10,000.
- Capital expenditure beyond the limits above shall be approved by Council prior to commitment.

Reimbursement of CE's expenses
- All claims for reimbursement of expenses made by the Chief Executive shall require authorisation by the President.

Spokesperson, Representative
The Chief Executive shall be the primary spokesperson and representative on behalf of InternetNZ.

Others
All matters not specified above that are reasonably required for the smooth and efficient operations of the Society and implementation of the approved Business Plan subject to the limits imposed by the Constitution, Bylaws, and Council resolutions.

Sub-delegation
Within the scope and limits of this resolution, the Chief Executive shall be able to sub-delegate all of the above authorities as required, apart from the ability to further sub-delegate.

Chief Executive Delegations

Policy	OTH-DEL: Chief Executive Delegations
Version	3.0
Date in force	February 2010
Reviewed	May 2019
Planned review	May 2022

The Chief Executive of InternetNZ is authorised to manage and lead the organisation.

They have delegated authority to do anything to give effect to the Strategic Framework, within the following limits:

- Implementing the annual Plan including the Goals and Measures it contains
- Abiding by the overall budgeted expenditure limit established by Council each financial year
- Abiding by payments of funds rules set out in applicable financial policies
- Abiding by other governance policies that have operational implications
- Abiding by Constitutional rules, including where Council resolutions are required on financial or contractual matters.
- Not speaking on behalf of Council related to matters of Council's decisions or work on governance matters where the President should be the organisation's spokesperson.
- Not delegating the power to further sub-delegate (so remaining responsible for delegations of this authority).

To maintain a healthy culture of no-surprises between the Chief Executive and Council, information will be provided in advance of decisions on:
- Work travel of longer than one week's duration
- Product development decisions
- Grants or partnerships valued at over $100,000
- Significant changes in public position on any matter

![InternetNZ logo]

Management Items for Discussion

Author: Jordan Carter, Group Chief Executive

Purpose: To raise issues from the organisation for Council's consideration and advice.

Introduction

This paper is designed to raise key issues for Council to give advice, input and share understanding with management. It should be read and considered informed by the broader context as presented in quarterly Activity, .nz and Financial reports.

Matters are broadly in order of priority, and there are four sections:

- **Key items** - main items we'd like a conversation about - may or may not be covered by other standard reporting.
- **Exceptions to note** - any significant issues in the general reporting we want to be sure you have seen.
- **Late Changes** - any material changes to conditions or issues otherwise covered in quarterly reporting (none in this paper).
- **Key future commitments** - a look forward to some key events over the next six months.

A.   Key Items

A1 - No growth in .nz names

Issue:	At 10 May the number of names is 712,622 - a decrease on our year-beginning number of 712,894. This follows on from 2018/19 growth of only 0.91%, and record-slow growth in the European area for ccTLDs last year.
	The cause of the slight reduction in the first month has been due to slightly higher than usual numbers of cancellations and these numbers exceeding new domain registrations. Key contributors to increased cancellations are registrar consolidation in the market combined with the exit of some legacy registrars from the market. This is uncovering names that have been maintained but should have been cancelled long ago. Further impacts of this nature are expected during the course of this year.

	We may be approaching the peak of the product's numbers as we observe a decline in new domain name registration numbers. We will test our ability to influence growth through the agreed marketing efforts in this year's plan. The commercial team is moving at pace on channel and public marketing plans.
Our ask:	That you **note** the slow start to the year in .nz domain name registration numbers.

A2 - Better than forecast 2018/19 financial outcome

Issue:	The unaudited year end surplus was $602,097. This was $265,720 ahead of budget (planned surplus of $336,377). Total income was $33k over budget, and total expenditure was $197k under budget. This means our year end net equity is $11.0m. This is a very strong financial position.
Our ask:	That you **note** this year end performance in the context of the planned deficit in 2019/20, and an ongoing pattern of spending being under budget.

A3 - New Product 1 to be developed

Issue:	Following discussion with Council, I have decided to proceed with our first new product. Info about this will be communicated publicly in the next couple of weeks.
Our ask:	Council awareness that there may be some stakeholders who do not support the decision to proceed with this product.

A4 - Social Media and Post-Christchurch

Issue:	Council will have seen the discussion with members and some will have participated in this. We anticipate a domestic policy process will kick off following the Christchurch Call events in Paris in mid-May. To assist with community dialogue, we will likely organise a summit or similar event around August.
Our ask:	No action - awareness.

A5 - Returning Officer 2019

Issue:	Council needs to appoint a Returning Officer for the 2019 Council elections. Staff recommendation is that this be **Andrew Cushen.**
Our ask:	That Council appoint Andrew Cushen as Returning Officer.

A6 - ICANN At Large

Issue:	Council asked in February (AP 22/18 refers) whether there are any obligations on InternetNZ from being an At Large structure. There are none that have any impact on the organisation. This Action Point can be closed.
Our ask:	Note this action is now closed.

A7 - Acting CE to observe DNCL Board

Issue:	Catherine Fenwick will likely be Acting Group Chief Executive while Jordan is away. We suggest that she be appointed as an Observer to the DNCL Board, given that Jordan is a director. We do not propose she be added as a Director per se. This will allow the role to continue as planned.
Our ask:	That Council appoint Catherine Fenwick as an observer to the DNCL Board during the period of her role as Acting Group Chief Executive.

B. Exceptions to note

None in this report.

C. Late Changes

C1 - .nz Annual Conference a success

Exception:	This year's event was held in Auckland on 2 May and had several extremely interesting discussions with registrars and guest speakers. The theme was innovation, and within that we focused on growing .nz and on security and trust. We had positive feedback on the day and afterwards from registrars and other attendees and speakers, and the overall vibe of the day was very upbeat. Danny shared some of his thinking which got registrars thinking about a range of changes that may be coming. David will be leading a review of this event and what we might do with it in future - the conference format is a few years old and it's time to take a look.
Comment / ask:	To note the event's success and to thank Tracy, Yvonne, Sarah, David and others for pulling it together and making it a success.

D. Key Q1/Q2 commitments

This table summarises key external commitments over the next two quarters for reference.

6-9 May	ICANN GDD Summit	Tracy, Dylan.
13-15 May	Christchurch Call work in Paris	Jordan, Ellen
Mid-May	DNS-OARC / RIPE NCC	Sebastian
27-29 May	CENTR	Sebastian, Brent, David
3-5 June	Internet & Jurisdiction - Third Conference	Jordan, Brent
11-14 June	RightsCon - Tunisia	Ben
24-27 June	ICANN 65 - Marrakech	Jordan, Brent
July	Asia Pacific Regional IGF - TBC if attending	TBC
5-6 September	APTLD 76 - Malaysia	Brent
5-12 September	APNIC 48 - Thailand	Sebastian TBC

Jordan Carter // 10 May 2019

Decision Process for investment in new products

Author: Jordan Carter, CEO & David Morrison, Commercial Director

Purpose: To seek Council approval of a proposal that authority to make decisions on business cases to develop new products or services sits with the Group Chief Executive and the Senior Leadership Team.

Introduction

The development of new products and services by InternetNZ and subsidiary companies has been an activity in the group for some time. Following the merger of InternetNZ and NZRS in April 2018, the commercial functions of the group were reconceived, built now around the Commercial Director's role.

There are three broad goals to developing new products and services for InternetNZ. One is to earn more income (make greater profits), to finance increased public good investment in e.g. grants and partnerships. A second is to increase organisational resilience by having new income not dependent on our role as ccTLD manager. A third is to build into the organisation a spirit of innovation and change.

This is recognised in the Key Goals proposed for discussion at this Council meeting, particularly Goal 3, to have two new products on sale that are tracking towards profitability within two years of first sale.

With the establishment of a pipeline process for new product development as set out in the companion paper to this meeting (Commercial Function Briefing - February 2019), decisions will soon be needed about whether proposed product and service projects should proceed to development or not.

Given how the organisation is currently structured, provided budget is allocated, the Group Chief Executive is the operational decision maker. Where a financial provision in the Budget to allow products to be developed is made, Jordan and the Senior Leadership Team would make decisions about product development.

Yet - given the track record of product development, we felt it appropriate to surface this issue and consider some options for decision making. It is important that the governance and management parts of InternetNZ are on the same page with how such decisions are made.

Proposal

Our preferred approach is as follows:

- Each year, the Plan and Budget will include an envelope for capital and operating expenditure to be used for developing new products or services.

- The Group Chief Executive's delegations will be updated to be clear that authority and responsibility for approving product business cases sits with the CEO, as do all other operational decisions.
- Management will take a no-surprises approach to keeping the Council informed, and this would include sharing the pipeline of possible products and high level summaries of business case information.
- Financial targets will be developed for the product portfolio, in time for adoption at the March 2019 meeting. These will need to cover say a five year period, and will need to be durable, stable targets to maximise their chances of being realised.
- Reporting will be comprehensive. It will record the total level of resources used and earned on a product basis as well as across the portfolio. Products will also have comprehensive lifecycle accounting applied so that the total resource commitment is easily visible. We will also develop revenue analysis that shows which customers, markets and market segments we are earning income from across the portfolio.

The logic behind this approach relates to the respective roles of management and governance.

Council as the governing body will approve the resources available for new product development and set our commercial goals, and hold the Chief Executive to account for achieving those goals and sticking to the budget.

The Chief Executive and management will be responsible for deploying the pipeline process and financial resources in a fashion that achieves or exceeds the relevant goals and targets within the resource limits applied.

This is how almost all of our work is done today, and consistency in this approach will help Council and management fulfil their roles best as possible.

Other Options

We considered two other options, which are not preferable in our judgement to the above approach.

- Establishing a management committee with a formal charter, comprised of a mix of managers and Council members, to be the decision-making authority on product business cases.

- Establishing a Council committee, with managers attending and participating but not as decision-makers, to be the decision-making authority on product business cases.

Either of these other options would give Council members a more involved role in product business case scrutiny and approval than what we propose.

That more involved role is one we see as less preferred. It introduces a split in accountabilities, making it impossible to hold the Chief Executive responsible for achieving our commercial goals (because they cease to be the decision-maker). That means that, all other things being equal, it is less likely that the goals we set for product development (to earn more money for reinvestment in our public good work, as outlined in the SMART Goals paper) will be achieved.

We anticipate that the discussion at the Council meeting will focus on whether the logic of a single accountability and responsibility is appropriate, or whether other considerations on Council's part mean that a different approach is preferred.

It may also be that if the decision making is agreed as we have proposed, there is a forum of some sort created for sharing insights and critique of proposed business cases that includes Council members. We would welcome a discussion of this.

Recommendation

THAT Council **agree** and confirm that decision-making for product development, including business case approvals for new products or services, rests with the Group Chief Executive.

Jordan Carter   David Morrison
Group Chief Executive   **Commercial Director**

8 February 2019

![InternetNZ logo]

Health Safety and Wellness Report as at May 2019

Month	Number of Near Misses reported/or identified	Number of Incidents reported/or identified	First Aid Incidents reported/or identified
September 2018	O	1	O
October 2018	O	O	O
November 2018 – January 2019	O	3	O
February – March 2019	2	O	O
April – May 2019		2	1

Summary

- There were three incidents reported:

  o The reception sign is situated at a height and in a location where it is possible for people to bang their heads which has happened in a couple of instances. The sign will be removed once the electrician has disconnected the power.
  o Water from the hot tap in the kitchen is extremely hot. A plumber is arranging a fitting for the tap to restrict it from being turned to the hottest setting. A warning sign is now above the tap.
  o A staff member received an electric shock from a broken power plug on the board room table. An electrician has removed the faulty fitting and checked the remaining fittings.

- Monthly Hazard walks have taken place and one hazard was identified regarding cables across a thoroughfare. This has now been rectified.

- WorkSi have visited InternetNZ and met with staff. They have provided a report with some initial recommendations which are being actioned by the HS&W committee.

- The INZ Group Health, Safety & Wellbeing Committee met on 9 May 2019.

Recommendation

THAT the Health Safety and Wellbeing update be received.

MINUTES OF COUNCIL MEETING – To be ratified

Status:	Draft
Present:	Jamie Baddeley (President), Kate Pearce, Don Stokes, Keith Davidson, Amber Craig, Kelly Buehler and Richard Wood *(video),* Sarah Lee *(video),* Joy Liddicoat *(video)*
In Attendance:	Jordan Carter (Chief Executive), Catherine Fenwick, Andrew Cushen, David Morrison, Ellen Strickland and Diane Robinson (minute taker)
Apologies:	Dave Moskovitz and Richard Hulse
Meeting Opened:	8:45am

Council received a presentation from DNA on the new branding for the InternetNZ Group.

Council was in committee from 9:10am to 9:40am for the Council only session; and for the Council and CE alone time.

INZ Staff joined the meeting at 9:40am.

2.0 Interests Register

Kate advised that she is now working for TradeMe, no longer employed by Cisco.

Amber is no longer in full-time employment.

AP01/19 Kate and Amber to send an email to Diane for updating the Interests Register as above.

2.1 Environmental Scan

The following items were discussed by Council and staff members in considering the environmental situation

- The NZNOG event was well received by members that attended. At NZNOG there was a discussion about the DNS being the last possibility for trust for the internet with knowledge or registrations. There was also a question "Was InternetNZ doing all that can be done around security for registries, DNS, registrars (the whole chain)?"

  It was mentioned that at the time there was a lot of press coverage

overseas where Domain Names were being hijacked through the compromise of domain management accounts. Publicity about the DNS Flag Day was also mentioned (with special thanks to Sebastian for leading the work in this area).

There is further work that can be done to understand the broader threat landscape facing the .nz domain name space. Some of this work will be carried out at the .nz Annual Conference being held 2 May 2019.

2.2   2019/2020 Plan: Goals & Measures, Key Projects

Jordan gave a brief overview of the 2019/2020 Plan:

The goals were presented in priority order:

- *Goal 1: To fund, increased public good investment, drive higher sustainable growth in registrations of .nz domain names.*

- *Goal 2: Modernise and improve the policy and security environment for .nz, consistent with our aim of being a global excellent ccTLD.*

- *Goal 3: Internet NZ will have two new non-.nz services, validated through our new business processes, delivering annual recurring revenue and each on a path to profitability.*

- *Goal 4: InternetNZ will collaborate with others to identify, agree and effect significant progress on four intervenes to bridge different digital divides (motivation, access, trust, skills).*

- *Goal 5: To champion the open Internet, Internet NZ shares analysis of the state of Internet openness, designs opportunities to improve it, and we as well as others take action inspired by this work.*

- The main purpose of the paper is to present to Council the Goals and the Measures (timeline – the eighteen months 1 April 2019 to 30 September 2020). For the organisation it's important that the goals provide a challenge to work towards.

- The draft plan has many more projects listed as possibilities than can be undertaken within the timeframe given our resources. The projects will be prioritised and a full plan for the year will include final proposed projects.

- The Lead person on each goal is not the owner. Collectively, the Senior Leadership are responsible for the five Goals.

- Te Ao Māori – was changed from a goal to a capability set of projects this supports embedding capability across staff at the governance level. Amber suggested an amendment to the paper instead of 'developing Internet NZ's relationships with Te Ao Māori to be changed to developing

mutually beneficial relationships.

- Goal 3: The measurement for the goal is two new services - *that each new service has reached net profit within 24 months of first sale is the current target*. Jordan advised what this target represents for the product development accounting side – when a product reaches net profit, what it is doing is it is paying for the depreciation, the capital investment of time and assets that went into it and making a surplus beyond that that can be spent on other things.

    Feedback from the Council members about the Goals:
    o Love it
    o The Māori Capability projects – wonderful to see in the plan.
    o Suggestion to add a new FTE to support Māori engagement strategy and related projects.
    o A different order was suggested for the goals with Openness, Digital Divides to start the order.

- The President thanked Jordan for his commentary for Goal 3 and the important points made.

- Both Andrew and Catherine will lead and support the Māori capability projects, there will be no additional FTE at this time.

RN01/19:   THAT Council adopt the five key goals and their measures as presented in this paper, to drive focus and prioritisation of the organisation's work and resources in the 2019/20 year.

RN02/19:   THAT Council note that the proposed projects under each goal will be further developed and may change by the time the final plan is presented.

RN03/19:   THAT Council note that the proposed capability projects and people information in this paper will flow through to the 2019/20 Plan and Budget.

                                          (Block - Cr Buehler/Cr Davidson)
                                                        CARRIED U

AP02/19 – Staff to develop a one-page summarisation for Council to review at each meeting that reports on:

    a) Goal
    b) Measures
    c) Timeframe
    d) Reporting against progress (Milestones)

2.3   2019/2020 Plan: Key financial trends

Catherine provided a brief overview of the current status of the high- level Budget for 2019/2020 and the two following years – the plan being based on the goals.

On behalf of staff Catherine apologised to Council for additional papers being disseminated late and with some presentational problems; this was due to the initial plan being extremely high level. The additional papers provided the following detail:

- A breakdown of the baseline costs; and
- Phasing over a 5-year period for the product development area.

The key points are:

- The financial papers represent a strong focus on the goals and the new capacity.
- Strong element of revenue growth, 4% growth on .nz registration income (currently approx. 2%). This is a significant increase to the revenue.   Other areas for growth are to diversify in the non .nz products.
- Building up capacity to support the goals.
- Current plan provides a surplus of approx. $700k, as new capacity is built in, then it breaks even.

The Council provided feedback to the supplementary information paper.

Council commented:

- DNCL - "the projections do not have the DNCL fee costs going up over 5 years, which seems remarkably stable?"

- Jordan provide comment that the DNCL costs have gone down from a high of around $2m a few years ago. This peak was due to the costs of opening direct registrations at the second level. The management fee required in 2019/20 will likely be $1.3m (or just under). The model for DNCL is that that DNCL sets their budget and INZ pays for it. Jordan is the Chair of the DNCL Board to provide a contact point between the budget process for the two organisations. The caveat for the budget is that there is a litigation cost, and this will not be made part of the management fee. The Board will seek Council agreement to make a transfer to replenish the litigation contingency fund.

- Council provided feedback to staff that they were not happy with the reworked supplementary papers received which were not in order. A finalised supplementary paper will need to be put up on the website for transparency. Staff to provide correct papers next time.

- Council noted that this is not a decision on the financial high-level budget and the figures proposed. The resolution is an indication of

direction. Council will review an updated detailed financial plan for a final decision at the next meeting in March 2019.

RN04/19: THAT Council receive the high-level financial plan for 2019-2022.

RN05/19: THAT Council approve staff preparing the 2019/20 Plan and Budget consistent with the following targets and limits:

Domain name income (target)	*$11,150,000*
Other Product income (target)	*$325,000*
Other Income	*$320,000*
Baseline expenditure (limit)	*$10,800,000*
New capacity expenditure (limit)	*$1,125,000*
New Product Direct Costs	*$350,000*
One-offs expenditure (limit)	*$450,000*

(Block - Cr Davidson/Cr Craig)
CARRIED U

AP03/19 Staff to draft a supplementary paper for transparency on what Council reviewed and upload to INZ website. Action completed.

2.4 .nz Policy – update on Comprehensive Policy Review

Ellen provided a brief information update on the work that has been carried out and the two key points are:

- There will be a longer period for the recruitment of the panel. This is to ensure that the panel has the right mix of people.

- There may be a recommendation from staff for a Chair prior to the appointment of the panel. Having a strong Chair appointed can assist with recruiting.

As a consequence, the whole review will start and finish later than originally planned, with the slower pace added to by the fact the new timetable covers the end of 2019 and the holiday period.

Council commented:

- If there was a separate job description developed for the Chair and if there will be references to Te Ao Māori? Staff advised that there is not a specific job description for the Chair, there is a competency framework incorporated in the panel terms of reference.

- What did it mean about the membership of the panel being voluntary? Staff advised it meant that the panel member would not have an

employment relationship with InternetNZ. The Chair and panel would receive a meeting fee.

RN06/19:   THAT Council receive the paper .nz Policy Review Update.

(Cr Pearce/Cr Craig)
CARRIED U

Council took a short break at 10:32am and reconvened at 10:52am.

2.5 Commercial Matters

David outlined the **Commercial Strategy Briefing** the two core focus areas are:

- To develop new product and services that become profitable in the medium term; and

- To develop the .nz offering to increase registrations and income derived from them.

The approach in both cases is to be rigorous in assessing ideas and testing them. This will this need to be built into everything in terms of innovating and creating new ideas.

For the development of new products, the key approach is to create an innovation pipeline that effectively captures all ideas from all sources e.g. membership, internally, other compatriots. The underlying philosophy will be about moving fast, experimenting, validation and learning from failure.

Kelly advised that she had expertise in writing business cases and offered to meet with David to discuss.

Council discussed:

- For the commercial team to think about the visibility/openness of highlighting some of the business ideas and processes that were considered but were not validated. David advised that that he had completed a planning session with the communications team, and they will be providing regular public communication on the innovation process.

- That there is a direct linkage with the SMART Goals.

- If there are failures then that is fine, it shows that there is effort. If there are no failures, then there is not enough work being done. There is no return without some risk.

- That the major costs in the process arise during the build and launch stage, albeit staff should consider there might be more costs incurred

earlier on in market research as part of exploration and validation. If there are further costs in the earlier stages, staff should be clear and explicit about these to Council.

- The best kind of validation is when you have a buyer.

- Staff to be more explicit when undertaking the pricing and testing.

- There might be some intellectual property costs.

- Providing feedback to members post meeting is important.

- Restating in members communications the reshaped organisation and the accountabilities of the Chief Executive.

Council noted the feedback from the membership base on the commercial paper and the views shared have been recognised.

It was discussed that a draft communication to the membership about the new commercial structure and decision-making processes should be clearly explained and Council involvement should be included in the communication.

Strengthening .nz
Marketing .nz domain names

Data from the .nz registrations and the latest 2018 Colmar Brunton research has shown declining growth and gradual decline in preference. To meet the Goal of 4% increase in revenue, it needs immediate growth, the two key marketing approaches to support this are:

- To spend money with the registrar channel – to influence and guide the registrars to sell .nz on INZ's behalf.
- Going direct to the Public – by running a campaign that takes the public through a channelled process. For example, where they hit a .nz page where they find their name the aim is that we send qualified leads to the registrars.

By experimenting with different approaches to the two activities above, INZ will be able to determine whether they can influence over the market to buy .nz domains and the ability to influence registrars to support.

Jordan highlighted some work that he felt is more important than traditionally thought, which is to make .nz domain names easier to use e.g. the ease of connecting a domain to an email or web service. Further work needs to be done with the channel to enhance the user experience. David mentioned that https://www.domainconnect.org/ can provide some support on seamless configuration of domain names and this will be promoted to the channel in communications soon.

RN07/19: THAT Council note this briefing on commercial strategy, covering the essence of the strategy, our innovation pipeline approach, the current status of the pipeline, and approach to strengthening .nz.

(President /Cr Stokes)
CARRIED U

AP04/19: The President and staff will draft and disseminate communication re the new commercial structure and decision-making process to the members list.

AP05/19: A future paper from staff on the measuring the marketing of the .nz domain names.

Decision Process for Investment in New Products:

The paper looks at clarity around decision-making authority for new product investments. Council approves a Plan and Budget each year which will include a financial envelope for commercial development. The Chief Executive's delegations seem very clear that the authority and responsibility for approving business cases sits with them, as it does for all other operational decisions.

Given significant interest and the track record of product development, the executive and Council need to be clear on the basis for decision-making. The paper proposed to confirm the above approach and proposed two other options for discussion.

Council discussed a number of aspects and possible approaches:

- At business case stage a separate paper could come to Council for agreement.
- When significant investment is required Council needs to be aware and could be required to approve.
- For business cases less than a $50k threshold it could be noted at Council for awareness.
- Develop a guideline or framework for when Council needs to approve or note business cases.
- A veto process could be built in to the policy of product development.

In discussion, Council members agreed to assign the authority to the Chief Executive, alongside clear documentation of how this delegation will operate and how a 'no surprises' approach will be maintained.

RN08/19: That Council agree and confirm that decision-making for product development, including business case approvals for new products or services, rests with the Group Chief Executive.

(Cr Stokes / Cr Buehler)
CARRIED U

RN09/19: That the Chief Executive produce a paper which outlines the delegations, constraints and communication of the product development processes to council.

(Cr Stokes / Cr Buehler)
CARRIED U

AP06/19: Develop a paper on product development approach to provide appropriate review time for Council.

AP07/19 Provide a one-page monthly report to Council for awareness.

3.1 Grants Evolution

Andrew provided a summary of the Grant Making Recommendations paper and the accompany Grant Making Appendix was taken as read.

Three key decisions to be agreed by Council:
- Replacing the Grants Committee with a more independent Funding Panel.
- Aligning the goals of funding with the broader Strategic Framework.
- Decision-making on the recommendations of the Funding Panel.

Council commented:
- Preference for noting the results of the Funding Panel Grants Making.
- The Chair of the current Grant Committee, Richard Wood agreed with Option 2: The Chief Executive has the delegation to approve.
- The funding panel members to be appointed for only two years with no extension. The rationale is that there is a wider network of people that needs to be reached and the panel needs to be refreshed to allow for this. A staggered renewal of panel would be the best way to refresh the panel.

RN10/19: THAT Council receive this paper and the appendix.

RN11/19: THAT a Funding Panel be established to replace the current Grants Committee as the assessor of the Grants Applications.

RN12/19: THAT the goals and objectives of Grant Making to be determined through the InternetNZ planning process, consistent with the Strategic Framework.

RN13/19: THAT final approval of grant allocations is made by the Chief Executive following recommendations from the Funding Panel.

(Block - Cr Davidson, Cr Craig)
CARRIED U

4.1 President's Report

- No major items to report. Noted that The President and the Chief Executive are holding regular catch up meetings.

4.2 Management Items for Discussion

The DNS Flag day went well.

DNCL Board Renewals – once the skills matrix is completed a new appointment process will need to be initiated at the Council meeting in August 2019.   Lucy Elwood and Adam Hunt will remain as Directors for DNCL in the meantime. There will need to be a rotational appointment process.

The President thanked staff and made a special mention about the work undertaken by Chief Scientist, Sebastian Castro, in relation to DNS Flag Day.

RN14/19:   THAT the Management Items for Discussion be received.

(President / Cr Craig)
CARRIED U

4.3 .nz Quarterly Report – Q3 2018/19

Report was taken as read.

RN15/19:   THAT the .nz Quarterly Report for Q2 2018/19 be received.

(President /Cr Stokes)
CARRIED U

4.4 DNCL Quarterly Report – Q3 2018/19

Report was taken as read.

The Chair of DNCL gave a brief update on the status of the litigation.

RN16/19:   THAT the DNCL Quarterly Report for Q3 2018/19 be received.

(Cr Craig / Cr Davidson)
CARRIED U

5.1 Health & Safety Update

Report was taken as read.

Catherine provided a brief update on the Grand Arcade Lift #3 issues. The property manager has responded back to INZ about the lifts and they have

received a maintenance check. INZ are awaiting the results of the survey that was carried out.

RN17/19:   THAT the Health and Safety update be received.

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(Cr Craig /Cr Buehler)
CARRIED U

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5.2   Consent Agenda Items

RN18/19:   The Council approved the Grants Committee recommendations for the Internet Research Funding Round as detailed in the paper.

RN19/19:   THAT the minutes of the meetings held on 24 November 2018 be received and adopted as a true and correct record;

Noted that Keith requested for clarification under the section President's Report 3.1 ICT for indigenous peoples through UN. It was noted the action was completed and led to action AP08/19 below.

AP08/19:   Further investigation into Indigenous forums at international events. Ellen Strickland to follow up by end March.

AP09/19:   Councillor Photos to be organised by Andrew Cushen

RN20/19:   THAT the new members be noted.

RN21/19:   THAT the Evotes be ratified.

RN22/19:   THAT the Operation Reports be received.

RN23/19:   THAT the Committees Report be received.

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Consent agenda block (Cr President/Cr Craig)
CARRIED U

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AP10/19   Evote Council Attendance - ICANN to be implemented and timetable to be sent to Council.

5.3   Final Strategic Framework

Council discussed the Framework in great detail in November. The final draft includes language updates arising from the Brand work.

RN24/19:   THAT the Council approve the Final Strategic Framework.

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(Cr Stokes / Davidson)
CARRIED U

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6.1   Matters for Communication – Key Messages

The President to report to members about the outcomes of the meeting:

- Focus on issues raised about product development.
- Highlight decisions made as a result of the new organisational structure.
- Greater accountability clearly outlined for the Chief Executive and measurements for performance.
- The new strategy goals.

With no other business raised the President declared the meeting closed at 12:40pm

Signed as a true and correct record:

……………………………………………………….
Jamie Baddeley, President

Next meeting: Friday 29 March 2019, in Wellington

MINUTES OF COUNCIL MEETING – To be ratified

Status:	Draft
Present:	Jamie Baddeley (President), Kate Pearce, Don Stokes, Keith Davidson, Kelly Buehler, Sarah Lee, Joy Liddicoat, Richard Hulse and Dave Moskovitz and Richard Wood *(video)*
In Attendance:	Jordan Carter (Chief Executive), Catherine Fenwick, Andrew Cushen, David Morrison, Ellen Strickland and Diane Robinson (minute taker)
Apologies:	Amber Craig
Meeting Opened:	9:00am

1.1 Formal Opening (Karakia), Apologies

Staff joined the meeting at 9:17am.

Sarah Lee opened the meeting with a beautiful Karakia.

David Moskovitz recited a Jewish prayer that was very heartfelt and kindly received by Council and staff.

2.1 Christchurch Mosques Terrorist Attacks: Council Discussion

The President thanked staff for managing the situation in the past few weeks in very challenging and emotional circumstances that are being experienced by all New Zealanders. The Council reinforced their full and heartfelt support to Jordan and staff in response to the Christchurch mosques terrorist attacks.

Letter from Domain Name Commission

Jordan Carter, Chair of the Domain Name Commission (DNC) tabled a [letter](#) from the company outlining the emergency response and approach taken by the Commissioner and Board of DNC in regards to the unprecedented and

exceptional circumstances relating to the Christchurch Terrorist Attacks on the 15 March 2019.

The Council read through and discussed the [letter](). Brent spoke to a need for an emergency response to attacks on Christchurch in relation to how the attacks may impact on the .nz domain space and that unfortunately this was no longer a hypothetical situation. Currently, there is a Memorandum of Understanding in place with the Department of Internal Affairs and this is providing the framework within which he is managing the situation.

The Commission suggested in the letter that InternetNZ consider creating a limited, interim .nz policy to deal with exceptional situations that demand an exceptional response.

InternetNZ affirms its own policy process is responding to the issues raised by the situation.

The .nz Policy Committee is meeting on the 2 April 2019 and Council noted that the committee may make a recommendation on an interim policy approach by sending an Evote to Council.

The President thanked the Chair and the Commissioner for their work in writing the letter.

RN25/19 THAT Council received the letter and endorse the approach taken by the Commission.

 AP11/19 Recommendation from .nz Policy Committee on the interim change to policy to be sent after the .nz policy committee meeting on 2 April 2019 for Evote from Council.

(Cr Davidson / Vice President)
CARRIED U

.nz Policy discussion - temporary policy

Council and staff discussed whether there is a need to develop a temporary .nz policy, whilst the .nz policy framework is under a comprehensive review. Staff feel that that there needs to be a mechanism in place to allow for the Commissioner to seek the ability to respond to exceptional circumstances under the policy.

Jordan advised that Danny Aerts is visiting NZ in May at the same time as the .nz annual conference and potentially INZ could ask Danny to share Sweden's approach to the evolving issues around security and objectionable material in the .nz domain space, among other topics.

RN 26/19   THAT the Council ask the .nz policy committee review the .nz policy and take into account the possible need for provisions for the Domain Name Commissioner to act in exceptional circumstances.

(President/Vice President)
CARRIED U

NOTE that the .nz policy committee will be considering an interim change to the policy at the next .nz Policy Committee meeting and will report back to Council.

RN 27/19   THAT Council noted the paper and future updates will be forthcoming.

(President/Vice President)
CARRIED U

The Council observed The National Memorial Service from 10:00am to 11:15am.

The Council went into Committee Alone Time with the Jordan Carter to discuss re-prioritisation of the Agenda and to ask Jordan on his perspective re section 4.1 DNCL Strategy, Plan and Budget and some further discussion relating to section 2.1. This took place at approximately 11:15am.

3.1 2019/20 Plan

Jordan spoke to the 2019/20 Plan and noted that staff had recently worked through prioritisation of projects across the organisation and the impact of these projects on the Goals. Noted that the plan presented is not the full work plan for the organisation. The staff are committed to deliver on the key projects against the Goals that are outlined in the plan and will report back at each Council meeting progress against the measures.

Goal 5 is now promoted to Goal 4: *Support community safety, inclusion and wellbeing in NZ while ensuring that the essential openness of the Internet's governance, technology and architecture is taken into account.*

Further engagement and research with Members regarding this goal will need to be considered before confirming the projects underlying the Goal.

Council commented:

● Goal 4: an amendment to the paragraph that No other organisation <u>in NZ</u> understands what Internet openness means as well as us. Include words <u>in NZ.</u>

- Goal 3: the measurements were discussed, and it was commented that there needed to be a sharper measurement for this goal than currently stated '*each new service has reached net profit within 24 months of first sale'.* Jordan agreed to review the measurements and discuss further with Council at the May meeting.

- Goal 5: one Council member expressed disappointment with the goal - not with what's in the goal, but more around what is not there around progressing access. They suggested that there was further work needed to identify opportunities to improve access e.g. direct investment or grants funding.

  In response: Jordan commented that the goal focused on digital inclusion and not on access, and that is why the plan did not respond to access specifically, as it was focused on the four digital divides (motivation, access, trust, skills). This goal was also about influencing others with more resources to act, rather than investing directly on a small scale ourselves.

- Community Funding Changes - Council asked for the breakdown of the $900k funding and Andrew provided the following information:

  - $400k Strategy Partnership
  - $400k Grants pool
  - $100k Sponsorship
    TOTAL: $900k

RN28/19 THAT Council receive this 2019/20 Plan and authorises the Chief Executive to proceed to implementation.

(Cr Hulse / Cr Davidson)
CARRIED U

RN29/19 THAT Council note the proposal to consult members and stakeholders further on the goal, measures and projects for Goal 4, with a view to receiving an updated final version for agreement at the May 2019 meeting.

(Cr Pearce / Cr Lee)
CARRIED U

3.2 2019/20 Budget Paper

Jordan advised that the budget is similar to the draft sent to Council in February 2019. David Morrison provided update on the domain growth:

- That domain name registration growth is low this year, probably just over 1%, compared with 3+% in recent years. The difference lies in registrar consolidation and policy-related cancellations, rather than a plunge in growth, built this is a reality of flattening growth that has been on the cards for some years.

- Included in the budget is targeted cost efficiencies. This amount of ($300k) represents realistic savings that can be made through evolution of the operating model in various parts of the organisation.

Councillors commented:

- That the overall deficit envelope should not go below -$800k and that Council should be kept up to date.

- That Council are accepting the budget as it stands for the financial year 2019/20 and Council has made this decision based on the budget aligning in the latter years - Year 2 2020/21 and Year 3 2021/22.

- For future Council meetings in Year 2 and 3 the 2019/20 budget should be shown against this year's Y2/Y3 budget proposal, to assist to track back on progress.

- Potential impacts on the plan that may flow from the .nz policy framework review.

The Council thanked Catherine Fenwick and Mary Tovey for their preparation of the budget.

RN30/19 THAT Council receive this paper and agree the strategy and high-level composition of expenditure for the 2019/20 Budget.

(President / Vice President)
CARRIED U

RN31/19 THAT Council approves for 2019/20 an operational expenditure limit of $12.8m and capital expenditure limit of $1.73m.

(Cr Lee / Cr Buehler)
CARRIED U

RN32/19   THAT Council note the Revenue target of $12m, incorporating new product revenue of $275k in 2019/20.

(Cr Davidson / Cr Lee)
CARRIED U

4.1 DNCL

The plan from DNCL for the forthcoming year and the financial aspects of the budget paper were discussed.

The Council went into Committee and the Commissioner provided a confidential update on the US Litigation.

RN 33/19   THAT Council **receive** this paper and agrees the Management fee of $1,340,000.

RN 34/19   THAT Council **approves** for the request for $500,000 to restore DNCL reserves.

(Block – Vice President / Cr Moskovitz)
CARRIED U

AP12/19   To email the Pickens Review to the Council.

5.1 Any Other Business

5.1.1 Product Decision (late paper)

Jordan apologised for the late paper explaining the proposed approach to Product Investment Decision-Making.

Council requested more time to read and digest the information. The Council will discuss under the Council Discussion email list.

RN35/19   THAT Council discussed and received this paper and agrees the communication approach.

DEFERRED, not voted on.

AP13/19   Defer the discussion on the Product Decision Making paper to Council meeting in May 2019.

5.1.2 .nz Policy Review Panel Chair Appointment

Ellen spoke to the recommendation to appoint Sue Chetwin as Chair of the .nz Policy Review Panel. Sue is well respected and was INZ's first choice for the Chair role. As an advocate for consumer, she brings a perspective that focuses on people and people need from .nz to ensure it delivers the maximum benefit for Aotearoa-New Zealand. Sue is currently finishing the Electricity Authority Review around policy. Bringing together diverse stakeholders and very technical expertise.

The approach of the panel should be holistic and a Vice Chair will be selected from the Panel Members.

Council commented:

- A most inspired choice of Chair, other members from Council have worked with Sue over her extensive career and enjoyed working with her.

- A positive reaction from the Council members was received.

- That the Panel should include a mix of age groups.

RN 36/19   THAT Council agree the appointment of Sue Chetwin as the Chair of the .nz Policy Review Panel.

(Cr Stokes / Cr Hulse)
CARRIED U

RN 37/19   THAT Council receive the information on the approach being taken for panel member recommendations, which will be based on a holistic approach to ensure balance and different perspectives.

(Cr Lee / Cr Stokes)
CARRIED U

5.1.3 Removal of NZRS Limited from NZ Companies Register

Council discussed the removal of the NZRS Limited from the NZ companies.

There were a few questions about whether the name was a Trade Mark and not relinquishing the name at this time. Staff to investigate and report back to Council.

Don advised the two anniversaries coming up:

- 1 April 1989 - Telecommunications Amendment Act 1988 came into force - was the end of telecommunications monopoly.

- 16 April 1989 - John Houlker plugged in the internet.

AP14/19   Staff to recommend removal of the NZRS Limited after checking criterion ensuring that the name is secured for the meantime, even when removed from the companies register.

2019 Action Point Register

|	Action	Who	Status	Due by
	FEBRUARY			
AP01/19	2.1 Interests Register - Kate and Amber to send an email to Diane for updating the Interests Register. Kate now works for TradeMe (not Cisco). Amber is unemployed.	Kate Pearce/Amber Craig	In progress	Before 29 March
AP02/19	2.2 2019/20 Plan: Goals & Measures - Staff to devleop a one page summarisation for Council to review at each meeting reports on	Catherine Fenwick	Ongoing	Each Month
AP03/19	2.3 2.3 2019/2020 Plan Key Financial Trends - Staff to draft a supplementary paper for transparency on what Council reviewed and upload to INZ website.	Catherine Fenwick	Completed	Feb-19
AP04/19	2.5 Commercial Matters - The President and staff will draft and disseminate communication re the new commercial structure and decision-making process to the members list.	David Morrison	Deferred May	
AP05/19	2.5 Commercial Matters - A future paper from staff on the measuring the marketing of the .nz	David	Completed	
AP06/19	2.5 Commercial Matters - Develop a paper on product development approach to provide appropriate review time for Council.	David Morrison	Completed	
AP07/19	2.5 Commercial Matters - Provide a one-page monthly report to Council for awareness.	David	Ongoing	Each Month
	MARCH			
AP08/19	5.2 Consent Agenda - Further investigation into Indigenous forums at international events. Ellen Strickland to follow up by end March.	Ellen Strickland	TBA	End March
AP09/19	5.2 Consent Agenda - Councillor Photos to be organised by Andrew Cushen	Andrew	TBA	
AP10/19	5.2 Consent Agenda - Evote Council Attendance - ICANN to be implemented and timetable to be	Jordan	Completed	
AP11/19	2.1 Recommendation from .nz Policy Committee on the interim change to policy to be sent after the .nz policy committee meeting on 2 April 2019 for Evote from Council.	Kate Pearce	Completed	April
AP12/19	4.1 Email the Pickens Review to Council	Brent Carey	Completed	March
AP13/19	5.1 Defer the discussion on the Product Decision Making paper to Council meeting in May 2019.	David Morrison	Completed	May
AP14/19	5.1.3 Staff to recommend removal of the NZRS Limited after checking criterion ensuring that the name is secured for the meantime, even when removed from the companies register.	Catherine Fenwick	TBA	June

InternetNZ Membership Report

Status: Draft
Author: Maria Ludgate, Office Manager

Current Membership *(as at 9 May 2019)*

| Fellows	Individual	Individual Plus	Small Organisation	Large Organisation	TOTAL
27	276	44	24	3	**374**

2018 – 19 Membership Year

	30 June '18	30 Sep '18	30 Dec '18	31 Mar '19
Fellows:	23	27	27	27
Individual:	220	227	247	264
Individual Plus:	44	44	44	44
Small Organisation:	19	20	21	23
Large Organisation:	3	3	3	3
Total Membership:	**309**	**321**	**342**	**361**
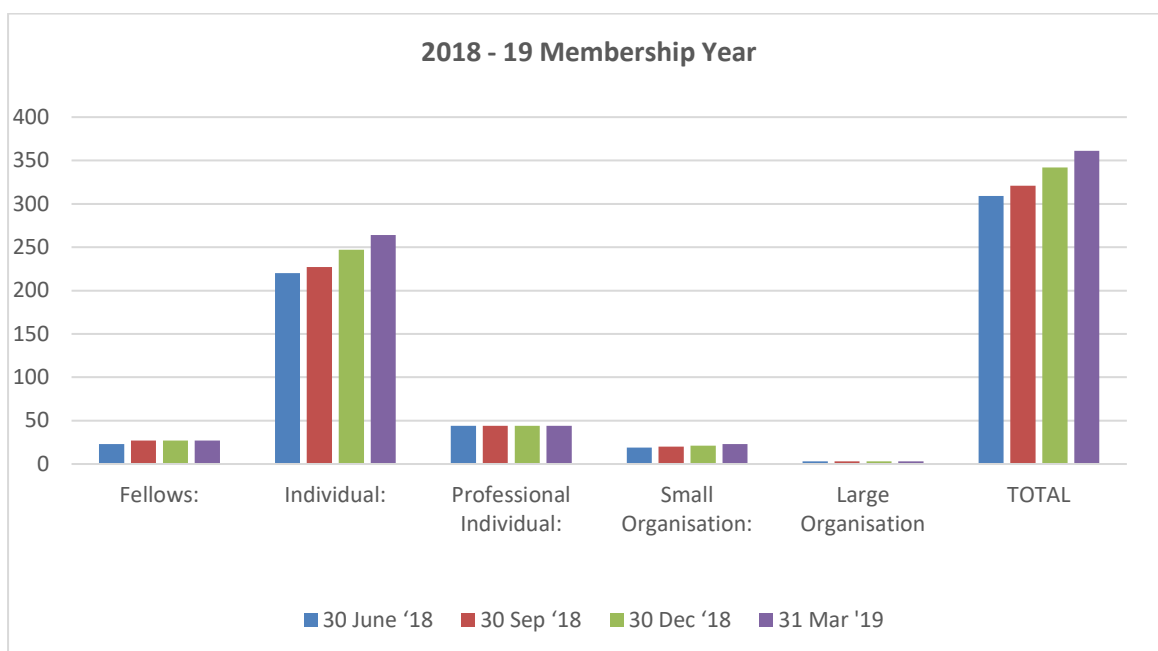
2017 – 18 Membership Year

	30 June '17	30 Sep '17	31 Dec '17	31 Mar '18
Fellows:	22	23	23	23
Individual:	210	220	226	247
Individual Plus:	50	50	52	53
Small Organisation:	21	21	23	24
Large Organisation:	3	3	3	3
Total Membership:	306	317	327	350
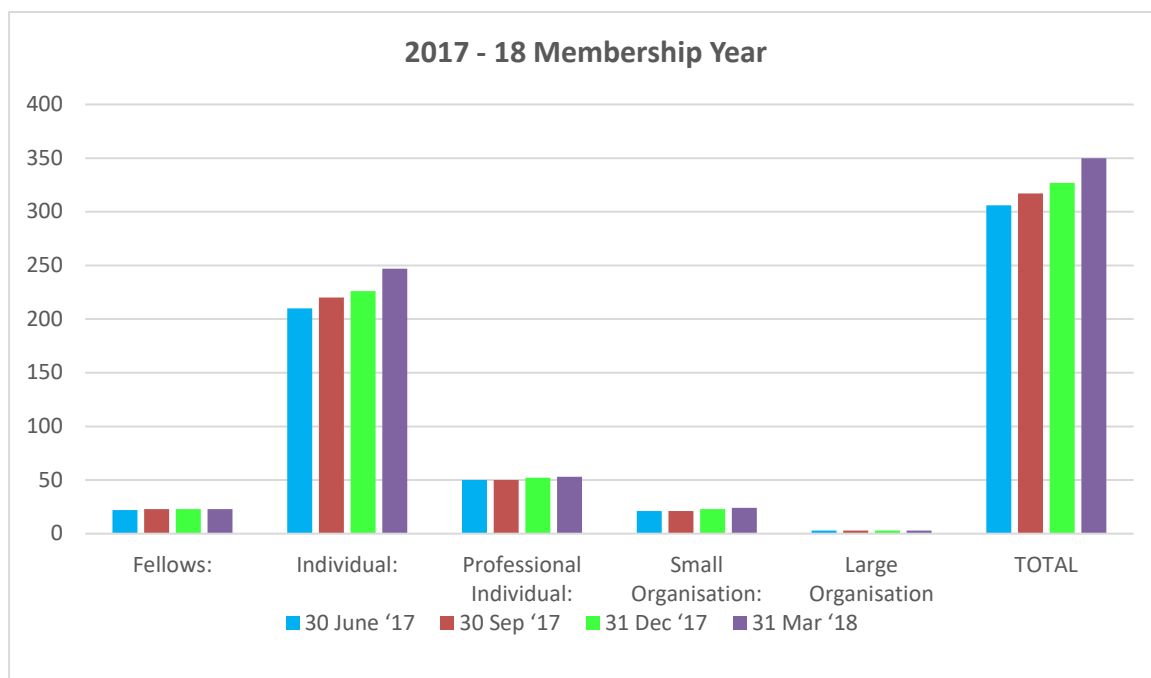
Recommendation:
THAT the new members be noted.

InternetNZ

E-votes Ratification

Author:	Diane Robinson

There have been three e-votes conducted since the last Council Meeting:

Evote:	Motion:	For:	Against:	Abstain:
19032019	**Community Projects & Conference Attendance Grant Recommendations:** THAT University of Waikato – WAND Network Research Group be awarded $20,000.00 from the Community Projects funding round. THAT Digital Inclusion Alliance Aotearoa be awarded $21,000.00 from the Community Projects funding round. THAT Hutt City Libraries be awarded $6,720.00 from the Community Projects funding round. THAT Blind Foundation be awarded $30,000.00 from the Community Projects funding round. THAT Te Ora Hou Wellington East be awarded $10,000.00 from the Community Projects funding round. THAT Te Aka Toiu Trust be awarded $30,000.00 from Community Projects funding round. THAT Digits be awarded $8,970.00 from the Community Projects funding round.	Jamie Baddeley Joy Liddicoat David Moskovitz Sarah Lee Richard Hulse Don Stokes Kelly Buehler Keith Davidson		

	THAT Greater Christchurch Schools' Network be awarded $20,000.00 from the Community Projects funding round.			
	THAT Ten Forward Technology Lounge be awarded $5,000.00 from the Community Projects funding round.			
	THAT Leon Salter from Massey University be awarded $1,549.52 from the Conference Attendance funding round.			
	THAT Philippa McKeown-Green from International Association of Music Libraries NZ be awarded $937.00 from the Conference Attendance funding round.			
	THAT Cameron Findlay be awarded $3,375.00 from the Conference Attendance funding round.			
	THAT Dr Farkhondeh Hassandoust be awarded $3,500.00 from the Conference Attendance funding round.			
	THAT Dr Grace Wang from AUT be awarded $3,092.00 from the Conference Attendance funding round.			
	THAT Zoë Haughton from Blind Foundation be awarded $3,500.00 from the Conference Attendance funding round.			
	THAT Mark Frater from ISPANZ be awarded $3,500.00 from the			

	Conference Attendance funding round. THAT Dr Ethan Plaut from University of Auckland be awarded $3,500.00 from the Conference Attendance funding round. THAT Dr Elizabeth Berryman from University of Otago be awarded $3,500.00 from the Conference Attendance funding round.			
04022019	THAT Council adopt the draft Council operating policy on Council Travel to ICANN, to come into effect on 1 March 2019	Jamie Baddeley Richard Hulse Richard Wood Joy Liddicoat Dave Moskovitz Kate Pearce Keith Davidson Kelly Buehler Don Stokes		
09042019	THAT the Audit & Risk Committee recommends to Council to receive and approve for signing the Crowe Horwath Letter of Engagement for the Financial year 2018-19.	Jamie Baddeley Joy Liddicoat Dave Moskovitz Sarah Lee Richard Hulse Don Stokes Kelly Buehler Keith Davidson		
15042019	THAT Council act under the Interim Policy provisions of the .nz Policy Development Process to amend and add to section 11 of the .nz Operations and Procedures Policy as set out above in this paper. THAT Council ask staff to work with the Domain Name Commission to further develop how any use of the power created in the Operations and Procedures Policy be notified to InternetNZ and to the public, how its temporary nature will operate in practice, and to report the agreed approach to	Kate Pearce Keith Davidson Richard Hulse Kelly Buehler Jamie Baddeley Sarah Lee Joy Liddicoat Dave Moskovitz Richard Wood Don Stokes		

	Council and the public as soon as practicable but, in any event, no later than the May 2019 Council meeting.			

Recommendation: THAT the e-votes be ratified.

Activity Report: January-March 2019

Introduction

Welcome to this Activity Report for the period from 1 January to 31 March 2019. This narrative report gives readers a sense of what InternetNZ has been working on, and priorities for the first quarter of the new business year.

This Report (January-March 2019)

Across the Organisation – Jordan Carter, Group CEO

In this final quarter of the 2019/20 business year, our internal focus was on doing the work to plan for 2019/20. With the new strategic framework in place and guiding our work, our team built our first ever work plan together, across the whole group.

This exciting work included establishing five key goals for 2019/20, which are shared in the Annual Plan. The version of this sent to Council for consideration in March is available [here](). These are ambitious goals that will stretch us, and help us as an organisation focus on the things that matter most to helping New Zealanders harness the power of the Internet.

From next quarter, our reporting framework will change - rather than summarising activity within each function as this report does, we will be explaining how the work we do is contributing to our key goals. This should make the report more useful and helps make sure we put our effort into areas that will make the most difference.

In the final two weeks of the business year, we were shocked and horrified by the Christchurch mosques terrorist attacks. The livestreaming of video from the attacks was a new use of Internet technologies, and has left us and many others questioning how we balance the good of Internet services with the real harm that they can cause.

Work on this will be a feature of the year ahead. The answer cannot be, I don't think, "business as usual". Our vision of an Internet that is open, secure, and for *all* New Zealanders will be more important than ever as the debate unfolds.

I close this report with thanks to our staff team across the group for an excellent year's work - the forthcoming annual report will share highlights.

Jordan Carter

Organisational Services Catherine Fenwick - Director	Status:	

The last quarter for the year was busy for the team with a number of major work activities including

- Business Planning - where we involved the organisation as a whole in the process of defining the Projects that will support the agreed goals. This process included a number of workshops with SLT and managers reviewing the priority of the work and agreeing measures for 2019/20. This process is ongoing as we review Q1 projects at present to ensure re can resource effectively and that the outcomes are clear and measurable.

- Also over this period we completed a bottom up Budget for 2019/20 with inputs from the agreed projects, capacity requirements and tools/environment to ensure we have a budget to support the new strategy. There was a key focus on revenue in order to protect investment in community good projects - we worked on a balance of what is achievable within these resources.The projects for 2019/20 are challenging but the whole team is confident we can achieve these within budget.

- As year approached the Finance team put in place a detailed plan to achieve the year end close timetable including internal reporting, external audit and preparation of the annual accounts.

- The Organisation Services team were also very active in supporting the organisation in areas such as:
  - Training - the focus during the quarter was supporting the staff and upskilling in areas such as Feedback skills, Manager Leadership skills, SLT Team building.

  - Health & Safety - focus on updating Policy and the review of gaps in training for staff e.g. Bullying and Harassment Training, EAP onsite update on services. Available.

  - Recruitment - supporting the organisation with new hires from job descriptions to interview support as required.

  - Planning and supporting of
    - Council meetings in February and March 2019.
    - DNCL Board meeting
    - Audit and Risk committee meetings
    - .nz Policy Committee meetings

Technology Services Dave Baker - Director	Status:	

For the last quarter of the year the main activity for the team has been working on the Ubuntu upgrade project. This project involves updating all our servers and all our applications to run on the latest long term support (LTS) version of Ubuntu. The LTS is an enterprise grade' release of Ubuntu and is released every 2 years. The majority of our production and test systems including the SRS have been updated. The key remaining systems that are currently being worked on are the DNS and Registrar Portal. It is expected that they will be completed over April and May.

Other activities that the team have been working on include:

- In progress - New DNS anycast site
- Completed - Technical Strategy Plan
- Completed - Business planning 2019/2020
- Completed - Threat assessment
- Completed - Testing new internal certificate authority
- In progress - Registrar portal new features - release due in the next quarter.
- Completed - .nz Dashboard (waiting resources to deploy)
- Completed SRS Backup review
- In progress - Registrar portal updates

Outreach and Engagement Andrew Cushen - Director	Status:	

Deliverables of note in the past quarter have included:

- Finalising brand work with DNA, and commissioning assets to support a rollout during Q1 2019. This is a comprehensive revamp of the look and feel of the organisation, encompassing the new strategy and the combining of focuses across .nz, InternetNZ and the Domain Name Commission.

- Implementing the changes made to the Community Funding programme, across all major funding instruments - Grant Making, Partnerships and Sponsorships. This is a comprehensive review and change of approach to align these with the new strategy and with the new annual plan of the organisation. These are now in the process of being finalised and rolled out during Q1 2019.

- We have started developing the approach to NetHui 2019, intended to be held in Wellington in early October 2019. The theme for the year is likely to be

related to Openness - openness of infrastructure, standards, governance and uses and how that contributes to and creates an Internet for everyone.

- Released and undertook engagement on the Colmar Brunton **public perceptions survey** results. The new approach combined the previous Commercial-focused research of consumer and business perceptions of .nz with the previous old-InternetNZ research into public attitudes and perceptions on Internet issues. This resulted in a significant amount of media engagement across all major channels.

- Revamping **community funding** has been a major deliverable in the last quarter, and is ongoing. The Community team are preparing a suite of papers summarising research, advice and future directions to increase the efficiency and strategic linkages of grant making to the rest of InternetNZ's work. These are on track for rollout in 2019/20.

Other relevant highlights:

- Commencing the process of developing a new web platform, common across the organisation.
- Review and consolidation of social media channels, aligned with and to leverage the new strategy.
- Execution of our support for the NZNOG conference in Napier, and preparation for the .nz conference in May.
- Managing a wide range of public responses to the terrible events in Christchurch and the implications for the Internet.
- Continued development of a new Māori engagement plan.

Policy Ellen Strickland - Director	Status:	

Some of the key activity for the quarter for the Policy team included:

A key focus on these months was the **comprehensive .nz Policy review,** including the appointment of the Chair, Sue Chetwin, Chief Executive of Consumer New Zealand, as well as planning and preparation for recruiting the panel in the coming quarter. We also brought on a new team member, a Policy specialist, to lead this work, Kate Townsend.

A large focus for this quarter was work in response to the **Copyright Act Review Issues Paper** released by the government last year. Attending workshops, meeting with other stakeholders, analysis, member engagement and submission drafting were all undertaken in this busy quarter, for an early April submission deadline. The next step expected is an Options Paper from government, hopefully late in 2019.

The Policy Director attended **ICANN 64**, supporting Councillor attendance and engaging on issues related to .nz policy.

In March we had a planned some publications of work and events around issues related to Internet **Platforms**, including fake news, election influence, and privacy. However this work was merged into work responding to the role of the Internet in the the 15 March **Christchurch Mosque terrorist attacks,** which has raised broader questions of social media and potentially Internet regulation domestically and internationally. Work continues in this area for the next quarter, including stakeholder and member engagement.

Work related to **.nz policy and the aftermath of the Christchurch Mosque terrorist attacks** also took a sharp focus at the end of this quarter. The team worked closely with the Domain Name Commission Limited in issues analysis and policy review, and led Interim Policy options work with the .nz policy committee of Council and the broader team.

This quarter also included a good deal of work by the team on engaging in organisation-wide **planning and budget work for the 2019-20** year, as well as some financial year-end wrap up.

Technical Research Sebastian Castro - Chief Scientist	Status:	█

The fourth quarter brought more team changes, and a lot of progress to our work.

There was a strong focus on **DNS Flag day**, as the set date of February 1 2019 was quickly approaching. A hard push by the whole organization lead by our Chief Scientist produced that a high number of .nz domains affected were corrected. We presented our work at NZNOG and at that time, only 500 domains were still not fixed. A number of high profile domains were corrected thanks to our intervention.

A fair amount of effort went on **Domain Abuse Detection**, in collaboration with DNCL. The first problem we are tackling is detection of fake web shops, and the results are great. In two different rounds we produced highly accurate models detecting around a thousand different fake web shops. We are currently working on making this effort regular and automated, to inform better DNCL.

Our Summer of Tech Intern improving the framework we call RAP (Registry Augmentation Platform). Two of three scan modes are completed, code is compliant with Tech Services comments and specifications, and we are really close to a deployment for real life testing. We are creating a Data Engineer role to keep the talented Asher within InternetNZ.

We completed a round of show-and-tell presentations, showcasing InternetNZ staff some of the team's skills. The presentations have covered Good Data Visualization

Principles, How an Statistician could steal your wallet and Teaching the Computer to Read. We are planning more rounds of these and other topics for next year.

Our Internet Researcher gave birth to a healthy baby girl during February and we recruited a talented PhD in Physics to cover during her absence.

With DNCL we worked in providing some general facts about the school.nz namespace for a blog post and infographic.

As everyone else in the organization, the fourth quarter included strategy and business planning for the 2019/2020 financial year. Here we put the skills and vision of the Research team available towards the strategic goals of InternetNZ.

Commercial David Morrison - Director	Status:	

Core focus areas for the fourth quarter have been focused on progressing activity on a number of fronts:

- **Product Development.**
    - o DNS Firewall. Effort has focused on further validation of the potential service offering with key and some secondary target markets. What we have learnt has flowed through to draft business case development.
    - o We have continued to progress thinking with a new Broadband Map service, a map service for GIS teams targeting territorial authorities. We are preparing to develop a prototype of the service next quarter in partnership with council.

- **Peak Domain Analytics**: In this quarter we analysed progress from the closed beta trials and are considering next steps for the product and associated systems. Decisions are due next quarter.

- **The broadband map** redesign has been progressing well. Effort this quarter has focused on finalising the design and testing it with a range of key stakeholders. Excellent support and feedback has been received. Plans for the rebuild are underway and commencement is expected in May 2019.

- **.nz activity** has focused on
    - o Preparations continued for the 2019 .nz annual conference for registrars and their resellers. This will be held in Auckland on 2nd and 3rd May 2019.
    - o our Channel Manager, Tracy Johnson, represented .nz at NamesCon in January
    - o Early stage planning for marketing activity. Key dependencies are completion of the brand work and budget approval.

Staffing Catherine Fenwick - Organisational Services Director	Status:	

Organisational Services
- We recruited an Assistant accountant to the Finance team this quarter, Vikash Naidu joined the team in February.

Technology Services
- We are currently recruiting for a Systems Administrator to fill the vacancy left by Daniel Griggs departure and for a Junior Systems Administrator to increase the capacity of the team.

Technical Research
- We recruited our Summer of Tech Intern to work as a Data Engineer in a permanent role, to increase the capacity of the team.

Policy
- We farewelled Emma McDonald, who has been working as a contractor on the .nz policy review. A new team member, Kate Townsend, will take over this work from next quarter, in a fixed term contract with a focus on the review.

Outreach & Engagement
- We welcome Vanisa Dhiru who has accepted a permanent role as Community Manager.

This is an InternetNZ report. Matters related to DNCL are covered in the report from the company to InternetNZ as shareholder, or in the joint .nz report.

Key priorities for the next quarter (Q1)

Across the org'n	• Implementing the first quarter's plan for 2019/20 • Christchurch response
Org Services	• Completion of year end Financial activities including audit and accounts • Preparation for AGM in July • Recruitment support of new capacity hires across the organisations. • Office refit - scope definition and selection of designers/project managers • Staff Training - Health and Safety and Business processes. • Project support - Agreement framework and reporting • Completion of Performance development plans and support for new plans for 2019/20 including Team Charter. • Risk review and register update
Tech Services	• Risk Matrix • Ubuntu 18 upgrade completion • .nz Dashboard to go live • NZRS CA replacement - 3 month roll out to registrars. • SRS PGP KEy rollover - 3 month roll out to registrars. • New DNS anycast site completion • Registrar portal updates • Broadband Map redesign • Initial planning for EPP frontend replacement. • Centralised logging
Outreach	• Rollout of the new brand across InternetNZ, .nz, DNC • Development of the first phase of new web platform • Developing NetHui 2019 • Approach and engagement of Internet Community to the implications for the Internet following the Christchurch attacks. • Ongoing implementation of the new funding instruments.
Policy	• .nz Policy review advisory panel being recruited and work started • Digital Divides planning work around expected release by Government of Digital Inclusion Blueprint • Submission on Copyright Act review issues paper • Work on 'Platforms and the Internet' continues including work on Openness Goal and submission to Justice Select Committee on Foreign Election Interference • Position work related to implications for the Internet following the Christchurch Mosque terrorist attacks.

Tech Research	- Make the namespace scanner tool, which is now called Registry. Augmentation Platform (RAP for short) a fully production tool to feed with data other projects. - Regularly test new registrations for potential Fake Web Shops based on existing predictive model. Define and implement a fully automated workflow to achieve the same. - Define the desired future state of the Hadoop data platform to evaluate alternatives accordingly. - Kick off the Domain Sophistication Index work.
Commercial	- Commence the build of a refreshed Broadband Map - Seek Business Case approval, plan and start on the DNS Firewall build - Develop a prototype for a new service from the Broadband Map - Continue to develop ideas in the innovation pipeline

Jordan Carter
Group Chief Executive

30 April 2019

.nz Quarterly Report - Fourth Quarter ended 31 March 2019

Introduction

This is the fourth .nz Quarterly Report for the 2018/19 financial year, prepared jointly by InternetNZ and DNCL. There is nothing in this report that is confidential.

This report is presented in an updated layout to make it easier to read. Feedback on this format is welcomed.

Overview of the Quarter

This quarter has seen a decline in total registered domain names due to a number of factors:

1. Some larger registrars are consolidating their retail brands of .nz registrars and this has impacted focus on sales efforts. Additionally, this process identified a few thousand orphaned domain names that have been subsequently cancelled. We are also aware of further consolidation in the .nz market for 2019 as some legacy registrars signal their exit from domain names.

2. DNS Flag Day triggered a systemic investigation in regards to two Registrars who were over-represented with domain names that appeared to have been registered using invalid details. Follow-ups in relation to 1459 domain names with these Registrars led to a number of domain name suspensions.

3. Cancellation of domain names as an outcome from enquiries, approximately 499 for the total to end of year to date although there are a further 230 domain names currently being processed via the data validation process.

Promotion and Marketing

A key focus for this past quarter has been preparation for annual .nz conference for registrars and resellers being held in May 2019. Inline with previous years this event will live streamed to our .nz community to allow remote participation.

Marketing activity by InternetNZ continues to be on hold while we refresh the .nz brand as part of a wider InternetNZ group brand refresh.

Effort this past quarter has focused on budgeting and planning significant marketing activity for 2019/2020 financial year to stimulate sustainable growth in .nz domains.

DNS Flag elicited a DNC/InternetNZ joint programme of work to communicate with registrars, hosting parties and registrants that would be affected by the DNS software changes occurring globally. This was extremely successful, significantly reducing the numbers of impacted domains and registrants.

The Domain Name Commission promotional activities carried in this quarter included:

- Celebration of Data privacy day on 28 January and sharing of the joint factsheet between DNCL and the Office of the Privacy Commissioner on being privacy conscious with domains and
- Social media campaign on twitter promoting the anniversary of the individual registrant privacy option

Channel

Our channel engagement with our registrars has continued as part of our ongoing engagement with the community. Some key themes are worth some further commentary:

Market Consolidation: registrar acquisition activity locally and globally continues, and this year has had some direct impacts on .nz results:

- A reduction of sales focus with some key registrars as they focus on brand consolidations.

- Exit of some legacy providers and registrar platforms has identified domain names that no longer had paying customers. Cancellation of these names has affected growth figures for the year. Some positive impacts from these changes will be a zone of .nz names that we anticipate will have a higher

proportion of use, longer renewal periods and a set of more engaged registrars in the .nz market.

Policy

Policy Review Progress

A key focus on these months was the comprehensive .nz Policy review, including the appointment of the Chair, Sue Chetwin, Chief Executive of Consumer New Zealand. The focus will be on recruiting the panel in the coming quarter. We also brought on a new team member, a Policy specialist, to lead this work. Ongoing triage of .nz policy issues continues during the review, to address any issues while the full review is in progress.

Christchurch Terrorist Attack Response

There was some work related to .nz policy in the aftermath of the Christchurch Mosque terrorist attacks at the end of this quarter. The team worked closely with the Domain Name Commission Limited in issues analysis and policy review, and led Interim Policy options work with the .nz policy committee of Council and the broader team.

Registry and Technology

The main focus over this quarter has been upgrading the software and servers for the SRS and Registrar Portal to run on the latest version of the Ubuntu operating system.

In January we replaced the SRS XML client applications that were written in Perl with a new version written in Python. This is a simple command line interface to the NZ Shared Registry System. For more information see https://docs.internetnz.nz/srs/sxc/

In March we started a three month process to update the PGP keys the registry uses to sign SRS XML responses. The changes have been made in a registrar test environment and notice has been given to registrars of the change to the production system in 3 months time on the 18th June.

Compliance and Enquiries

DNS Flag Day triggered a systemic investigation in regards to two Registrars who were over-represented with domain names that appeared to have been registered

using invalid details. Follow-ups in relation to 1459 domain names with these Registrars led to a number of domain name suspensions.

A significant amount of work was undertaken by DNCL staff in March in response to the Christchurch terrorism attacks. This included following a temporary process related to new domain name registrations and performing daily checks of domain name registrations.

The Contact Centre has been operational now for nearly a year. The first few months of the year are usually quieter for the DNC's contact centre. Despite this, the contact centre has received over 160 enquiries to date in 2019. This includes 47 phone calls.

2018-19 Enquiries
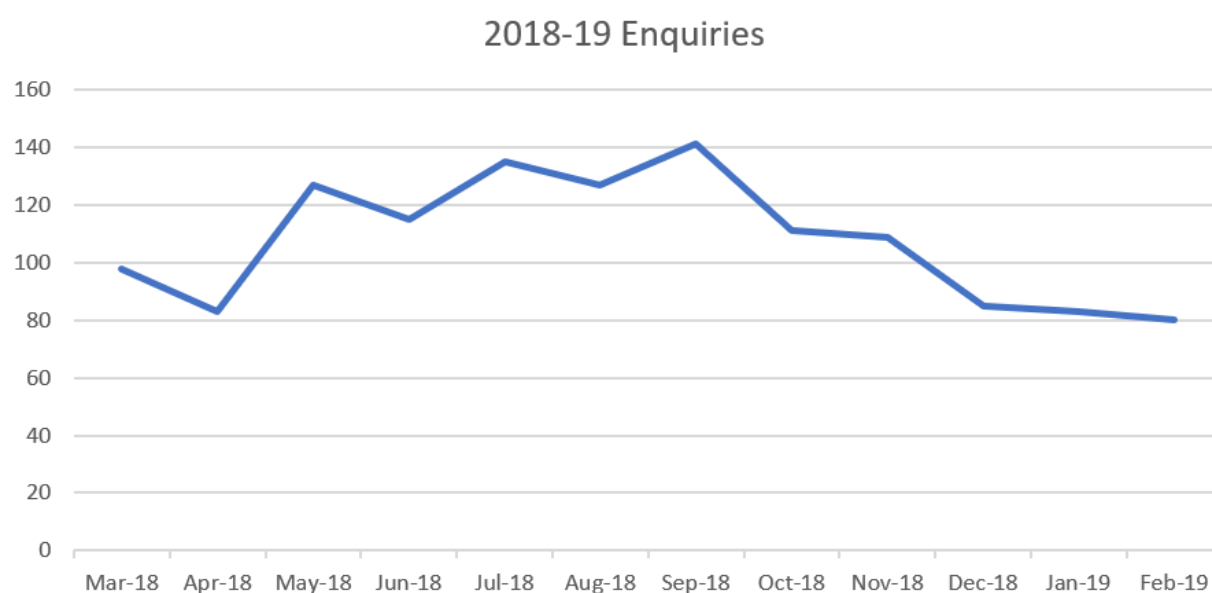
Annex: Key Statistics

Registrar Market

Registrars authorised   92
Registrars connected   87

*Number connected during the quarter: 0*
Number authorised during the quarter: 1
Number de-authorised during the quarter: 1

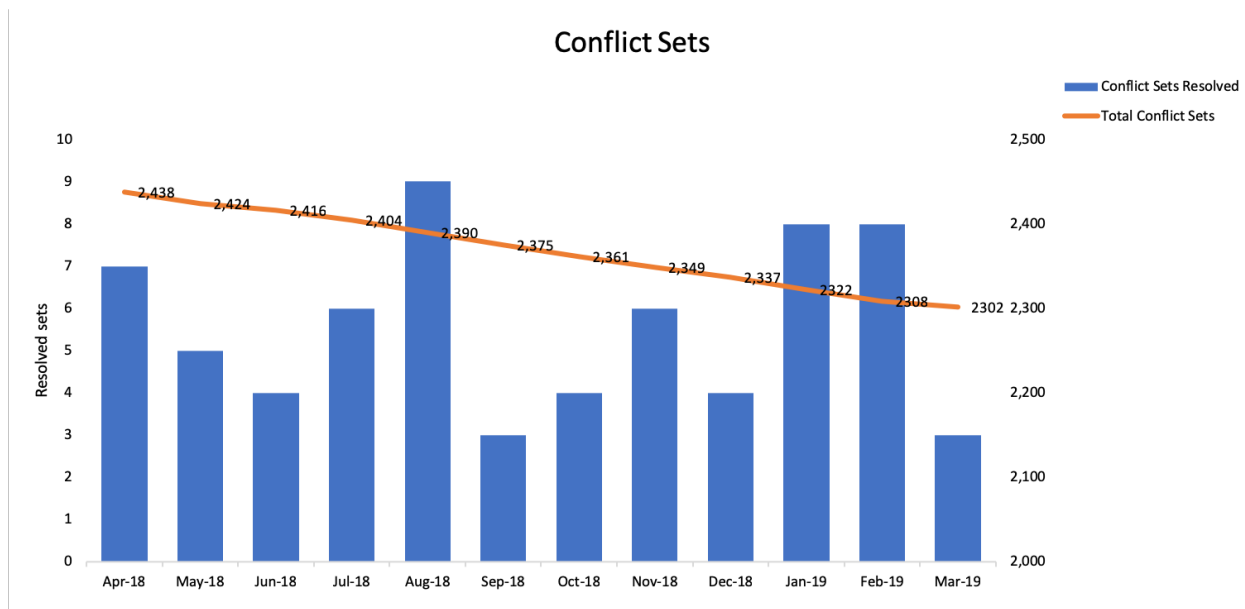*The total number of registrars where registrars under the same ownership have been linked together is 59.*

The Domain Name Commission authorised 1 new Registrars in Quarter ended 31 March 2019 to participate in the .nz domain name market. They were Domain Central Australia Pty Ltd.
The following chart shows the spread of registrars across the level of domain name registrations:
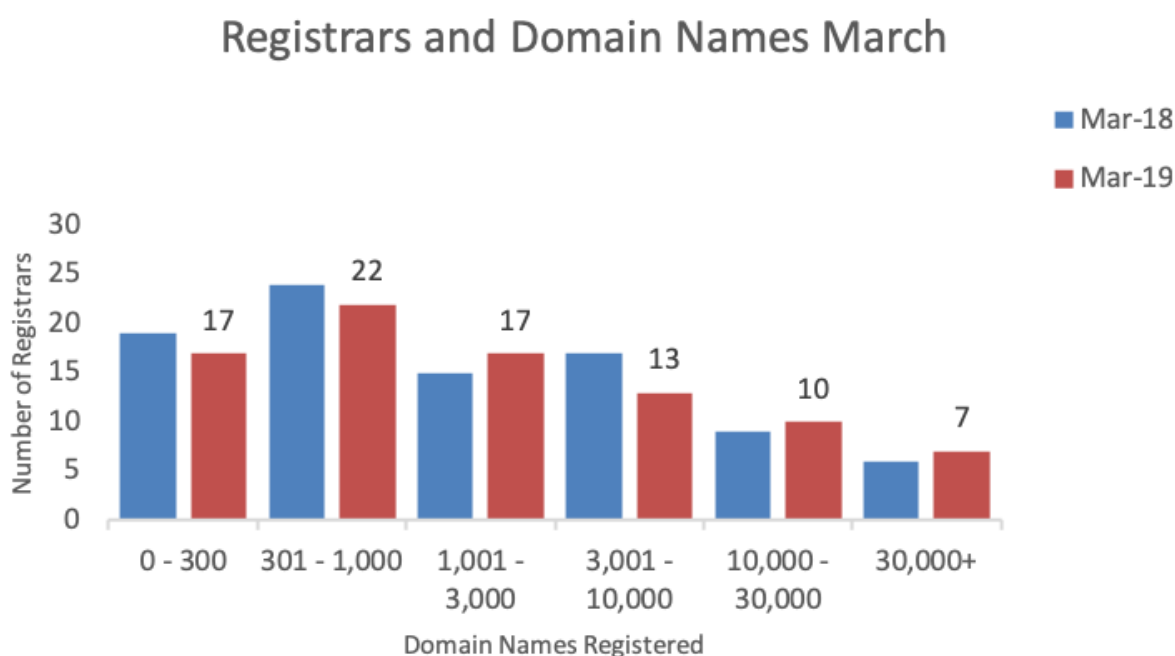

Registration at the Second Level

14 conflict sets were resolved in the last quarter. The number of conflict sets declines over time (conflicts cease to exist when all names in the conflict are released). The following chart shows the progress in reducing conflict sets:

Conflict Sets

The total number of domains in the conflict sets at 31 March is 5,206.

Authorised Registrars

The following chart shows the number of registrars (including the DNC) connected to the SRS:
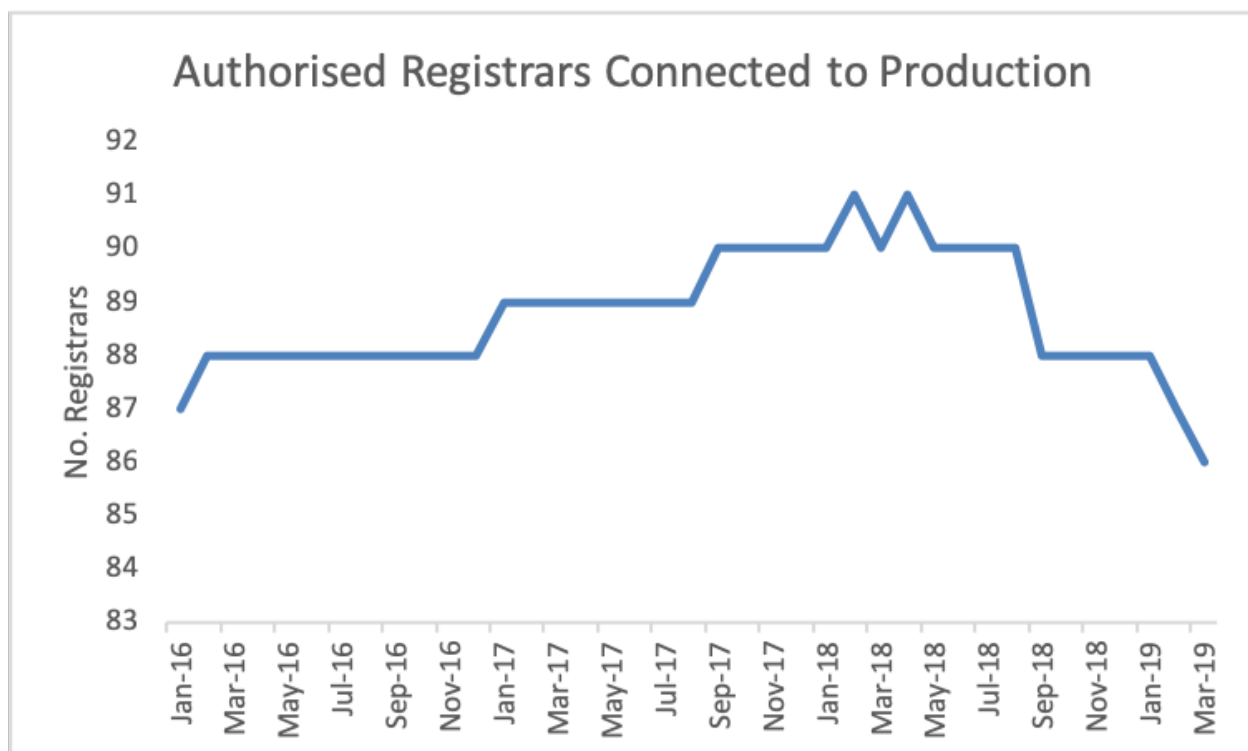
Registry Performance

In the new operating structure, there is no Service Level Agreement between InternetNZ and DNCL. The same targets as provided for in the SLA are now Service Level Expectations and will be reported publicly on the same basis as previously. SLE targets for the DNS, SRS and WHOIS were met throughout this quarter:

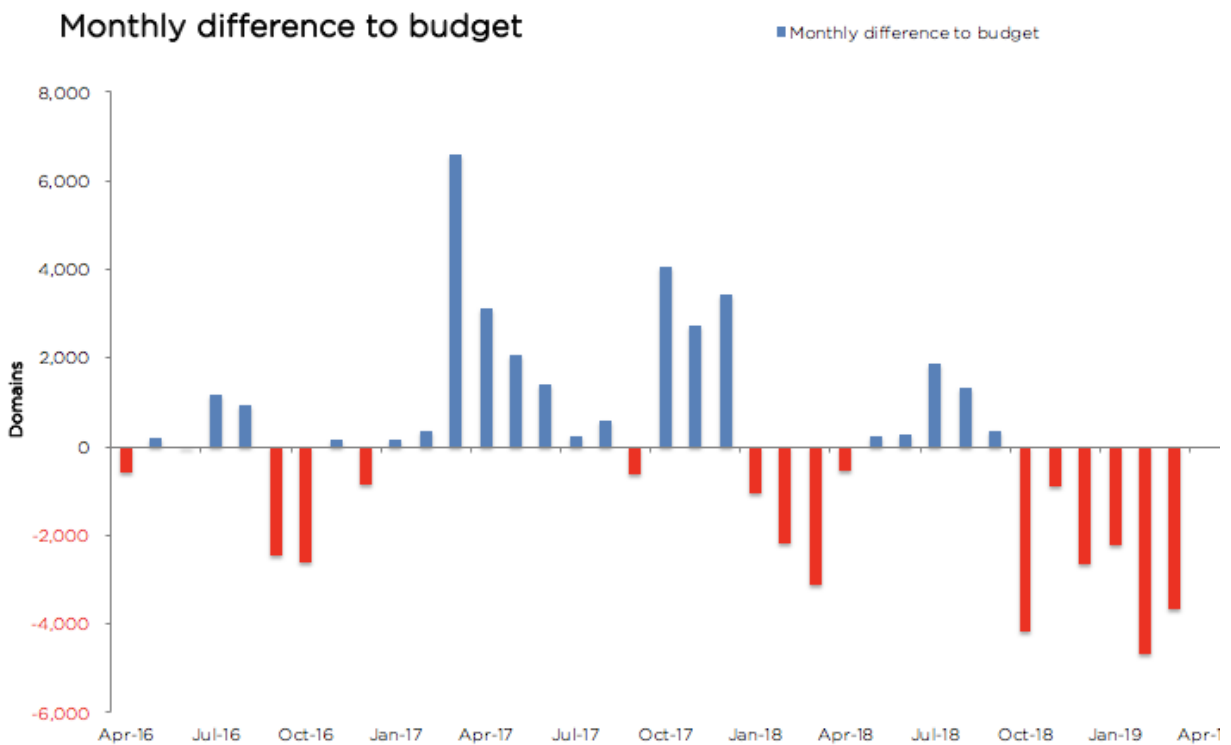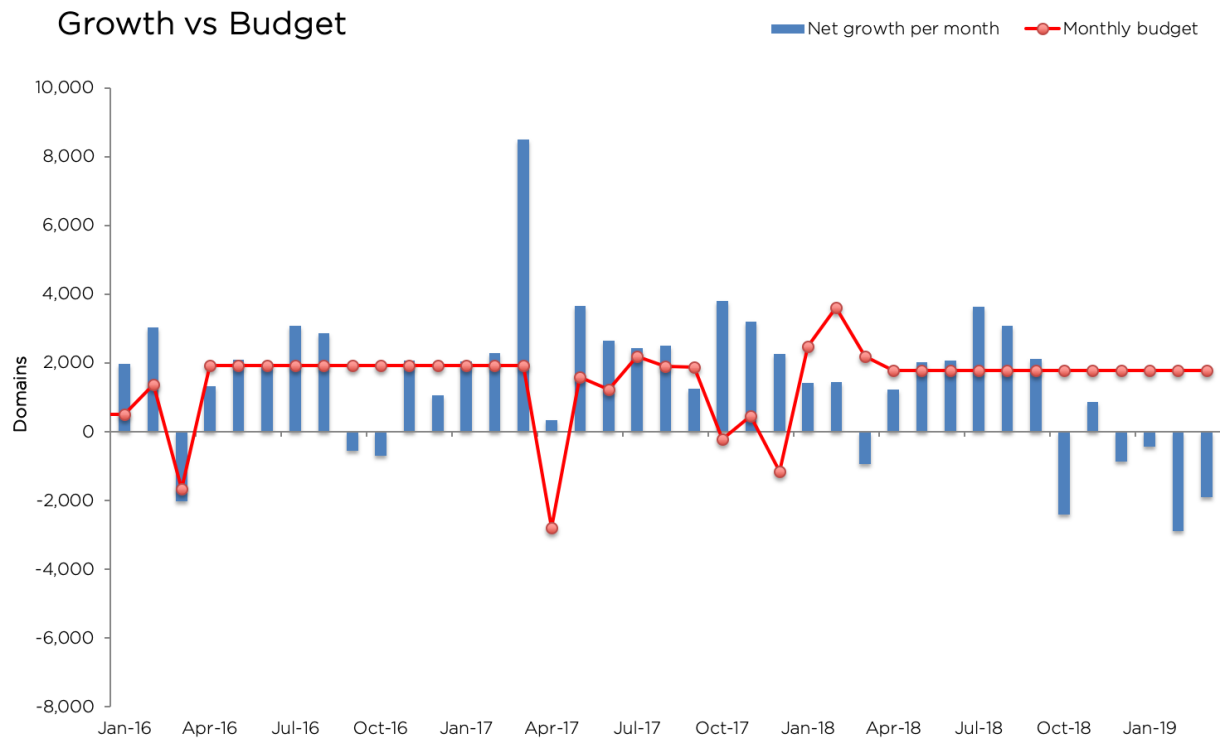| System	SLE %	Jan	Feb	Mar
SRS	99.9	100	100	100
DNS	99.9	100	100	100
WHOIS	99.9	100	100	100

Register Size

The size of the register against InternetNZ budgeted growth is shown in the chart below:
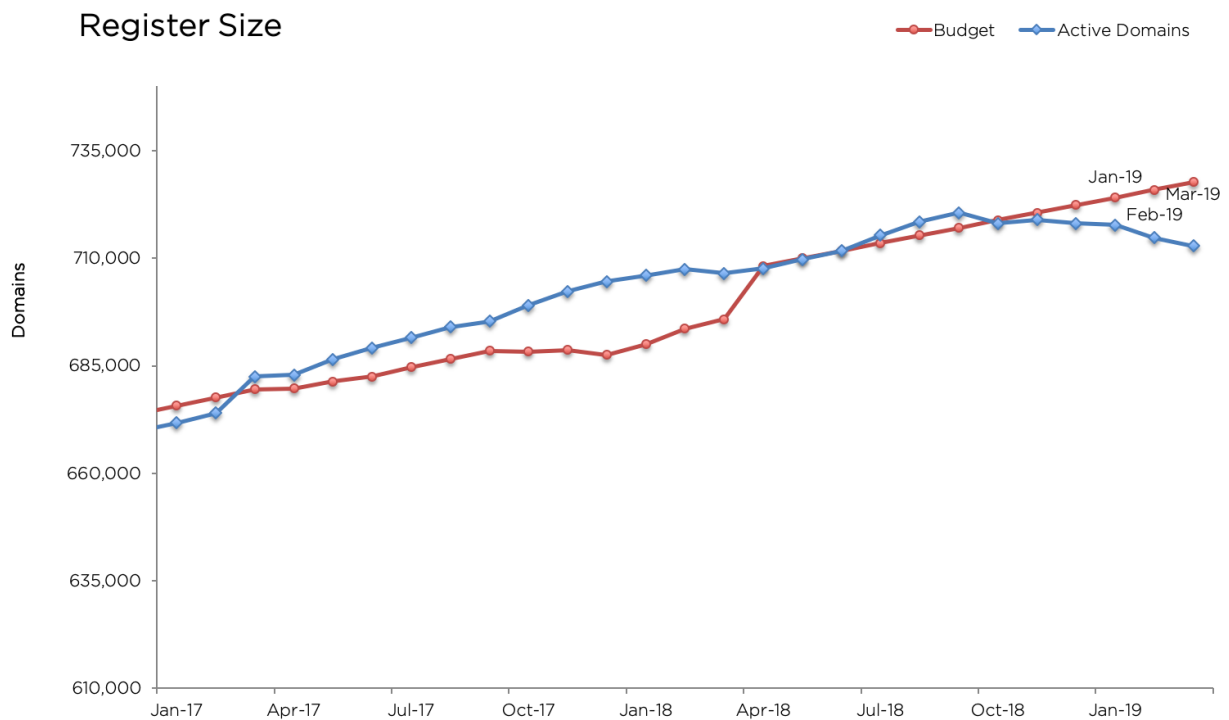
Growth vs Budget

The actual growth against InternetNZ budgeted growth is shown in the chart below:

Average Domain Name Term

The average registration/renewal term is shown in the chart below:
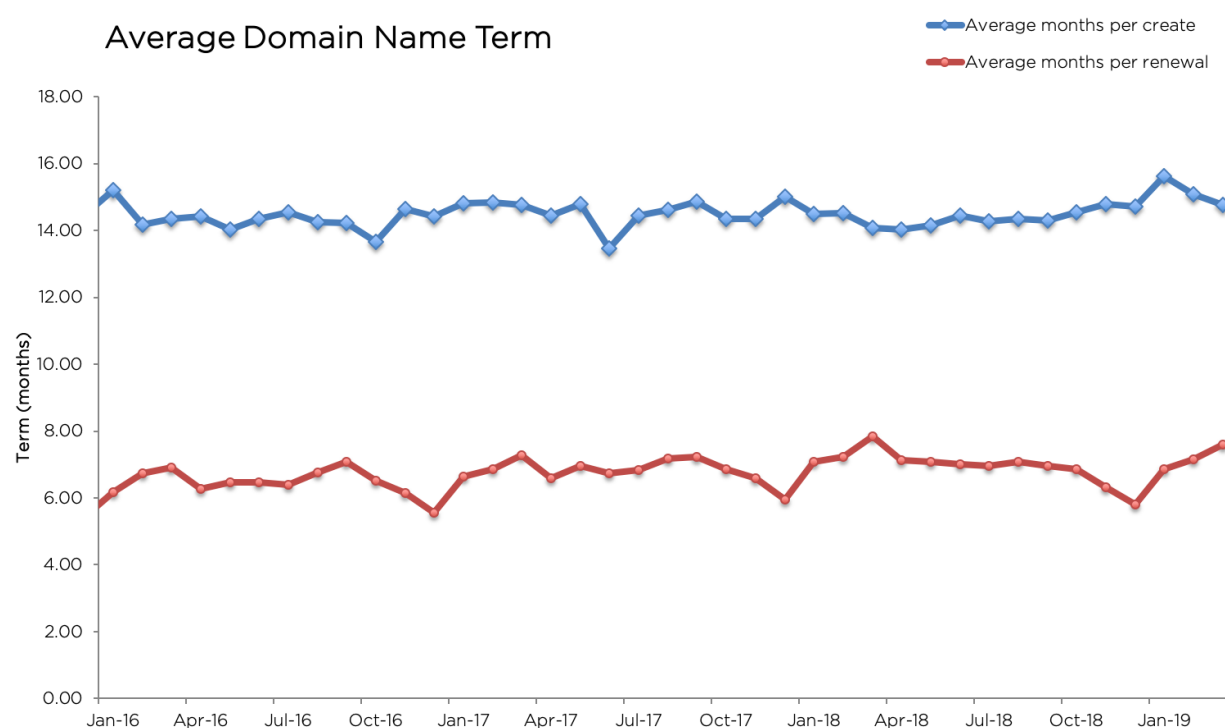
.nz data

The breakdown of domain name growth by second level is noted in the table below. The .co.nz and .nz second levels are growing and the remainder of the second levels are either static or in decline:

	Jan	Fwb	Mar
.co.nz	514,298	512,362	511,024
.nz	139,125	138,527	138,263
.org.nz	27,386	27,280	27,221

.net.nz	22,409	22,229	22,038
Domain Total	717,704	714,795	712,894

(Note: Only the second levels that have above 10,000 names are shown and the total number of domains)

A high-level comparison of .nz, ccTLD and gTLD figures is shown in the table below:

		TLDs	Domains(est)	Growth Median (1Y)
.nz	-	-	712,894	0.9%
ccTLDs	Africa	58	3.4M	6.1%
	Americas	53	14.0M	2.9%
	Asia	98	65.7M	1.9%
	Europe	57	71.7M	2.3%
gTLDs		1,234	193.3M	5.3%
.kiwi	-	-	14,830	-25.0%

Notes:
ccTLD and gTLD stats to Jan 2019 data and sourced from CENTR stats: https://stats.centr.org/tldstats#market
.kiwi stats to Mar 2019 and sourced from APTLD stats
,nz stats to Mar 2019

Report finalised: April 2019

Joint .nz Strategy Transformations

Primary Transformation

From	To
.nz operates as a successful ccTLD held in high regard domestically and internationally.	InternetNZ is widely recognised as a successful ccTLD manager and .nz is held in high regard domestically and Internationally.

Underlying Transformations

	Transformations	
	From	**To**
1.1	Global benchmarks or best practice regarding what a world-class ccTLD is are varied and partly documented.	There are agreed global benchmarks and best practice for what a world-class ccTLD is, and .nz excels in assessments against these standards.
1.2	.nz is the default choice for New Zealanders.	.nz remains the preferred choice for New Zealanders in a highly competitive market.
1.3	The market for .nz registration services (among registrars and resellers) is competitive.	The market for .nz registration services (among registrars and resellers) is sophisticated and competitive.
1.4	Roles and responsibilities in managing .nz are being clarified.	Roles and responsibilities in managing .nz are clear, well documented and transparent.
1.5	The .nz policy framework has evolved from its origins in 2002.	The .nz policy framework has been reviewed and updated for current needs, and is validated as meeting the needs of the New Zealand Internet community.
1.6	Inconsistency in the articulation of the role, purpose and mandate for the operation of .nz across the Group – resulting in a lack of clarity among stakeholders.	The whole Group is confident in consistently articulating our role and purpose, and the mandate for our operation of .nz – resulting in the wider Internet community being clear about and supportive of our role.
1.7	InternetNZ has limited knowledge of the purchasing behaviour of registrants.	InternetNZ has good knowledge of the full sales channel including resellers and influencers, and the purchasing behaviours of registrants.
1.8	.nz is not a widely known brand.	.nz is a well recognised brand.

![InternetNZ logo]

Product Development Update

Author: David Morrison, Commercial Director

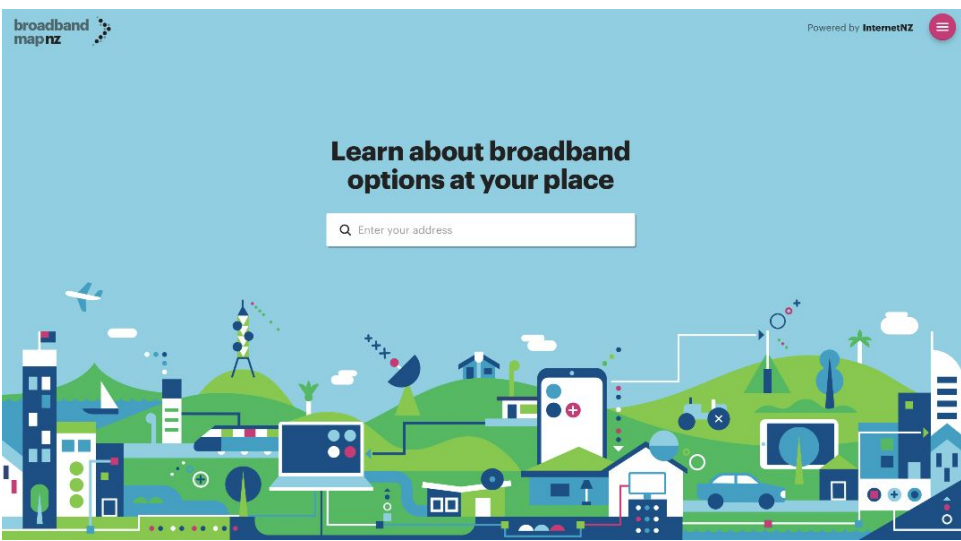**Purpose:**   To provide Council with an update on Product Development activity

Introduction

This paper is designed to provide Council with high level awareness of our product development activity. The items covered are those that have developed sufficiently for us to share and discuss.

We anticipate providing this paper as a quarterly update to be published just after the conclusion of each quarter.

Product Development

DNS Firewall - new service	The DNS Firewall service offering has now been approved following review by the Senior Leadership Team, CEO and Council. A project will now commence to determine timeframes to bring this service to life in New Zealand with concurrent work streams covering ● Infrastructure (build, test, launch) ● Operations (Support, Processes, Finance) ● Marketing (Creative, Content, Campaigns) ● Sales (Lead generation, Customer acquisition)
National Broadband Map	In May we commenced the rebuild of the national broadband map as part of a wider roadmap to appeal to a wider range of stakeholders, provide improved user experience, performance improvements and lay the foundations for improvement to our commercial API offering. We are running this as an internal agile (scrum) project as part of a wider programme of work to deliver work in a different way. We expect the initial work to take 3-4 months before we go live with the new design.

Part of the new home page design

Broadband Map - new service	In addition to the current commercial API service delivered by the broadband map we are exploring the possibility of offering a commercial map layer service. This service would enable customer GIS teams to import regularly updated map layers of broadband technologies into their own systems and explore broadband technologies alongside a myriad of other datasets. We see territorial authorities as potential key customers and have engaged in an experiment with a district council to explore the user needs (GIS teams) and develop a prototype service to test with different potential customer segments. From this work we will develop and test business model options.

Jordan Carter
Chair, Board of Directors
Domain Name Commission Ltd
PO Box 11881
Wellington

10 May 2019

Jamie Baddeley
President
InternetNZ
PO Box 11881
Wellington

Dear Jamie

Fourth Quarter 2018/19 Report

This report includes DNCL's unaudited quarterly Profit and Loss Statement.

DNCL's major activities are contained in the joint .nz report and are no longer repeated here.

Strategic

The DNCL Board Strategic Plan will be published on the DNCL website in the coming weeks.

Deloitte has produced DNCL's compliance strategy and assisted with the development of DNCL's compliance work program. The draft strategy was presented to .nz authorised Registrars at the annual .nz conference. The initial reaction to the strategy and compliance work program has been overwhelmingly positive.

DNCL is currently recruiting for a Project Manager/Business Analyst to assist with the implementation of the DNCL's compliance program and the recommendations from the David Pickens' independent review of the Domain Name Commission. Public submissions on the draft independent review are open until 6 June 2019.

After the completion of the consultation on the independent review, DNCL will launch its consultation on dispute resolution as a service which will be open for stakeholder consultation between June and August 2019.

Financial

As at the quarter ending 31 March 2019 the year to date (YTD) unaudited accounts report a deficit result of $484,827 against a budgeted deficit of $126,371.

This outcome reflects a variance overspend of $358,456, which is primarily attributable to US ligation, which is now reported under Professional Services for the Annual Financial Statements.

Income and Expenditure Variances

Income:

Income was under by $9,316 for the quarter. Within that, the DRS revenue was down from a budget of $8k to $0k, this is offset against the DRS costs also being down by the equivalent amount. No new .nz authorised registrar applications in the quarter contributed to $3k of reduced income compared to budget. YTD income was under budget by $3,547.

Expenditure:

Areas over budget for the quarter were Communications, Compliance, International, Personnel, Professional Services and Projects. Projects and Compliance were offset by underspend in other parts of the business, Communications, and International finished the year under. Professional Services now includes the comprehensive costs (US litigation) which has an accumulated overspend of $306,736. The litigation costs remain within the agreed DNCL Board litigation budget.

YTD expenditure (excluding the litigation costs) are largely under budget with the exception of personnel and staffing costs that are over by $110,434. There are a number of reasons for this including:

- as a result of the organisational review restructure,
- changes to staff benefits across the InternetNZ group
- redundancy costs within DNCL and
- further changes in DNCL staffing levels (currently 3 FTE in DNCL pending recruitment for two new roles).

	Jan - Mar 2019				Year-to-Date			
	Q4 Act ($)	Q4 Bud ($)	Q4 Var ($)	Q4 Var (%)	YTD Act ($)	YTD Bud ($)	YTD Var ($)	YTD Var (%)
INCOME								
5050 · Authorisation Fees	0	3,000	(3,000)	0%	3,000	6,000	(3,000)	-50%
5080 · DRS Complaint Fees	0	8,000	(8,000)	-100%	26,000	34,000	(8,000)	-24%
5100 · Management Fees	330,000	330,000	0	0%	1,320,000	1,320,000	0	0%
7010 · Interest Income	9,034	7,600	1,434	19%	18,203	11,000	7,203	65%
1540 · Sundry Income	250	0	250	0%	250	0	250	0%
Total Income	**339,284**	**348,600**	**-9,316**	**-3%**	**1,367,453**	**1,371,000**	**(3,547)**	**0%**
EXPENDITURE								
DNCL Board	7,578	8,664	(1,086)	-13%	33,888	40,430	(6,542)	-16%
Communications	3,060	1,390	1,670	120%	21,391	21,530	(139)	-1%
Compliance	59,000	2,701	56,299	2084%	59,000	12,340	46,660	378%
Dispute Resolution Services	33,936	41,405	(7,469)	-18%	76,031	98,520	(22,490)	-23%
Registrars	1,812	3,373	(1,561)	-46%	8,833	18,480	(9,647)	-52%
International	76,932	34,200	42,732	125%	157,976	204,770	(46,794)	-23%
Office and Administration	67,365	73,975	(6,610)	-9%	272,520	290,680	(18,160)	-6%
Personnel and Staff	207,100	132,311	74,789	57%	650,615	540,181	110,434	20%
Professional Services	81,660	15,132	66,528	440%	481,576	174,840	(306,736)	175%
Projects	22,200	2,500	19,700	100%	71,349	50,000	21,349	43%
Total Expenditure	**560,643**	**315,651**	**244,992**	**78%**	**1,833,179**	**1,451,771**	**381,408**	**26%**
Depreciation	2,721	12,000	(9,279)	-77%	19,101	45,600	(26,499)	-58%
Net Profit/Loss	**-224,081**	**20,949**	**245,030**	**1170%**	**($484,827)**	**($126,371)**	**($358,456)**	**284%**

Promotion of .nz, Compliance activities and International Outreach

Please see content in the joint .nz report.

Conflicted Names Process

As at 31 March 2019 the total outstanding conflicted domain name sets yet to be resolved are 2303.

Yours sincerely

Jordan Carter
Chair, DNCL

InternetNZ

Financial statements

For the quarter ended 31 March 2019

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Commentary to the accounts

This report has been prepared to provide preliminary accounts for the final quarter of the 2018-19 financial reporting year for Internet New Zealand Incorporated. Audited financials will be made available once Crowe Horwath have completed their audit.

For the quarter ending 31 March 2019, the accounts report a deficit result of ($205,699) against a budgeted deficit of ($68,522). The downturn in the results can be attributed to the decline in the number of active domain names renewed during the quarter, down to 712,894 from 718,143 at the end of the last quarter. A correction in the markets this quarter saw significant gains made in investing activities, though this gain was largely offset by a lower than budgeted capitalisation of salaries, with more focus directed to operational activities, year-end accruals to capture employment costs relevant to this financial year and a ramp up in funding rounds to finalise the annual funding allocations.

Year to date, the InternetNZ accounts report a **surplus** of **$602,097** against a budgeted surplus of **$336,377**.

The results in these accounts are reported against the Budget approved by Council on the 24th August 2018.

Income and expenditure variances for the quarter
Income:

Operating Income is under compared to budget by ($134,931) (4.6%). Within that, .nz Registry revenue was ($131,093) (4.6%) under budget.

Other income recorded a gain of $230,593, up 194.7% from Investing activities against a budgeted expectation of $118,446.
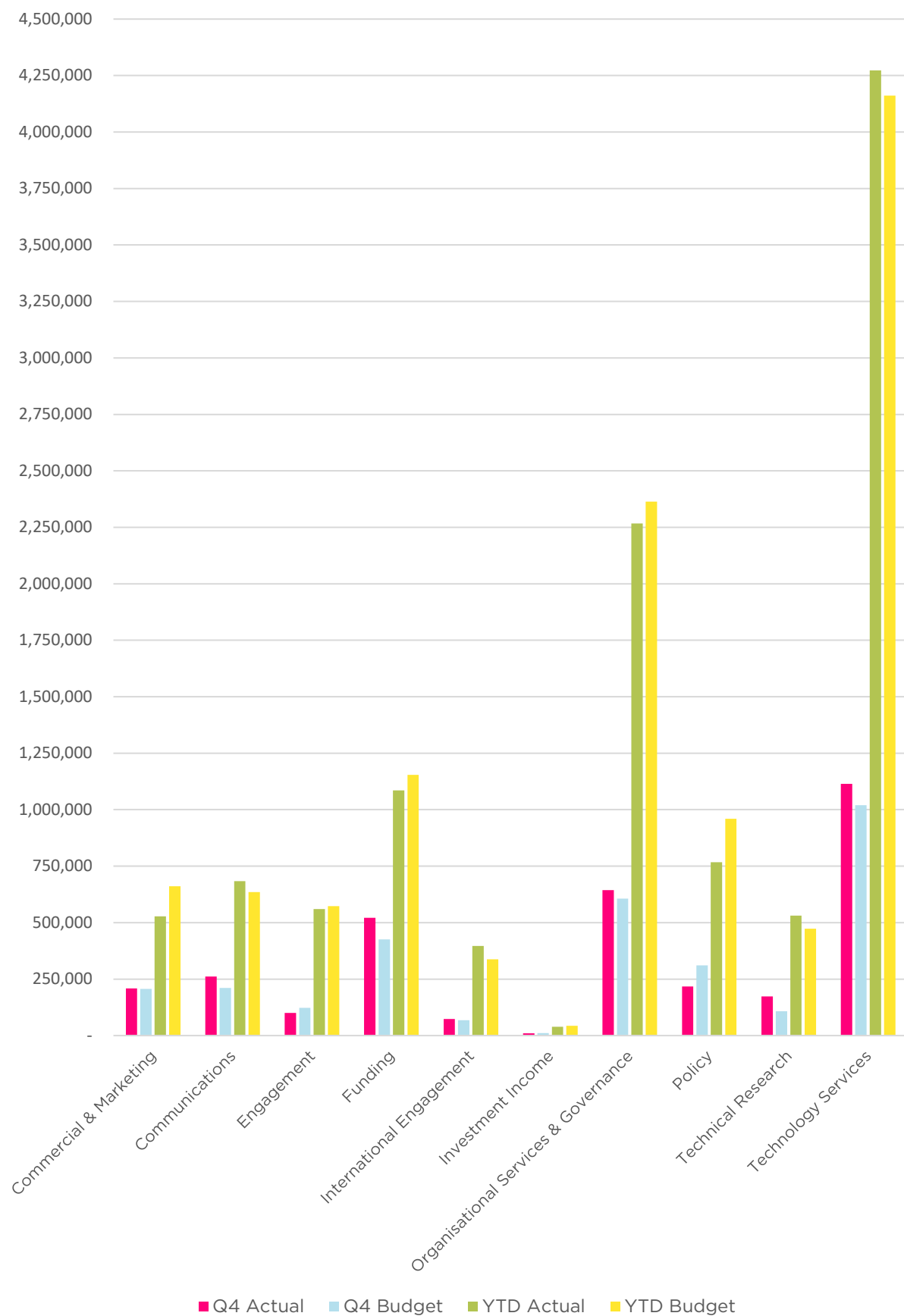
Expenditure:

Areas of difference are:

- **Remuneration** costs were considerably higher against expectation, at $280,047 variance or 26.3% up. There were a number of factors influencing this result, including a lower than expected salary capitalisation rate, as focus turned increasingly to operational activity in the lead up to year end. Additional accruals with respect to KPI bonuses, staff insurances and Kiwisaver, along with adjustments made at 31 March 2019 for year-end employment costs falling outside the payroll cycle also contributed to this result. There were also higher than expected training costs around Bullying & Harassment and Feedback training to support Professional Development.

- **International Engagement** and **Governance,** collectively, reports an overspend of $25,242, or 16.3% up against budget, caused by an increase in head count in attendance at the ICANN convention, held in Kobe, Japan.

- **Community engagement** was underspent by ($14,777) (32.8%), largely caused by an underspend of ($10,100) against budget for Maori Engagement.

- **Community funding** came in at $96,494 overspend, this largely made up for the underspend against budget in the prior quarter. Overall, the annual accounts report an underspend of ($51,867) against the total annual funding budget of $895,000. A component of this amount has been tagged for the 'Follow Up Fund' – a retainer of some of the grant monies in reserve to help fund any follow up activity that arises from projects funded.

- **Commercial/Marketing** reported an underspend of ($22,969) (19.5%) against budget. There was underspend of the $10,000 on sponsorships during the quarter, and $4,949 under in Merchandising and $5,140 under on Promotions.

- **Policy and Internet issues** closed this quarter with an overall underspend of ($90,223) (49.6%) against the Policy Q4 budget. Within this, .nz Policy was underspent by ($36,474) (75.6%), Access provision was underspent by ($28,587) (74.7%), Creative provision was underspent by ($11,434) (55.0%), and Trust provision was underspent by ($3,832) (63.9%). A General Issues provision of $29,901 allowed for in the budget was underspent by half.

- **Amortisation and Depreciation** increased $13,388 or 7.3% compared with budget. This was the result of Deloitte readjusting Internet New Zealand's amortisation and depreciation method, from Diminishing Value to Straight Line, in response to a change in our internal Accounting Policy.

Internet New Zealand Incorporated
Income Statement
For the 3 months ended 31 March 2019

Account	Q4 Actual ($)	Q4 Budget ($)	Q4 Var ($)	YTD Actual ($)	YTD Budget ($)	YTD Var ($)
Revenue						
.NZ	2,702,714	2,833,807	(131,093)	10,798,490	10,768,000	30,490
Other Operational	5,822	2,200	3,622	41,988	34,500	7,488
Membership	4,272	9,969	(5,697)	8,360	15,004	(6,644)
Events	-	-	-	61,262	64,550	(3,288)
Recharge	55,197	57,711	(2,514)	227,754	230,844	(3,090)
Misc	750	-	750	8,071	-	8,071
Total Revenue	**2,768,756**	**2,903,687**	**(134,931)**	**11,145,927**	**11,112,898**	**33,029**
Cost of Sales						
Domain Name Commission F	330,000	330,000	-	1,320,000	1,320,000	-
Broadband Map	6,813	13,104	(6,292)	65,027	52,416	12,611
DNS Providers	20,521	26,268	(5,747)	99,500	105,072	(5,572)
DNS Other	7,713	8,451	(738)	30,817	33,804	(2,987)
ISP/Hosting/Networking	95,662	91,377	4,285	361,685	365,508	(3,823)
Other IT	6,759	34,623	(27,864)	100,156	129,492	(29,336)
Total Cost of Sales	**467,467**	**503,823**	**(36,356)**	**1,977,185**	**2,006,292**	**(29,107)**
Gross Profit	**$2,301,289**	**$2,399,864**	**($98,575)**	**$9,168,742**	**$9,106,606**	**$62,136**
Other Income						
Interest Income	141,272	105,336	35,936	397,481	384,000	13,481
Managed Funds Income	192,864	13,110	179,754	185,326	202,000	(16,674)
Realised FX	14,903	-	14,903	14,903	-	14,903
Total Other Income	**349,039**	**118,446**	**230,593**	**597,709**	**586,000**	**11,709**
Operating Expenses						
Employment	1,344,866	1,064,819	280,047	4,726,476	4,486,323	240,153
Commercial & Marketing	94,558	117,527	(22,969)	176,913	291,369	(114,456)
Communications	138,184	110,398	27,786	270,067	253,216	16,851
Engagement	30,325	45,102	(14,777)	242,123	225,083	17,040
Funding	470,726	374,232	96,494	893,449	945,316	(51,867)
Governance	123,102	104,487	18,615	322,758	306,106	16,652
International Engagement	56,622	49,995	6,627	331,514	264,736	66,778
Membership	2,202	3,334	(1,132)	27,391	27,500	(109)
Organisational Services	227,250	233,224	(5,974)	815,355	937,475	(122,120)
Policy	91,695	181,918	(90,223)	284,407	436,334	(151,927)
Tech Research	18,575	14,645	3,930	45,345	66,955	(21,610)
Tech Services	59,065	101,801	(42,736)	301,152	427,132	(125,980)
Amortisation & Depreciation	196,238	182,850	13,388	717,824	678,684	39,140
Total Operating Expenses	**2,853,407**	**2,584,332**	**269,075**	**9,154,773**	**9,346,229**	**(191,456)**
Financial						
Managed Funds Fees	2,619	2,500	119	9,581	10,000	(419)
Total Financial	**2,619**	**2,500**	**119**	**9,581**	**10,000**	**(419)**
Net Profit	**($205,699)**	**($68,522)**	**($137,177)**	**$602,097**	**$336,377**	**$265,720**

Internet New Zealand Incorprated
Expenditure by Activity

Legend: ■ Q4 Actual ■ Q4 Budget ■ YTD Actual ■ YTD Budget

Internet New Zealand Incorporated
Net Operating Profit: Monthly Actual v Budget (YTD)

174,992
12,936
53,468
158,959
266,717
197,572
(12,007)
55,153
205,766
217,985
(219,734)
(629,450)

Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar

Actual Budget

Internet New Zealand Incorporated
Balance Sheet
As at 31 March 2019

Assets	
Bank	
InternetNZ Working Capital Accounts	2,788,655
InternetNZ Savings Accounts	59,850
InternetNZ Term Deposits	12,163,196
Foreign Currency Accounts	246,288
Total Bank	**15,257,989**
Current Assets	
Trade Receivables & Prepayments	1,543,455
Other Current Assets	42,371
Managed Funds	3,062,825
Total Current Assets	**4,648,651**
Non-current Assets	
Assets at Cost	4,219,591
less Accumulated Depreciation	**(3,598,400)**
Intangible Assets	68,709
Shares in Domain Name Commission	580,000
Total Non-current Assets	**1,269,900**
Total Assets	**$21,176,540.20**

Liabilities	
Current Liabilities	
Trade & Other Payables	1,670,808
Deferred Income	8,504,692
Total Current Liabilities	**10,175,500**
Total Liabilities	**$10,175,499.78**

Net Assets	**$11,001,040.42**

Equity	
Current Year Earnings	602,097
Retained Earnings	10,398,944
Total Equity	**$11,001,040.42**

Internet New Zealand Incorporated
Bank Facility Balances per Month

Group financial statements

For the quarter ended 31 March 2019

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Commentary to the Accounts

This report has been prepared to provide preliminary accounts for the final quarter of the 2018-19 financial reporting year for the Internet New Zealand Group.

Crowe Horwath have been appointed to audit the year end results, with commencement date set on 13th May 2019.

The results published in these reports are subject to change during the audit process. Upon completion, audited results will be submitted along other Annual General Meeting documentation in preparation for the 2018 Annual General Meeting to be held on 25th July 2019.

Internet New Zealand Group
Consolidated Income Statement
For the Quarter Ended 31 March 2019

	Group		INZ		DNCL	
	Qtr	YTD	Qtr	YTD	Qtr	YTD
Income						
Registry Fees	2,702,714	10,798,490	2,702,714	10,798,490	-	-
Broadband Map	5,822	41,988	5,822	41,988	-	-
Management Fees	-	-	-	-	330,000	1,320,000
Interest Received	150,306	415,684	141,272	397,481	9,034	18,203
Managed Funds Income	192,864	185,326	192,864	185,326	-	-
Sundry Income	20,371	122,369	75,123	320,351	250	29,250
Total Income	**3,072,077**	**11,563,856**	**3,117,795**	**11,743,635**	**339,284**	**1,367,453**
Less Direct Expenses						
DNC Fee	-	-	330,000	1,320,000	-	-
.nz Costs	123,896	492,002	123,896	492,002	-	-
Other IT	13,571	165,183	13,571	165,183	-	-
Total Direct Expenses	**137,467**	**657,185**	**467,467**	**1,977,185**	**-**	**-**
Less Other Expenses						
Audit Costs	14,000	23,768	9,500	19,268	4,500	4,500
Dispute resolution service	33,936	76,031	-	-	33,936	76,031
Governance Costs	130,680	356,647	123,102	322,758	7,578	33,888
International Travel	83,001	394,374	46,744	315,470	36,257	78,904
International Membership	50,554	95,116	9,878	16,044	40,675	79,072
Community Investment	639,235	1,405,639	639,235	1,405,639	-	-
Compliance	59,000	59,000	-	-	59,000	59,000
Legal Fees	84,353	528,067	14,645	67,806	69,708	460,262
Office Costs	150,579	604,088	138,216	558,800	67,365	272,520
Project Costs	200,595	453,352	178,395	382,002	22,200	71,349
Employment Costs	1,551,966	5,377,091	1,344,866	4,726,476	207,100	650,615
Other Operating Expenses	366,489	1,416,229	351,444	1,350,090	15,045	66,139
Total Expenses	**3,364,388**	**10,789,402**	**2,856,026**	**9,164,354**	**563,364**	**1,852,280**
Net Profit (Loss) Before Tax	**(429,778)**	**117,270**	**(205,698)**	**602,097**	**(224,080)**	**(484,827)**
Less Provision for Tax	**-**	**-**	**-**	**-**	**-**	**-**
Net Profit (Loss) After Tax	**($429,778)**	**$117,270**	**($205,698)**	**$ 602,097**	**($224,080)**	**($484,827)**

Notes:

The income and expenditure lines for the individual entities
do not add to the Group totals due to the following intra-group entries being eliminated:

1. Group Shared Expenses paid by DNCL to INZ.
2. The DNCL fee paid by INZ to DNCL.

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Internet New Zealand Group
Consolidated Income Statement - Activity Based
For the Quarter Ended 31 March 2019

	Group		INZ		DNCL	
	Qtr	**YTD**	**Qtr**	**YTD**	**Qtr**	**YTD**
Income						
Registry Fees	2,702,714	10,798,490	2,702,714	10,798,490	-	-
Broadband Map	5,822	41,988	5,822	41,988	-	-
Management Fees	-	-	-	-	330,000	1,320,000
Interest Received	150,306	415,684	141,272	397,481	9,034	18,203
Managed Funds Income	192,864	185,326	192,864	185,326	-	-
Sundry Income	20,371	122,369	75,123	320,351	250	29,250
Total Income	**3,072,077**	**11,563,856**	**3,117,795**	**11,743,635**	**339,284**	**1,367,453**
Less Activity Expenditure						
Policy	217,328	767,921	217,328	767,921	-	-
Outreach & Engagement						
Funding	521,196	1,084,882	521,196	1,084,882	-	-
Communications	148,277	521,693	148,277	521,693	-	-
Engagement	100,119	560,470	100,119	560,470	-	-
.nz Operations	525,588	2,103,123	460,655	1,912,158	394,933	1,510,966
Commercial	208,316	528,149	208,316	528,149	-	-
Broadband	6,812	65,027	6,812	65,027	-	-
Projects	200,595	453,352	178,395	382,002	22,200	71,349
Technology Services	490,031	1,793,152	490,031	1,793,152	-	-
Technical Research	173,063	531,589	173,063	531,589	-	-
International Engagement	150,084	558,706	73,152	400,731	76,932	157,976
Organisational & Governance	494,964	1,662,666	539,668	1,836,909	10,299	52,989
Other Operating Expenses	265,480	815,856	206,480	756,856	59,000	59,000
Total Expenses	**3,501,855**	**11,446,586**	**3,323,494**	**11,141,539**	**563,364**	**1,852,280**
Net Profit (Loss) Before Tax	**($429,778)**	**$117,270**	**($205,699)**	**$602,097**	**($224,080)**	**($484,827)**
Less Provision for Tax	-	-	-	-	-	-
Net Profit (Loss) After Tax	**($429,778)**	**$117,270**	**($205,699)**	**$602,097**	**($224,080)**	**($484,827)**

Notes:

The income and expenditure lines for the individual entities
do not add to the Group totals due to the following intra-group entries being eliminated:
1. Group Shared Expenses paid by DNCL to INZ.
2. The DNCL fee paid by INZ to DNCL.

Internet New Zealand Group
Statement of Movements in Equity
For the Quarter Ended 31 March 2019

	Group		INZ		DNCL	
	Qtr	YTD	Qtr	YTD	Qtr	YTD
Equity at start of period						
Opening Retaned Earnings	11,389,440	10,842,391	11,206,739	10,398,944	182,701	443,447
Shares Subscribed	-	-	-	-	580,000	580,000
	11,389,440	**10,842,391**	**11,206,739**	**10,398,944**	**762,701**	**1,023,447**
Net Profit (Loss) After Tax	**(429,779)**	117,270	**(205,699)**	602,097	**(224,081)**	**(484,827)**
Equity at end of period	**$10,959,661**	**$10,959,661**	**$11,001,040**	**$11,001,040**	**$538,620**	**$538,620**

Notes:

The components that make up the total opening equity at the beginning of the period
have been removed to calculate Group Totals upon consolidation:

1. Share Subscribed: shares are wholly owned by InternetNZ.

Internet New Zealand Group
Balance Sheet
As at 31 March 2019

	Group	INZ	DNCL
Current Assets			
Cash and Cash Equivalents	16,072,306	15,257,989	814,317
Managed Funds	3,062,825	3,062,825	-
Other Current Assets	1,627,941	1,585,826	42,115
Total Current Assets	**20,763,071**	**19,906,640**	**856,431**
Property, plant and equipment	584,072	574,345	9,727
Intangible Assets	119,630	115,556	4,074
Investments	-	-	-
Shares and Loans	-	580,000	-
Total Assets	**21,466,773**	**21,176,541**	**870,232**
Less Liabilities:			
Deferred Income	8,504,692	8,504,692	-
Trade and Other Payables	2,002,421	1,670,808	331,612
Total Liabilities	**10,507,112**	**10,175,500**	**331,612**
Net Assets	**$10,959,661**	**$11,001,041**	**$ 538,620**
Represented By:			
Total Equity	**$10,959,661**	**$11,001,040**	**$ 538,620**

Notes:

The following items have been removed upon consolidation:
1. Shares in DNCL wholly owned by InternetNZ;
2. Share Subscription with respect to shares issued to InternetNZ by DNCL.

Internet New Zealand Group
Statements of Cashflows
For period ended 31 March 2019

	GROUP YTD	INZ YTD	DNCL YTD
Cash flows from Operating Activities			
Cash was provided from/(applied to):			
Receipts from customers	11,125,532	11,323,514	(197,982)
Interest received	421,848	403,395	18,453
Payments to suppliers and employees	(10,050,929)	(9,826,899)	(224,030)
Net GST received (paid)	(44,546)	(21,893)	(22,653)
Net Cash from (used in) operating activities	**1,451,905**	**1,878,117**	**(426,212)**
Cash flows from investing activities			
Cash was provided from/(applied to):			
Net proceeds from sale (purchase) of investments	(169,679)	(572,104)	402,425
Purchase of property, plant and equipment	(483,646)	(480,574)	(3,072)
Purchase of intangible assets	(43,963)	(43,963)	0
Net Cash Flows from (used in) Investing Activities	**(697,288)**	**(1,096,641)**	**399,353**
Net increase (decrease) in cash and cash equivalents	**$754,617**	**$781,476**	**($26,859)**

InternetNZ Monthly Cash Balance

Legend: OP. ACCS. — FC ACCS. — SAVINGS ACCS. — TERM DEPOSITS — MANAGED FUNDS

DNCL Monthly Cash Balances

Legend: OP. ACCS. — FC ACCS. — SAVINGS ACCS. — TERM DEPOSITS — LOC GUARANTEES
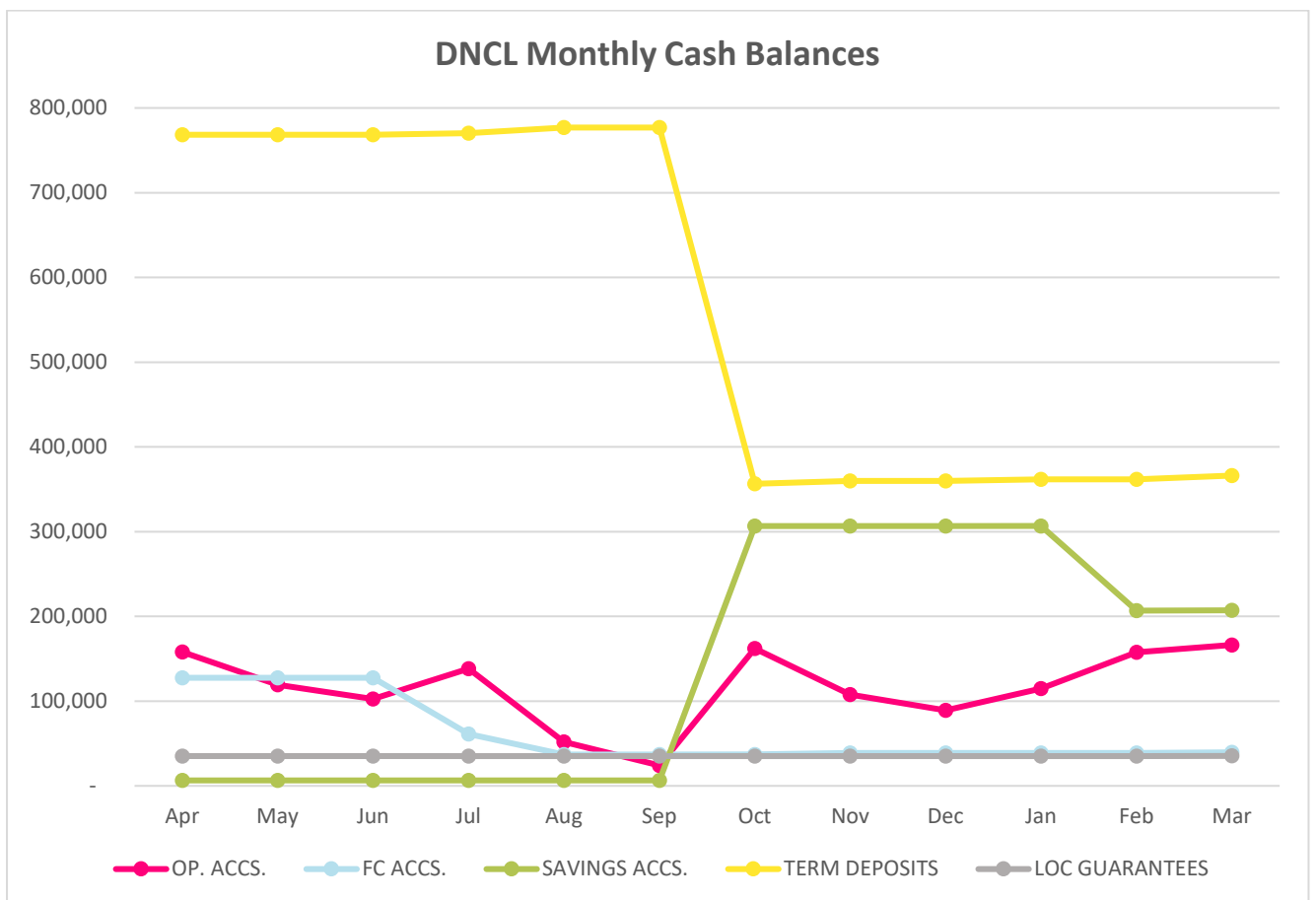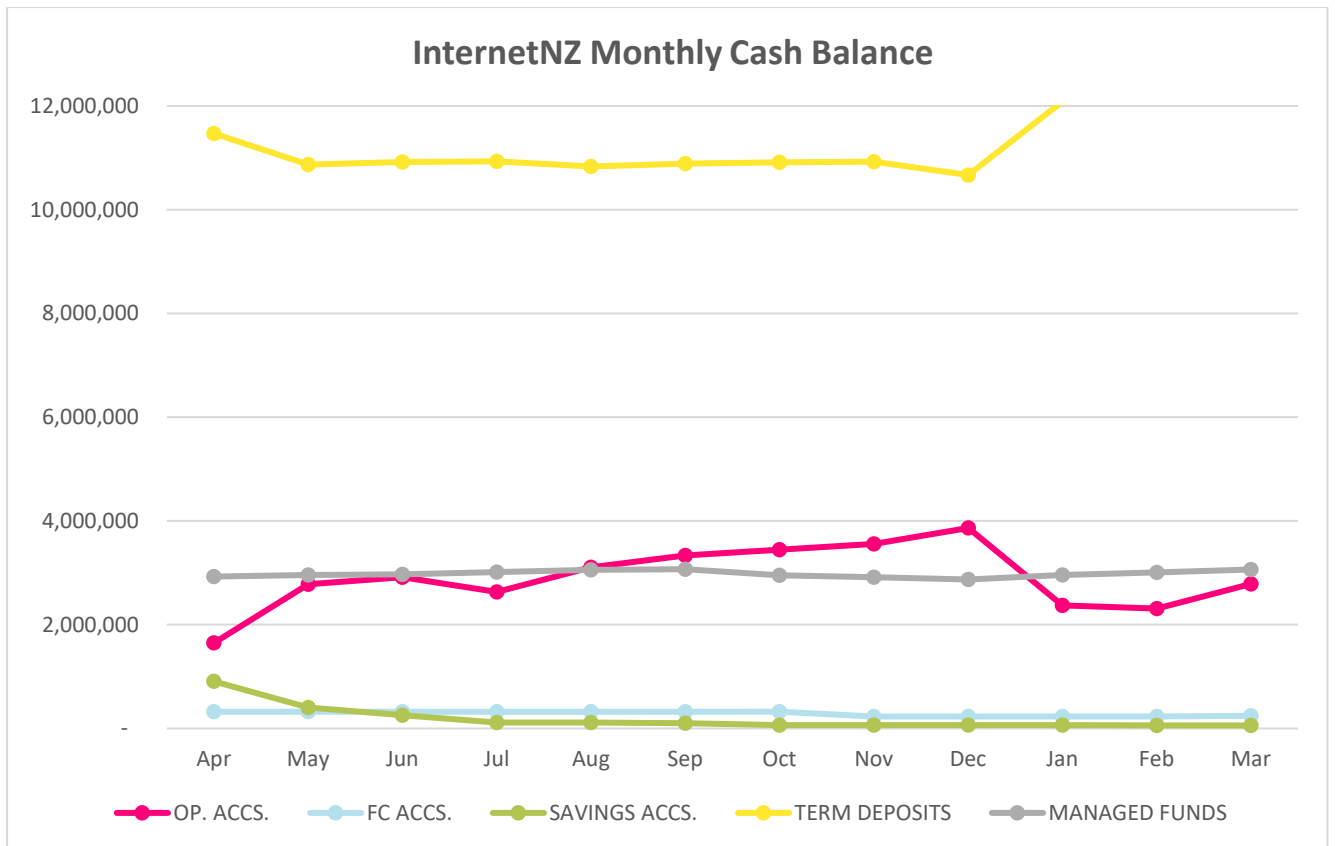
Agreed Upon Procedures Review

Internet New Zealand Incorporated

Final Report

Confidential

Prepared for: Internet New Zealand Incorporated

Prepared by: Paolo Caccioppoli, Principal – Audit & Assurance

Date: 16 January 2019

Audit | Tax | Advisory | Financial Advice

Contents

1 Executive Summary

1.1   Agreed Upon Procedures Review Findings

We have performed the agreed upon procedures set out in the Objectives and Review approach section at 1.2 below. The detailed descriptions of our tests and the results of our testing are provided in section 2.

The following are the key findings of our review:

Payroll systems:

1. NZRS staff payroll data was correctly transferred from ACE Payroll to Xero, although the pay-rate histories have not been transferred (Xero provides for a narrative record only of pay-rate changes).

2. We note that a spreadsheet calculation of leave balances is being maintained because of a lack of confidence in Xero to generate correct leave balances. This appears to be an unnecessary use of staff time. The lack of robustness of Xero in this area should be further investigated, particularly given there may be some other types of leave for which manual calculations are required.

3. Prior to the data transfer, we understand that consideration was given to determine the best fit solution with respect to an ERP system for the newly merged entity, but this was not documented, and it appears the decision to go with Xero was largely based on the existence of connective infrastructure that had already been established in NZRS - e.g. APIs with Registrar portals. It is not clear whether this consideration took account of whether Xero provides the appropriate capability for all of Internet NZ's payroll needs.

General ledger

4. The transfer of balances from Reckon to Xero has been correctly carried out.

5. The changes of bank account holder name from NZRS to Internet NZ were successfully completed.

General security and monitoring:

6. The online banking user access report is not reviewed on a regular basis. This records who can access the bank accounts and create, edit or authorise payments. Given the importance of ANZ as an approval gate for payments and Masterfile changes, there should be a regular review of user access capability.

7. Also, the payment limits set for some authorisers far exceeds their delegated authorities as set out in the Treasury Policy.

8. Email notification occurs when there is a change in supplier bank account numbers. The consequent checking of changes is not monitored, however. This creates a risk of unauthorised changes.

9. There is no formal process for reviewing manual journal entries. Manual journals are an area of particular focus for fraud prevention as they can be used to override system generated accounting data.

10. We note that manual journals are being entered into Xero on weekends by finance staff. A common feature of reported fraud is the posting of accounting entries outside normal business hours to avoid the scrutiny of other staff. It is likely that this practice has arisen because of the large number of

manual journals, around 60, needing to be being posted every month. This raises questions around whether the posting process is sufficiently automated, both to reduce the risk of error and to minimise staff processing time.

11. We noted some journals were voided with no explanation. There should be a written explanation recorded for all journal adjustments.

12. Xero does not produce standard audit trail reporting. This is an inherent weakness. It does, however, provide the capability to build customised audit trail reports. We recommend that reports detailing changes to staff and supplier Masterfile data (for example, new staff or suppliers and changes to bank account numbers) be constructed and generated and reviewed on a regular basis.

Supplementary payment testing:

13. From our sample of 90 payments, we found one exception: we were unable to obtain evidence of authorisation of the Domain Name Commission management fee charged by way of monthly direct debit. Given the fee is above $100,000, and changes each year, its payment should have required authorisation by two Council members, in accordance with the treasury policy. We note that there is no current associated service contract specifying the scope of management services provided.

1.2 Objectives and Review Approach

Objective of review

The objective of this assignment was to identify and report on:

- Accurate transfer of payroll systems;

- Accurate transfer of general ledger;

- Controls around general security and monitoring; and

- Unauthorised transactions.

Scope of testing

In accordance with our engagement letter dated 20 September 2018, the following supplementary assurance procedures were undertaken:

Payroll systems:

1. We performed review of employee information transferred into Xero for completeness and accuracy.

2. We reviewed controls around set-up of new employees and changes to employee master file.

3. We reviewed controls around recording and authorization of leave.

General ledger:

1. We reviewed accuracy of transfer of balances from Reckon to Xero.

2. We reviewed mapping of chart of accounts from old system to Xero and consistency of classification for financial reporting purposes.

3. We reviewed transfer of bank deposits to Westpac and ensured all balances have been accurately recorded in Xero.

General Security and Monitoring:

1. We reviewed the allocation of authority to open and operate bank accounts or to direct payments to be made into specific bank accounts.

2. We reviewed the effectiveness of user access controls in Xero, including:

   a) Appropriateness of user access profiles set up in Xero; and

   b) Controls over the set-up and alteration of supplier and invoice data.

3. We reviewed processes for posting manual journal entries to Xero.

4. We provided advice on the extent to which audit trail reports in Xero can be used to monitor financial transaction activity.

Supplementary payment testing:

1. For the period from 1 April to 30 September 2018, we identified all payments from all bank accounts through extracting data direct from bank feeds. No data is to be used where staff members are able to amend data provided.

2. We agreed all payments to:

   ▪ supplier invoices/statements;

   ▪ employment contract and payroll systems;

   ▪ other source documents.

3. We reviewed the validity and appropriate authorisation of the transaction in accordance with delegated authority policies.

1.3   Management Comments

In finalising the report, we asked management to review the report for any factual errors which they believe should be addressed.

In addition, management have provided responses for each recommendation in section 2. We requested that management clearly identify:

- if management agrees, disagrees or partially agrees with the finding;
- what action is to be taken;
- who will be responsible for the proposed action; and
- when the issue is likely to be addressed.

1.4 Key to significance of risk rating

Key to significance of risk rating

Rating	Definition	Guidance	Action required
High	Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives.	• Material errors and departures from the organisation's policies and procedures • Financial management / accountability / probity concerns • Non-compliance with governing legislation and regulations may result in fines or other penalties • Collective impact of many moderate or low issues	• Requires significant senior management intervention and may require significant mobilisation of resources, including external assistance. • Ongoing resource diversionary potential. • Requires high priority to immediate action
Moderate	Issue represents a control weakness, which could cause or is causing moderate adverse effect on the ability of the process to meet its objectives.	• Events, operational, business and financial risks that could expose the organisation to losses that could be marginally material to the organisation • Departures from best practice management procedures, processes	• Requires substantial management intervention and may require possible external assistance. • Requires prompt action.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	• Events, operational and business risks that could expose the organisation to losses which are not material due to the low probability of occurrence of the event and insignificant impact on the operating capacity, reputation and regulatory compliance • Departures from management procedures, processes, however, appropriate monitoring and governance generally mitigates these risks.	• Requires management attention and possible use of external resources. • Requires action commensurate with the process objective.

1.5 Basis and use of report

This report has been prepared in accordance with the objectives and approach set out in the engagement letter dated 20 September 2018, and subject to the limitations set out in Appendix 1 "Basis and Use of Report".

![Crowe Horwath - Part of Findex]

2 Tests and results

2.1 Payroll systems

No.	Test	Result	Risk Rating	Management Response
	2.1.1 Perform review of employee information transferred into Xero for completeness and accuracy			
1.	We selected a sample and then performed a walkthrough to check that information has been transferred from Ace Payroll to Xero Payroll accurately.	We reviewed the employee information being transferred into Xero for completeness and accuracy. The data was correctly transferred but not the pay-rate history. The pay-rate history for each employee was not recorded in Xero. We recommend that this be kept at the 'Notes' tab in the Xero payroll master file.	Low	Management accept that this was the case and will retrospectively record the pay-rate history (and future changes) for each employee in the notes area.
	2.1.2 Review controls around set-up of new employees and changes to employee master file			
2.	To review the controls over changes to employee master file, we selected an existing employee and checked that changes have been approved after the master file is altered.	We noted that upon pay reviews, the Xero payroll master file is altered and the ASB automatic payment letter prepared to process the increased pay. For any changes to the Xero payroll master file, the salary amount or bank account details must be altered in ASB online banking for the change to be affected. Any change in ASB online banking requires two authorised approvers with each person having a token in place which is operating effectively.	No rating assigned	Management acknowledge that the review found the process to be operating effectively.

3.	We selected a new employee and checked that the control over setting up that new employee was in place and was operating effectively. The new employee selected was for the period 1 April 2018 to 30 September 2018.	We noted that on the first pay, Jordan Carter and Dave Baker signed the first payslip and the ASB payroll bulk payment report. The control is as documented in 2. above. Prior to the data transfer, we understand that consideration was given to determine the best fit solution with respect to an ERP system for the newly merged entity, but this was not documented, and it appears the decision to go with Xero was largely based on the existence of connective infrastructure that had already been established in NZRS - e.g. APIs with Registrar portals. It is not clear whether this consideration took account of whether Xero provides the appropriate capability for all of Internet NZ's payroll needs.	No rating assigned	Management concede that no formal documentation is available to be provided to evidence with respect to considerations made prior to selecting Xero as the system for the newly merged entity and confirms that the existing connectivity between the Registrar Portal platform and Xero (developed inhouse) was the overwhelming factor in settling on Xero.
	2.1.3 Review controls around recording and authorisation of leave			
4.	We selected an employee and checked that the control over recording and authorising leave was in place and was operating effectively.	Annual leave taken was approved in a timely manner on a one-up basis. We have, however, noted the following: - Employees who moved to 4.5 weeks of annual leave contract adjustment must have their leave adjusted from their last anniversary date, not just from 1st April 2018. This may require a manual entry of leave calculated and entered for the period from anniversary date to 1st April. - Annual leave must be paid at the higher of the ordinary rate or the 52-week earnings rate. If a bonus payment was made, annual leave paid would be at the 52-week rate. This may require the management to check the correct rate of leave has been paid for annual leave of staff affected.		Management acknowledge and accepted the manual process to align staffing leave entitlements to the 4.5 weeks. Management and payroll processing staff are aware of the requirements around payment of annual leave at the higher of the ordinary rate of the 52-week earnings rate.

| | | - The Xero payroll does not have the ability to pay any Bereavement, Alternate, Public and Sick leave automatically for the actual value/day for part time employees who have various hours/day in a week. This may require management to do them manually.
- The Xero payroll may not be able to split the outstanding leave separate from the accrued leave days/hours because a payroll system must have this function for termination payment calculations.

We understand there was no user needs analysis carried out prior to adopting the Xero payroll system. The Finance Manager keeps a separate spreadsheet to compute Annual and Sick leave to track that Xero has computed the leave correctly. This should be an unnecessary task if the payroll system were considered robust.

We recommend that a user needs analysis be carried out to determine whether Xero can meet the future payroll needs of Internet NZ. | | Management accept that a possible manual adjustment for part time people in may be needed in relation to Bereavement, Alt and Sick leave. Management believe that the value is not material. Management can confirm that Xero can split the outstanding leave separate from accrued leave, it was a decision by the organisation to turn on the option of including accrued leave to staff, as did the old ACE payroll system. Adoption of Xero payroll System Management disagree - Xero was selected as it provides certain functionality (employee portal capabilities, paperless leave applications, etc.) in lieu of robustness in certain other areas with respect to payroll. Other compelling factors also existed that championed the adoption of Xero. Management acknowledge the recommendation for a |

				user needs analysis and may consider this in the future.

2.2 General Ledger

No.	Test	Result	Risk Rating	Management Response
	2.2.1 Review accuracy of transfer of balances from Reckon to Xero			
1.	We obtained the audited balance sheets of Internet New Zealand entity and NZRS entity as at 31 March 2018. We also obtained the conversion journal that transferred the balances from NZRS to Internet New Zealand. At high level, we prepared consolidated balance sheet and agreed this to the conversion journal and also to the balance sheet of Internet New Zealand as at 1 April 2018.	We reviewed the accuracy of the transfer of balances from Reckon to Xero. This has been correctly carried out.\n\nThe cost and accumulated depreciation amounts were different by the same amount, with no resultant effect on the book value reported, however errors in the cost balances may affect the future depreciation calculated by Xero.	No rating assigned	Management acknowledge that the transfer of balances was carried out correctly. Management advise that Deloitte are currently in the process of revaluing INZ assets to the recommended straight-line method of depreciation, at the end of this process the costs will be inline resulting in depreciation being calculated correctly going forward.
	2.2.2 Review mapping of chart of accounts from old system to Xero and consistency of classification for financial reporting purposes			

2.	We reviewed the mapping chart of accounts transfer and noted that a new chart of accounts was created for the consolidated entity. We reviewed the consistency of the classification for financial reporting purposes.	We found mapping of the chart of accounts to be consistent with the previous mapping.	No rating assigned	Management acknowledge that the review found the mapping to be consistent.
2.2.3 Review transfer of bank deposits to Westpac and ensure all balances have been accurately recorded in Xero				
3.	We noted NZRS had banking relationships with ASB, BNZ and ANZ banks. We obtained the novation agreement between NZRS and ASB Bank. For ANZ and BNZ, in the absence of such agreement we obtained the letter to transfer the account holders from NZRS to Internet New Zealand.

From bank audit confirmations that we had obtained for prior year audit, we checked that those bank account numbers were included in the letter or novation agreement. We then traced every bank account to Xero trial balance as at 1 April 2018. | The changes of bank account holder name from NZRS to Internet NZ was successfully completed. | No rating assigned | Management acknowledge that the bank account transfer from NZRS to INZ was successfully completed |

2.3 General Security and Monitoring

No.	Test	Result	Risk Rating	Management Response
		2.3.1 Review the allocation of authority to open and operate bank accounts or to direct payments to be made into specific bank accounts		
1.	We obtained the list of signatories for each bank and the owners of authorisation devices (i.e. token). We obtained the list of user access to ANZ and to ASB bank accounts and the user capabilities.	No issues were noted. From the review of ANZ user access, we recommend: - user access for Paul Pettit be deleted because his access to ANZ is no longer needed (it hasn't been used since 2012). - The category of access named "InternetNZ user" can edit transactions and authorise payments. This is an inherent conflict of duties. The payment authoriser should not be able to also edit a transaction. - The online banking user access report is not reviewed on a regular basis. This records who can access the bank accounts and create, edit or authorise payments. Given the importance of ANZ as an approval gate for payments and Masterfile changes, there should be a regular review of user access capability. - From the review of ASB user access, we noted the payment limit is currently at $0.5M to $1M for some users. We recommend that the payment limits be aligned with the Treasury Policy.		Management acknowledge that the list of signatories for each bank and owners of authorisation devices had no issues. Management confirm that there was an authoriser who did have the ability to edit transactions, and then subsequently approve. This has now been rectified. Management will install a more rigid and frequent review process with respect to all online banking user access report moving forward. Bi-annually a review and sign-off will be done by management of the access reports on all bank accounts in the name of InternetNZ. INZ has followed the recommendation of ASB in resetting authoriser limits considering the high transacting volumes the new entity has been experiencing.

				Since the review, the Treasury Policy levels have been reviewed and are now aligned with the ASB limits.
2.3.2 Review the effectiveness of user access controls in Xero, including: a) Appropriateness of user access profiles set up in Xero; and b) Controls over the set-up and alteration of supplier and invoice data.				
2.	We obtained the list of user access to Xero and assessed their appropriateness of their profiles in Xero.	There are 4 different levels of user access, namely read-only, standard, adviser and payroll employee. Given the users' authorities, the access granted is considered appropriate.	No rating assigned	Management acknowledge that the levels of authorities within Xero were found to be considered appropriate.
3.	We selected a newly created supplier in Xero for the period 1 April 2018 to 30 September 2018.	To apply for a new supplier, a form must be filled out and approved by the Organisational Services Director. No issues were noted.	No rating assigned	Management acknowledge the due diligence done on new suppliers was found to have no issues.
4.	We selected a supplier whose bank account detail was altered.	There was no evidence that a review of the change took place after the Xero supplier master file had been altered. Email notification occurs when there is a change in supplier bank account numbers but there is no higher-level monitoring to ensure email alerts have been acted upon.	Moderate	Management disagree as scrutiny exists internally, and upon payment batch validation: we do concede that a formalisation of this process is required.
2.3.3 Review processes for posting manual journal entries to Xero				
5.	We had discussions with the management around the process of raising manual journals and	There is no formal process for reviewing manual journal entries. We recommend that journals be reviewed on a one-up basis.		Management accept the recommendation of manual journals being reviewed and advise that they will be by the OSD on a monthly

	posting them into Xero. We perused the manual journals for the period 1 April 2018 to 30 September 2018.	We noted that there were approximately 60 manual journals raised a month. We understand that the reason for most of these journals was to split the expenses into the different departments. We recommend the split be done when expenses are first input into the system. We also noted manual journals raised in the weekend. There is a heightened risk of fraud where transactions are processed out of normal business hours. We noted some journals were voided with no explanation. There should be a written explanation for all journal adjustments.		basis. Management would like to point out that a large number of manual journals are in fact automated (or standing, repeating journals) pre-set in Xero. We further comment that the review process proposed above would add scrutiny to journals being entered into Xero, irrespective of when journals are posted throughout the week. Management advise that journals will no longer be voided, and this will be monitored in future. We will also endeavour to add notations (if fields are available during journal adjustments).
2.3.4	Provide advice on the extent to which audit trail reports in Xero can be used to monitor financial transaction activity			
6.	Xero does not produce standard audit trail reporting. This is an inherent weakness. It does, however, provide the capability to build customised audit trail reports.	We recommend that reports detailing changes to staff and supplier Masterfile data (for example new staff or suppliers and changes to bank account numbers) be constructed and generated and reviewed on a regular basis.		Management agree on formalising the review process with respect to Xero User activity.

2.4 Supplementary Payment Testing

No.	Test	Result	Risk Rating	Management Response
2.4.1	For the period from 1 April to 30 September 2018, identify all payments from all bank accounts through extracting data direct from bank feeds. No data is to be used where staff members are able to amend data provided.			
1.	We obtained access to all bank statements for all bank accounts held by Internet New Zealand Incorporated from the read-only access to internet banking provided to Crowe Horwath. The transaction details were obtained for the period 1 April 2018 to 30 September 2018.	There no issues noted.	No rating assigned	
2.4.2	Agree 15% of all payments to: ▪ supplier invoices/statements; ▪ employment contract and payroll systems; ▪ other source.			
2.	For each payment identified, we agreed the payment to source documentation via review of payment batches.	For batch payments and payment of one off invoices, we noted all invoices were appropriately authorised. From our sample of 90 payments, we found one exception: we were unable to obtain evidence of authorisation of the Domain Name Commission management fee charged by way of monthly direct debit. Given the fee is above $100,000, and changes each year, its payment should have required authorisation by		Management advise that the payment of the DNC management fee remains an historical fact within the DNCL and INZ context, and its analysis and acknowledgement feature transparently across a number of

		two Council members, in accordance with the treasury policy. There is no current service agreement. For credit card payments, we noted the Direct Debit amounts agreed to the monthly statement which were supported by receipts, reviewed and appropriately authorised before the Direct Debit date. Automatic payments were appropriately authorised in ANZ or ASB banking, and the payments were supported by authorised documentation.		platforms within both organisations. We accept that the AP had been set up some time in the past and that no current documentation can be provided to substantiate this. An itemised service contract will be considered as we formalise the support relationship based on the new organisation structure.
2.4.3 Review the validity and appropriate authorisation of the transaction in accordance with delegated authority policies				
	For each payment identified, we checked that the payment was made within the delegated authority policy.	No issues noted.	No rating assigned	Management acknowledge the result that no issues were noted during the review of the validity and appropriate authorisations of transaction in accordance with delegated authority policies.

Appendices

Appendix 1 – Basis and Use of Report

This report is prepared on the basis of the limitations set out below:

This report has been prepared in accordance with the objectives and approach agreed in the engagement letter dated 2 September, and is subject to the following limitations:

- Our procedures were designed to provide limited assurance which recognises that absolute assurance is rarely attainable, due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, and the use of selective testing, and because much of the evidence available for review is persuasive rather than conclusive in nature.

- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout a specified period and any tests performed were on a sample basis.

- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

- The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.

- This Report is not to be used by any other party for any purpose nor should any other party seek to rely on the opinions, advice or any information contained within this Report. In this regard, we recommend that parties seek their own independent advice. Crowe Horwath disclaims all liability to any party other than the client for which it was prepared in respect of or in consequence of anything done, or omitted to be done, by any party in reliance, whether whole or partial, upon any information contained in this Report. Any party, other than the client for which it was prepared, who chooses to rely in any way on the contents of this Report, does it so at their own risk.

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Appendix 2 – List of Bank Accounts

The list of bank accounts which were transferred from NZRS to Internet New Zealand Inc set out below:

ASB	ANZ	BNZ
12-3141-0176855-00	85840956-1001	0080148891-00002
12-3141-0176855-61	85840956-1003	0080148891-00006
12-3141-0164897-50	84840956-1004	0080148891-00007
12-3141-0164897-52	84840956-1005	02-0560-0040772-097
12-3141-0164897-53	01-0505-0818465-00	
12-3141-0164897-55		
12-3141-0164897-57		
12-3141-0164897-58		
12-3141-0164897-59		
12-3141-0164897-60		
12-3141-0286579-50		
12-3141-0286579-51		
12-3141-0286579-52		
12-3141-0286579-53		
12-3141-0286579-54		
12-3141-0286579-55		
12-3141-0286579-56		
12-3141-0286579-57		
12-3141-0286579-58		
12-3141-0286579-59		
12-3141-0286579-60		
12-3141-0372602-00		
12-3141-0372602-01		
12-3141-0372602-02		
12-3141-0372602-03		
12-3141-0372602-04		
12-3141-0372602-06		
12-3141-0372602-07		
12-3141-0372602-08		
12-3141-0372602-09		
12-3141-0372602-50		
12-3141-0372602-51		
12-3141-0372602-52		
12-3141-0372602-53		
12-3141-0176855-79		
12-3141-0176855-80		
Merchant Card Facility 1200945573		
VISA Business Facility		
Fastnet Business Facility		

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COMMUNITY GRANT REPORTING UPDATE

May 2019

Below is a brief update on the progress of our awarded grant projects and other work by Outreach and Engagement relating to grants.

In the November 2018 Council paper, we brought to you Wendy Wrapson's final report   on Internet use in residential aged care. In Aprile have worked with AUT and Wendy to help promote these research findings. This topic has generated co   verage in 16 news stories. The project aligns well with InternetNZ's strategic focus on Digital Divides and looks at it from a different perspective which is why Wendy's   report   and blog are interesting reads.

Paua Interface 2018/19 Internet   Research grantee has published their first Whitepaper from their evaluation of Mitimiti on the Grid   . The Mitimiti on the Grid   project received a grant from InternetNZ in 2015/16. We are excited to share Paua Interface's mid   -year report in the August report.

Legend

![pink wifi icon]	Great project, staff see media and follow up potential.
🟢	The project has progressed well without any problems and changes.
🟡	There have been changes to the project plan and/or timeline.
🔴	Either there have been big changes to the project scope or timeline. Also indicates missing reports.

Mitimiti on the Grid

Wendy Wrapson's

Paul Pang, 2018 AI x

Community Projects 2017/18

Name	Amount awarded	Purpose	Report	Comments	Status
Faucet Foundation	$12,000	The establish the Faucet Foundation Incorporated.	Final report	*Staff have followed up with the grantee in regards to the final report.*	🔴
Ngā Taonga Sound & Vision	$12,500	The to develop a Data API and front-end application for Ngā Taonga AudioVisual Collection (Phase I).	Final report	*Project has mostly accomplished its go als. 461,066 records from the TVNZ Archive are now first time publicly available. The biggest ongoing conversation is negotiating with TVNZ to make digitised content publicly available.*	🟡

Internet Research 2017/18

Name	Amount awarded	Purpose	Report	Comments	Status
Chris Hails, independent	$9,715	To evaluate the programmatic identification of cybersecurity risk profiles that may in future facilitate the delivery of targeted or personalised risk mitigation interventions.	Final report	*Project progressed slower than anticipated due to the complexity of recruiting participants. This research is still ongoing and is looking for another 300 participants in order to have 1,000 responses and better represent New Zealand population as a whole.*	🟡
Dr Philippa Smith from AUT	$6,686	*Freedom of speech on the Internet – where do we draw the line?* To research inappropriate online behaviour to gain a better understanding of its impact on the notion of freedom of speech which has implications for every user of the Internet.	Final report	*This research focused on a very topical subject of freedom of speech vs negative online behaviour such as hate speech. They report an unanticipatedly*	〜

InternetNZ

		high public interest and engagement.			
Dr Haibo Zhang from University of Otago	$25,000	*Accurate synchronisation for coherent joint transmission to provide better mobile Internet service .* To research efficient solutions for coherent joint transmission in 5G networks, where multiple Access Point s (APs) cooperate to perform simultaneous data transmission to a single user device to achieve high - quality communication.	[Final report](#)	*Research project proceed ed to the plan. Deeper understanding on wireless signals propagation physics was gained. Conference paper with the description of the algorithm accepted for publication has already received good or very good assessments on the novelty of this algorithm.*	〰
Dr Caroline Keen from University of Massey	$22,920	*Children's rights to privacy in the era of Big Data* To research parents and children's understandings, practices, and perceptions about the risks or advantages of big data, and where they may knowingly or unknowingly be exposed to privacy risks.	[Mid -year report](#)	*Project is progressing well, ethics approval has been obtained through Massey University and the literature review has been conducted.*	🟢

Conference Attendance

Name	Amount awarded	Purpose	Report	Comments	Status
Dr Aniket Mahanti, independent	$4,000	*To attend the IEEE Local Computer Networks Conference (LCN). The main topic of the conference is Internet technologies. All theoretical and practical aspects of Internet technologies are covered in this conference. The conference is highly interactive, enabling an effective interchange of results and ideas among world -leading Internet researchers, Internet users, and Internet -based product developers.*	[Final report](#)	*Attended. Attendee appreciated the great discussions and engagement the somewhat smaller size of the conference allowed for.*	🟢
Dr William Liu from AUT	$1,875	*To attend the ISCRAM ASIA PACIFIC 2018. The purpose of ISCRAM Asia Pacific 2018 is to exchange research into and experiences of information systems use in emergency management, particularly focussed around applications of*	[Final report](#)	*Attended. Attend ee appreciated the well organised conference and the speakers. Especially the*	🟢

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		information systems in the context of the four priorities of the Sendai Framework (2015-2030) for disaster risk reduction.		*keynotes Prof. Virginia Murray and A/Prof. Julie Dugdale.*	
Dr Kathleen Kuehn from Victoria University of Wellington	$3,589	*To attend the Hawaii International Conference on System Sciences (HICSS).* HICSS brings together global experts from academia, industry and government agencies to discuss research on contemporary internet issues across 10 research tracks.	Final report	*Attended. Attendee tough the conference offered a great diversity in presentations and gave a good idea where digital media is heading. However, the size of the conference was too big and became its downfall.*	🟢
Timothy Johnson, independent	$4,000	*To attend the ICANN GDD Industry Summit 2018 (14 -17 May 2018, Vancouver, Canada).* The GDD Summit conference has become ICANN's most important for the Global Domains Division. Since ICANN's meeting re- structuring, it is one of the most relevant conferences globally that relates to ICANN's registrar and gTLD registry contracted parties.	Final report	*Attended. Attendee shared that the big focus was on GDPR but overall the conference offered a good range of simultaneous sessions designed to appeal to a broad section of the industry.*	🟢
Zoe from Blind Foundation	$3,500	*To attend the* California State University (CSUN) Assistive Technology conference.	Final report	*Attended. Attendee though the conference was well organised and gave attendees access to the latest accessibility statistics, technology and research.*	〰️

On-demand

Name	Amount awarded	Purpose	Report	Comments	Status
Anna Pendergrast from Antistatic	$1,960	To attend the Theorizing the Web conference which is an inter- and non-disciplinary annual conference that brings together scholars, journalists, artists, activists, and technology practitioners to think conceptually and critically about the interrelationships between the Web and society.	Final report	*Attended. Attendee noted that the conference was of high quality and broad range of topics focusing on the intersection of the internet and society.*	🟢

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Sreenivas Sremath Tirumala	$3,210	To attend the IEEE International Conference on Computer Communication and Informatics (ICCCI-2019)	[Final report](#)	*Attended. Attendee received valuable feedback on his cybersecurity project and was particularly pleased with the keynote speaker.*	⬤

Expected reports prior to next Grants reporting update to Council in August 2019

Round	Name	Amount awarded	Purpose	Report
Internet Research	Dr Aniket Mahanti, independent	$10,000	*Longitudinal study of the adoption of the Top-level Domain (TLD) Names and Domain Name System Security Extensions (DNSSEC)* To build on past research that has primarily focused on understanding the technical behaviour and properties of DNS requests and responses, DNS security, and usage of TLDs.	Final report May 2019
Internet Research	Dr Bodo Lang from Auckland University	$22,450	*Exploring the role of technology when users become service providers in the sharing economy* To research the role of Internet-enabled technologies (for example websites and apps) within the sharing economy/collaborative economy/peer-to-peer marketplace.	Final report April 2019 extension given until August
Community Projects	Digits	$8,970	*Digital Inclusion Community Hub - through a drop-in-centre pilot* To develop a drop-in-centre pilot project in Palmerston North and to create a business study for the broad Digits Hub idea. The drop-in-centre will be the backbone of the community hub which will focus on helping the community by solving a range of digital inclusion issues.	Mid-year report July 2019
Community Projects	Te Ora Hou Wellington East	$10,000	*Digital Bridge* To connect some of the most disadvantaged groups to increase their digital literacy, by using a community-led development approach, building the leadership within the community to help their own people. This project will support local people to understand more about what computers and the Internet can do, and the positive impact this can have on their lives.	Mid-year report July 2019

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Community Projects	Te Aka Toitu Trust	$30,000	*Help Underprivileged Students with Learning Online* To purchase a supply of Customer Premise Equipment dishes to connect the home with the schools Network 4 Learning network where Kawerau and Murupara decile 1 and 2 students will be able to login to a WiFi network and complete homework.	Mid -year report July 2019
Internet Research	Paua Interface	$35,000	*Marae Connectivity - critical success factors to getting an innovation domino effect* To research and measure the impact of telecommunications and connectivity on micro -economies, along with lessons learned, t echnical approaches, the establishment and management of the remote tech team, network and wifi - and the potential to scale for multiple marae sites based on Mitimiti on the Grid.	Mid -year report June 2019
Internet Research	Dr Maggie Hartnett from Massey University	$20,000	*The Library as a Space for Digital Inclusion: Connecting Communities Through Technology* To research the role of public libraries in promoting digital inclusion and overcoming the digital divide. The Equity Through Education Centre recognises the role of technology in bringing about equitable societies.	Mid -year report June 2019
Internet Research	Laurenc e Zwimpfer from DIAA	$25,000	*Measuring Digital Divides in Disadvantaged Communities: A Pilot Study* This research will explore an innovative approach for measuring and monitoring the digital divide for identified digitally disadvantaged groups. A comprehens ive measure of digital inclusion must address all four dimensions - motivation, access, skills and trust. This research progresses a recommendation for developing robust measures of digital capabilities and digital inclusion, from the " Pulse of our Nation " digital inclusion report.	Mid -year report June 2019
Internet Research	Dr Claire Henry from Massey University	$25,130	*Preventing child sexual offending online through effective digital media* This research will investigate the potential for online advertisements to prevent potential offenders accessing Child Sexual Abuse Mate rial (CSAM) via the Internet. First time or novice offenders often use search engines to look for CSAM, which presents an opportunity to use online advertisements to intervene before they view abuse material.	Mid -year report June 2019
Conference Attendanc e	Dr Elizabeth Berryman from University of Otago	$3,500	To attend the International Conference on Digital Health 2019. The conference will be held in Houston, U.S., April 24 -25. The theme of the conference is an innovative bridging for modern healthcare. By innovating in digital health and care, the event hopes to support an ambition towards reducing inefficiencies in heal thcare delivery, improving access, reducing costs, increasing	Final report May 2019

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			quality of care, making health services more person-centered, personalizing medicine for each patient's unique needs.	
Conference Attendance	Cameron Findlay	$3,375	To attend the Creative Commons Global Summit held in Lisabon, Portugal. The 2019 Global Summit runs over 3 full days and features 6 tracks, 120 sessions, 450+ Commoners, 2 evening events including an after party with Tribe of Noise, and 100+ countries represented.	Final report June 2019
Conference Attendance	Dr Ethan Plaut from University of Auckland	$3,500	To attend the ACM CompEd 2019. The ACM Global Computing Education Conference (CompEd) is destined to be the leading global conference on computing education. At the intersection of computing and the learning sciences, the event seeks to promote global computing education development. The first conference will take place in Chengdu, China, 17-19 May 2019.	Final report June 2019
Conference Attendance	Dr Grace Wang from AUT	$3,092	To attend the 6th International Conference on Behavioral Addictions (ICBA). The principal conference theme is "Behavioral addiction: Globally growing issues - need for innovation in prevention and research". It will provide a unique opportunity to share and improve scientific knowledge on non-substance related addictions. Topics will cover both common and less common behavioral addictions and related behavioral disorders, based on a range of research areas, ranging from biological to psychosocial and behavioral studies.	Final report July 2019
On-demand Conference Attendance	Aleksei Fedorov from University of Otago	$3,000	To attend the IFIP Networking 2019. The main objectives of Networking are to bring together members of the networking community from both academia and industry, to discuss recent advances in the broad and quickly-evolving fields of computer and communication networks, and to highlight key issues, identify trends, and develop visions for the networking domain.	Final report June 2019

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Update on Community Grants process

Author: Andrew Cushen, Outreach & Engagement Director

Purpose of paper: To update progress on the new Community grants processes

Introduction

At the last Council meeting, Councillors agreed to the following changes to the Community Grants process:

- a Funding Panel be established to replace the current Grants Committee as the assessor of Grants Applications.
- the goals and objectives of Grant Making be determined through the InternetNZ planning process, consistent with the Strategic Framework.
- that final approval of Grant allocations is made by the Chief Executive following recommendations from the Funding Panel.

Progress to date

The Community team have worked closely with the Policy team to develop a shared approach to both the .nz Review Advisory Panel and the Funding Panel. This means that the base documentation, including the appointment and panel member information, follow the same templates.

We will learn from the .nz Advisory Panel recruitment process as draws to selection in late May. The recruitment process for the Funding panel will commence in the last week of May and be open for approximately four weeks using similar recruitment channels and some additional targeted channels to attract expressions from more philanthropic and community based representatives.

We have agreement to hold two grant rounds in 2019/20, the first round to have a funding purpose statement aligned with goal 4 of INZ on digital divides, *"InternetNZ will collaborate with others to identify, agree and effect significant progress on four interventions to bridge different digital divides (motivation, access, trust, skills)."* This round will open in August.

The second round we are yet to determine the focus, and want to realise the opportunity to learn from the first round process. There could also be opportunity to look at running a closed "by invitation" round also to better align with our goals.

We will also seek to move to Conference Attendance grant awards approval directly to the Chief Executive.

Given the Chief Executive is operationally responsible for the new Grants Framework, and for approving the decisions, is it proposed the current Governance Grants Policy should be retired and replaced by a Grants Management Policy. This Grant Management Policy will be approved by SLT and be substantially the same as the current policy. At this point, an e-vote will be issued to retire the current Governance Grants Policy.

Communication will be key to support these changes with potential current and new grantees.

Recommendation

THAT Council

- note this paper.