AGENDA for Council Meeting

Friday 27 March 2020

Note: in light of the COVID-19 situation, this Council meeting is a remote meeting, with all attendees participating by video. To keep the agenda manageable, some papers will be dealt with by email only, intersessionally. These papers are at the end of the agenda document, and circulated as part of the Council papers pack.

9:00am   Meeting start
11:20am   Meeting finish

Section 1 – Meeting Preliminaries

9:00am	1.1	Council only (in committee)
9:10am	1.2	Council and CE alone time (in committee)
9:20am	1.3	Karakia, apologies, interests register and agenda review

Section 2 – Matters for Decision

9:25am	2.1	2020/21 Plan ● Goals Projects ● Other key pieces of work ● 2020-2022 Goals and Measures
9:50am	2.2	2020/21 Budget

Section 3 – Domain Name Commission

10:10am	3.1	DNCL Company Plan 2020/21

Section 4 – Matters for Discussion

10:20am	4.1	Appointed Council Member Recruitment Update

Section 5 – Consent Agenda

10:30am	5.1	Confirm Minutes – 14 February 2020
	5.2	Actions Register

Section 6 – COVID-19 Response

10:40am	6.1	COVID-19 response briefing (A written brief will be provided on Wednesday 25th) • AGM issues • Operational Response

Section 7 - Other Matters

11:00am	7.1	CONTINGENCY (for any overflow)
	7.2	Matters for communication – key messages
	7.3	General business
	7.4	Meeting review
	7.5	Meeting close (waiata)
11:15am		**Meeting Close**

Section 8 - Online-only items

8.1	Financial and Investment Strategy
8.2	Reporting framework - high level outline

Our Plan 2020/21

ITEM NO: 2.1

AUTHOR: Jordan Carter

PURPOSE: Operating plan for the 2020/21 business year, including information about
the overall situation, our goals in the current situation, key projects
related to our strategic goals, and key other BAU pieces of work.

DATE WRITTEN: 20/03/2020

Introduction and Context

For the second year in a row, InternetNZ's planning process has been overtaken by awful events.

The global health emergency created by the COVID-19 pandemic has become an overwhelming factor with which the whole of Aotearoa and the whole of the world is coming to grips. It is creating significant social dislocation, economic disruption and reordering of our lives - and the impact is likely to intensify in the months ahead.

The practical impact on our organisation is far more profound than anything we have experienced since we were founded in 1995. Managing through this is going to be a challenge for all of us, but one I am confident that we can rise to.

In this time of deep uncertainty, the level of planning necessary is, in a strange sort of way, slightly reduced. Things are changing so quickly that the best we can do is be clear about our goals & direction, and then be very flexible about how we move to bring them about.

We believe that the fundamental strategic framework of InternetNZ remains sound. Helping people harness the power of the Internet is essential when our usual physical connections with each other are curtailed. An Internet for All is more important than ever. An Internet for Good still remains necessary, but more in the longer run.

So within that framework, we will focus our work - around some operating goals that guide the start of the year for us, and within the strategic goals Council has already worked through.

Our outstanding team of dedicated people wants to do their best for the Internet and for the organisation. Regardless, the realities of this situation mean that our work will be

disrupted, and we will not achieve as much as we would in normal times. In this, we are like every other organisation in the country - it cannot be avoided, and responding to the situation has to be top of our list.

Our team will focus on looking after each other, delivering .nz, and helping Kiwis use the promise of the Internet to make the next few months and years better than they would otherwise have been.

At this stage, we do not see significant revenue risks to re-shape this plan, but that is certainly a possibility and is factored into our thinking, if not clearly in this document.

I look forward to the discussion with Council on what is in this plan, so that we can together commit to the right approach for InternetNZ in this difficult situation.

Jordan Carter
Group CEO

Our goals in the next few months

The Senior Leadership Team agreed this week to outline the following four goals to drive our work in the short term, as the organisation and the community respond to the initial impact of the COVID-19 pandemic.

Goal	
Looking after our people	We will take a conservative approach to protecting people's health and wellbeing, and manage our work and efforts aware of the stress of the current environment. We will support all of our people, whether they are well or sick.
Looking after .nz	We will keep .nz operating whatever happens, because it is vital for New Zealand. We will be vigilant in ensuring the rules are complied with, especially with the heightened risk of misinformation.
Sharing the stories	During this period of national and global disruption, we will do what we can to demonstrate and share (and inspire others to share) ways the Internet can help.
Investing to help	We will shape our work to invest in people's efforts to meet the challenges of this pandemic, using the Internet for good or to spread access to it, recognising that our scale and resources are small. Digital inclusion will be central to this work.

Operational Focus - critical elements

During the first part of the year, as the situation evolves and develops, we plan to focus on the following critical elements of our work. Delivering on these is our starting point. The rest of the work set out follows as capability allows.

First Priority	
.nz services	The ongoing operation of the .nz registry and DNS, and associated support functions including the DNCL call centre, dispute resolution and compliance functions. Liaison with channel as required.
Finance	Billing and payment of suppliers, payroll for staff, accounting and reporting services to ensure basic functioning of the organisation, and legal compliance requirements, continue.
HR and People	Managing and supporting through the COVID-19 situation, focusing on good support by managers and doing what we can to support health, safety, and wellbeing.

Internal IT	Making sure our internal systems support our staff and our work reliably and flexibly.
Governance	Making sure the Council and the executive can continue their role and that we manage risk and compliance appropriately.
COVID-19 management	Internal work to manage our response to the COVID-19 pandemic, including internal and external communications, wellbeing, services and so on.
Second Priority	
Other products	Ongoing sales, operations and support of other products and services.
Communications	Reactive and proactive work as required.
Data	Collections maintenance and urgent analysis as needed.
Year end	Financial accounting and audit for the 2019/20 year.
.nz crisis response	Dealing with any other unexpected situations.

Key Projects on the Strategic Goals

This section sets out the key initiatives associated with the five Strategic Goals. It is brief and short because, given the capacity constraints we face in the current environment, the organisation will not be able to deliver as much as it usually would expect to. Explanation of the Strategic Goals and how we measure progress against them are in the Annex.

Goal 1: Develop an Internet for Good	
Sharing insights to help w COVID	How can the Internet help in the COVID-19 pandemic response? Share insights directly and through/with others.
What is an Internet for Good?	**Longer timeframe** - Collaborate and instigate community discussion to agree a vision of what an Internet for Good is.
Influencing government domestic policy	We will continue to contribute to government policy work addressing online harms, including the proposed changes to the Films Videos Publications Classification Act, and the upcoming review of media regulation. (Already underway in 2019/20.)
Regulation and Social Media	A piece of research analysing options and possibilities on this area of an Internet for Good. (Already underway in 2019/20.)

Election 2020	**Depends on capacity:** Participate as possible in debates and provide analysis and information about combating mis- mal- and dis-information in the context of General Election 2020.
Healthy technical practices	**Delayed - depends on capacity:** Working with ISPs and other network players to support healthy technical practices, such as MANRS or other domain security practices and services.
Internet for Good International Participation programme	**On hold due to COVID** - expanding the range of Kiwi voices in Internet governance, technical and policy forums, through scholarships and participation programmes.
Goal 2: Improved digital inclusion	
COVID-19 drive for digital inclusion	How do we work to see improved digital inclusion to help support the community during the COVID-19 pandemic and beyond? (Planning on this starting now.)
Investment to change the inclusion situation	Direct investment through grants and partnerships, and inspiring government and private sector investment in better digital inclusion outcomes. The focus will be across the different elements of digital inclusion: access, skills, motivation and trust.
Online home	**Delayed - depends on capacity:** launch a new online home for digital inclusion, to instigate better collaboration and shared investment in making a difference. (Already underway in 2019/20.)
Evaluation tool for providers of digital inclusion initiatives	**Delay possible:** A toolkit for InternetNZ and others to evaluate the impact of digital inclusion initiatives. The development of this toolkit will continue, but it may not be ready by December as first planned. (Already underway in 2019/20.)
Goal 3: Grow .nz	
How do we explain what domain names offer?	A project to do some deep thinking on the nature of .nz. How do we make domain names more relevant to coming generations, and how do we and the channel convince people of the value of .nz?
New website	**Longer timeframe** - launch a new website for InternetNZ with .nz at the core, better promoting the service to the public. (Already underway in 2019/20.)
.nz Policy Review	**Longer timeframe** - complete the independent review of the .nz policies, and develop the replacement policy framework. Will take longer due to competing commitments for Panel members and impossibility of effective public engagement during the current stages of the COVID-19 pandemic. (Already underway in 2019/20.)

.nz Registry replacement project	**Longer timeframe** - continue with the project to replace the systems for the .nz shared registry system. Will take longer due to competition for internal resources to develop RFP, and potential limits on capability of RFP respondents to respond. (Already underway in 2019/20.)
Goal 4: Sell new products	
Defenz	Sell the Defenz firewall service.
.nz Registry Lock	**Longer timeframe** - work with registrars and consult with the public on implementing a Registry Lock in .nz. (Already underway in 2019/20.)
Digital identity	**Longer timeframe** - Exploring how we can participate in the digital identity ecosystem developing in New Zealand, and connecting the domain name space into that work. (Nascent work begun in 2019/20.)
Goal 5: Improving InternetNZ's performance Note: this goal has become more challenging due to the impact of COVID-19 on work environment and capacity.	
People strategy	Develop with our team a People Strategy to support ongoing performance and development by all, and to support our ongoing evolution as an organisation.
Better tools	Improved ways to manage project and BAU work.

Key other BAU work

The above material represents our focus. Normal organisational functions continue. We draw attention to a few specifics here that are impacted in some unusual ways by the current situation.

Area	Information
NetHui 2020	Will move to an online-mainly experience, with the option of a physical event to manage the network-building parts of NetHui late in calendar 2020.
AGM	This may need to occur online in July, depending on public health conditions at the time.

International	With international events cancelled and international travel not available, participation in some events that become remote-only should be possible.
Funding	We reach our historic commitment of $1m for community funding in 2020/21. The reforms already instituted in a process sense will continue to bed in, and we will also make sure to invest in the goals noted above.
Security and risk management	The arrival of our first CSO in 2019/20 will be joined once the pandemic situation eases by further staffing. We continue to evolve our incident management, enterprise and security risk management approaches.
Membership	With our community team now fully staffed, notwithstanding the pandemic situation, we will be exploring new ways to engage with members and new ways to recruit new members.

Recommendations

THAT Council **note** the 2020/21 Plan, **noting further** the uncertain operating conditions under which it has been prepared.

THAT Council **note and endorse** the short term goals set out in this paper, guiding our focus in the initial part of the year in responding to the COVID-19 pandemic.

THAT Council **adopt** the Strategic Goals and Measures in the Annex.

Jordan Carter
Group Chief Executive

20 March 2020

Annex: Strategic Goals 2020-2022

This Annex shows the final proposed Strategic Goals and Measures, arising from the Council discussion in February 2020, including updated measures (in bold). The work associated with doing the goals in the 20/21 business year is in the body of this paper.

In summary the Goals are:
1. Develop the Internet for Good
2. Improved digital inclusion
3. Grow .nz
4. Sell new products
5. Improving InternetNZ's performance

Goal 1: Develop the Internet for Good

Work in Aotearoa and globally to help develop an Internet for Good.

The Christchurch attacks in March 2019 opened up a debate about the gap between the Internet we have today and the Internet we need. This debate was happening before the attacks but the effect of Christchurch has raised the stakes in Aotearoa.

The country needs to make a contribution to shaping the Internet the world needs for the 2020s and beyond. The world needs an Internet for Good, built with the public interest at its core.

This goal is about the tangible impact we can make by helping to define what the Internet for Good looks like, and then in rallying NZ's Internet and policy community to act here and overseas to change and improve the Internet in line with that shared vision.

Measures
- Engagement with relevant national and international stakeholders to develop a shared vision of what an Internet for Good is.
- Stakeholder awareness and engagement with the vision for an Internet for Good increases over time.
- Action taken by us and by other stakeholders, nationally and internationally, changes and improves the Internet in line with our shared vision.

Goal 2: Improved digital inclusion

New investment and community-driven action drives significant improvements to digital inclusion across Aotearoa.

Digital inclusion is essential if the Internet is going to be for everyone. To assure the wellbeing of individuals, families and communities in the 2020s, digital inclusion needs to be universal - everyone needs the chance to participate in the online world.

The challenge with digital inclusion is that no one actor, sector or community can achieve it on their own. Action is needed by a broad coalition of actors, and investment is needed by government and the private sector. So are changes in how we do things, so that digital inclusion is built in from the ground up.

Building on the foundations and understanding developed in 2019/20, we will continue to work on digital inclusion in collaboration with the broad community of actors interested in or influential about it.

Measures
- Digital inclusion investment by government and others reaches $20m/year, and directly affects 50,000+ people.
  - Measure at 30/9/20 from previous goals.
    Note - may not be able to measure impact on # of people at that time.

- The Online Home for Digital Inclusion is attracting use and positive stakeholder feedback.

Goal 3: Grow .nz

To fund increased public good investment, grow the use, value and revenue from .nz domain names.

The .nz domain name space is our premier product. It offers huge value to New Zealand. This goal is about increasing the value it provides to the country through greater use and new features. We will reinforce its reliability and security through new systems and an up to date policy framework.

We will capture some of that value through flexible pricing approaches that recognise the market stage .nz is in - a mature product in a low- to no-growth situation.

Measures
- increased revenue from domain name registrations.
  - More than 15% in the two year period to 31/3/22.
  - Flexible between registration numbers and price.

- active use of domain names is increased, improving retention and registration term.

- **share of revenue devoted to public good investment.**

Goal 4: Sell new products
Develop new sources of revenue through ongoing investment in and sales of new products.

Rationale

InternetNZ's vision is broader than the domain name system. By developing new products and services we can reduce our financial dependence on .nz, introduce products that help achieve our vision, and raise more funds to invest in public good work.

In the current year we have begun to prove that new products can be done in a commercially successful way. By the time these goals are agreed, we'll have solid evidence in the form of a new product and a developing sales pipeline of potential customers. .

This is about growing the portfolio and ensuring that the products we offer are making a business return, to help fund our public good investment.

Measures
- Registry Lock is for sale in the 2020-21 financial year.
- The Broadband Map is covering its costs by 31 March 2021.
- Defenz reaches net profit in the 2021-22 financial year.
- **New products reach net profit within 24 months of first sale.**

Goal 5: Improving InternetNZ's performance
Develop InternetNZ as a high performing organisation and an excellent place to work.

We can make the biggest contribution to our vision and mission by being a high performance organisation - individually, as teams and together across the group. And we can attract and retain staff by being a great place to work.

We will build on the work done so far in founding the organisation following the 2018 structural changes to understand drivers of performance and promote pride in our work and its impacts. We will do this by developing a high level of trust and innovation within the organisation and embracing diversity to grow

Measures
- Staff baseline feedback from March 2020 is improved by March 2022
  - Perceptions on high performance and great place to work
  - Improvements in areas such as
    - Internal Communications
    - Staff development
    - Organisational Learning

- Resource planning and BAU/Project Management tools established and drives demonstrable changes.

- **Staff churn / turnover measures.**

COUNCIL MEETING - March 2020

Budget 2020/21

ITEM NO: 2.2

AUTHOR: Jordan Carter, Chief Executive and Catherine Fenwick, Organisational Services Director.

PURPOSE: To set out the strategy, summary and detail of the proposed 2020/21 Budget and seek Council Approval.

Introduction

This paper sets out the strategy for 2020/21 Budget and provides background information on key assumptions used in preparation. The purpose is to gain Council agreement to the budget and the paper should be read alongside the 2020-22 Goals and Measures

1. Budget Strategy 2020/21

This proposed 2020/21 Budget is based on the following key points:

- .nz domain name registrations projection are for flat growth in the next 12 months. There are two underlying assumptions that we have used based on historical information:
  - o Renewal levels 83.9%
  - o Average 26,000 new creates each quarter
- The price review is built in from June 1 and assumes that this has no direct effect on the flat growth in registrations.
- Increase in capability to support .nz systems based on new operating structure implemented in Oct 2019 (some positions only coming online in 2020/21).
- Income from non .nz products to reach $590,000 - major part of this from the product already launched – Defenz.
- Investment in Community Funding has increased to over $1m.
- Investment in Security position continues with step up in the year in resourcing and tools.
- Investment Income is based on maintaining a current portfolio but returns on investment are, given COVID-19 issues, looking more like 2% to 2.5%.
- A number of one-off projects such as the last phases of the .nz policy review and the digital inclusion evaluation work have continued investment in 2020/21.

- All expenditure on the .nz registry replacement project outside of the RFP process is not included in this budget (the project will be funded from reserves as required).

As the budget was being prepared, the COVID-19 situation has developed and become increasingly significant. We have taken some account of this in the Budget but there will probably be more changes needed as the year progresses.

The budget for the year is based on the Plan, including the Strategic Goals, as set out in item 2.1. There are a number of projects, both new and continuing, that support these goals and work will only be committed based on their contribution to achieving these goals and our ability to resource over the next 24 months. In 2019/20 we introduced a new Project Portfolio framework that has helped the organisation priorities projects and investment that have direct contribution to the strategic framework.

2.   2020/21 Budget: Summary (incl 2019/2020 year-end forecast)

This section shows the overall Budget proposal and includes comparisons to the current year's financial forecast and the Year 2 of the Budget we presented to Council last year. This is for clarity and transparency, to show how our plans have evolved since last year.

The subsequent section shows detail to support key expense lines and changes year to year. The Financial information laid out below gives clarity to the Council on:

- Year on Year revenues for the .nz domain name registrations with effect of flat growth and the price review
- A view our baseline costs and trends
- The continued investment in non .nz products
- Investment in capability with a focus to support .nz and security practice
- Highlighting significant one-off costs

In particular we draw your attention to

- The forecast year end outcome for 2019/20 is now for a $1,360,706 deficit (this includes a $433,353 forecast hit from our investment portfolio based on movement since February 29th and the DNCL funds described below). As you will understand we do not have certainly over the year end position at present.

- The forecast for this year now has an operating cost increase of $500,000 as we top up reserves for DNCL (this was approved earlier in the year and is in light of the erosion of DNCL's reserves, accumulated over the years, due to litigation costs over the last two years. This was earlier expected to be a capital transaction. Since it is funding operational activity by DNCL, it makes sense for it to be recognised in the operating accounts.).

- The budget for 2020/21 is showing a $630,161 deficit (this includes a much reduced spend on international travel and large reductions in the returns on our investment portfolio based on a 2%-2.5% return estimate, arising from the COVID-19 pandemic impact on the global and local economy).

- There are a number of one-off costs that we are investing in, to support our strategic goals. These include (see section in chart below)
    - .nz policy review and its implementation over the next year.
    - Digital inclusion evaluation project.

Description	2019/20 Budget	2019/20 Forecast	2020/21 Budget	2020/21 (Last Yr)
.nz registrations	10,820,000	10,743,777	11,454,236	11,144,600
other income (e.g. Sponsorship, recharge)	324,700	339,235	399,002	331,194
Total Revenue	**$11,144,700**	**$11,083,012**	**$11,853,238**	**$11,475,794**
DNCL Fee	1,340,000	1,340,004	1,449,699	1,340,000
.nz direct Cost of Sales	655,768	626,214	659,628	655,768
Depreciation/Amortisation .nz	99,276	80,462	35,519	139,276
Employment	4,635,359	4,874,841	5,004,070	4,774,419
Operational	1,818,325	1,837,079	1,902,457	1,818,325
Policy	65,000	48,056	20,000	65,000
Governance	326,036	304,559	308,682	326,036
International	385,767	279,500	148,000	385,767
Communication	130,000	59,037	70,000	130,000
Funding	895,000	855,000	1,000,000	895,000
Engagement	260,000	253,251	225,000	260,000
Membership	5,000	12,166	10,000	5,000
Deprecaition	401,640	327,432	285,534	426,640
Baseline expenditure	**$11,017,170**	**$10,897,601**	**$11,118,590**	**$11,221,231**
Surplus/Deficit pre New/One Offs	**$127,530**	**$185,411**	**$734,648**	**$254,563**
Non .nz Revenue	(275,000)	(71,400)	(590,040)	(750,000)
Non .nz Direct Costs	337,963	108,333	268,900	500,000
Non .nz Depreciation	52,738	55,106	172,843	125,000
Operating Costs	155,000	67,038	140,000	115,000
New Capacity - Commercial	140,374	109,281	192,891	130,000
New Capacity Product Ops Lead	100,000	–	145,032	100,000
Total Non .nz Products	**$511,074**	**$268,358**	**$329,626**	**$220,000**
Surplus/(deficit) after Non .nz Products	**($383,545)**	**($82,947)**	**$405,022**	**$34,563**
Marketing	205,000	160,000	10,000	200,000
New Capacity - Cyber security	292,818	117,294	340,561	400,000
New Capacity - Internal IT	–	–	105,974	–
New Capacity IT Ops	106,630	103,601	266,059	90,000
New Capacity - Tech Research	70,000	69,012	70,963	70,000
New Capacity - Engagement	145,802	126,821	164,983	140,000
Total New Capacity	**$820,251**	**$576,728**	**$958,540**	**$900,000**
Surplus/(deficit) after New Products/Capacity	**($1,203,796)**	**($659,675)**	**($553,518)**	**($865,437)**
One offs - .nz Policy Review and Implementation	301,800	272,700	301,397	–
One offs - Digital Inclusion Evaluation Project	75,000	157,500	144,000	–
One offs - branding	100,000	40,000	–	–
Total One Off Expenditure	**$476,800**	**$470,200**	**$445,397**	**$0**
Surplus/(deficit) after New Products/Capacity/One - Off	**($1,680,596)**	**($1,129,875)**	**($998,914)**	**($865,437)**
Targeted Cost Efficiencies	**$300,000**	**$0**	**$0**	**$300,000**
Surplus/Deficit	**($1,380,596)**	**($1,129,875)**	**($998,914)**	**($565,437)**
Investment activity	**$580,113**	**$269,169**	**$368,753**	**$580,113**
DNCL Reserves top up		($500,000)		
Surplus/Deficit (After Top up)	**($800,483)**	**($1,360,706)**	**($630,161)**	**$14,675**
Total Income	**$11,999,813**	**$11,423,581**	**$12,812,031**	**$12,805,907**
Total expenditure	**$12,800,296**	**$12,784,287**	**$13,442,192**	**$12,791,231**

Below we have also included a revised 3 year projection based on current information. The biggest issue we face in future years is the continued declines in .nz registrations, which is why we have included the deep thinking project in Goal 3 in the plan for this year – to see if we can think through ways to turn this around.

While the revenue in non .nz products is projected to grow over this period, the overall profitability will be negatively affected as the new products have a lower overall profit projection than .nz registrations.

Please note we have not made any assumptions on the effect of the registry replacement project in these figures.

The overall picture shows the need for ongoing restraint in expenditure, and continued efforts to make our operations as efficient as possible.

		3 Year		
	2019/20	2020/21	2021/22	2022/23
	Forecast	Budget	Year 2	Year 3
Description				
Total Revenue	$11,154,412	$12,443,278	$13,135,598	$12,873,008
Direct Costs	2,210,119	2,586,589	2,697,025	2,835,070
Employments	5,400,850	6,290,533	6,479,249	6,673,627
Operational Costs	2,064,117	2,052,457	2,012,457	2,012,457
Policy	48,056	20,000	20,000	20,000
Governance	304,559	308,682	308,682	308,682
International	279,500	148,000	298,000	298,000
Communication	59,037	70,000	70,000	70,000
Funding	855,000	1,000,000	1,000,000	1,000,000
Engagement	253,251	225,000	225,000	225,000
Membership	12,166	10,000	10,000	10,000
Deprecaition	327,432	285,534	285,534	285,534
Total Costs	$11,814,087	$12,996,796	$13,405,948	$13,738,370
Total One Off	$470,200	$445,397	$0	$0
Investment activity	$269,169	$368,753	$368,753	$368,753
DNCL Reserves	$500,000	$0	$0	$0
Surplus/Deficit	($1,360,706)	($630,161)	$98,404	($496,609)

Below we have also calculated the projected net equity position for each year. This will allow us to monitor our actual position to the targets set in the new Finance and Investment Strategy.

	2020/21 (plan)	2019/20 (forecast)
Surplus/(deficit)	(630,161)	(1,360,706)
Forecast opening equity	9,640,334	11,001,040
Forecast closing equity	9,010,173	9,640,334
Reserves	3,400,000	3,200,000
Forecasted Equity Position after reserves	5,610,173	6,440,334
Target Equity Position	5,500,000	5,500,000
Equity Lower Limit	3,500,000	3,500,000

Compliance with strategy constraints: This table demonstrates that the budget plan is consistent with the requirements of the Finance and Investment Strategy. It shows closing equity that exceeds the target level and that is well clear of the specified lower limit.

3.   2020/21 Budget: Breakdown by Goal/Project

As detailed in item 2.1 our work is focused on the updated Strategic Goals for the next 24 months. The 5 Goals continue the work we started in 2019/20 and also bring more focus to our changing environment. The work that contributes most to these goals will get priority and most of the larger items are listed below.

All work will now be validated through the Project Portfolio Framework before we approve budget and resources, and this will include review based on the objectives and benefits of the work to support our strategic goals.

Please note Opex in the table below does not include staff costs but it is based on direct costs (only exception is the additional capacity section).

Budget Allocation to Goal 1 (Internet for Good)	$ Opex	$ Capex
Internet for Good what would it be like, and how it would be different to what we have today (publications, engagement, events and research)	50,000	-
NetHui 2020	200,000	
Total Goal 1	**$ 250,000**	**-**

Budget Allocation to Goal 2 (Digital Inclusion)	$ Opex	$ Capex
Online home for Digital Inclusion	14,063	75,000
Hosting an expert advisory capability to build a toolkit for evaluating digital inclusion initiatives.	144,000	-
Total Goal 2	**$ 158,063**	**$ 75,000**

Budget Allocation to Goal 3 (Grow .nz)	$ Opex	$ Capex
Marketing for term and retention increases (Marketing Campaign - .nz Channel Cofund + Marketing Direct Campaign - .nz Potential Registrants	50,000	-
.nz Policy Review	301,397	-
Registry Replacement Project (To RFP stage)	-	448,447
New website to be launched (Final phase)	46,875	46,500
Total Goal 3	**$ 398,272**	**$494,947**

Budget Allocation to Goal 4 (New products)	$ Opex	$ Capex
New product development	-	282,165
Innovation Pipeline	40,000	-
DNS Firewall expansion	-	50,000
Broadband Map v2.0 Roadmap	-	26,000
Total Goal 4	**$ 40,000**	**$358,165**

Budget Allocation to Goal 5 (High performing)	$ Opex	$ Capex
Project envolpe to support goal for a High performing team and a great place to work,	150,000	-
Security and Risk Framework Development	104,000	
Employee engagement / feedback tool	11,200	-
Office refit	29,107	575,000
Total Goal 5	**$ 294,307**	**$575,000**

4.   2020/21 Budget: Capital Expenditure

The proposed capex budget is set out below. This is showing cash and capitalised salaries divided in the following categories:

- Baseline
- Product Development
- Capacity

CAPEX PLAN 2020/21		
Work Item	**$ cash**	**Capitalised Salaries**
Registry Replacement - RFP	$350,000	$98,447
Website Presence project	$46,500	
Digital Inclusion OnLine	$75,000	
Security Event management	$20,000	
RiskCompliance Software	$30,000	
Total by Category	**$521,500**	**$98,447**
Total Baseline Investment	**$619,947**	
Broadband Map v2.0 Roadmap		$26,000
Centralised Logging .nz	$28,000	
Registry Lock deploy	$50,000	
DNS Firewall - extra resilience	$50,000	
prodcut Development		$232,165
Total by Category	**$128,000**	**$258,165**
Investment	**$386,165**	
Premises Refit Auckland	$50,000	
Premises Hard Fitout	$400,000	
Premises Soft Fitout	$125,000	
Staff IT requirements	$50,000	
HubSpot integration into new	$50,000	
Total by Category	**$675,000**	**$0**
Total Capacity Investment	**$675,000**	
Total by Category	**$1,324,500**	**$356,612**
Total Capital Investment	**$1,681,112**	

Recommendations

That Council **receive** this paper and **note** the strategy and high level composition of the expenditure.

That Council **note** that the 2020/21 Budget is consistent with the requirements in the Finance and Investment Strategy regarding net equity, but that the attainment of investment target goals is likely to be compromised by the COVID-19 pandemic's impact on the economy and markets.

That Council **approve** for 2020/21 an operational expenditure budget limit of $13,442.192 and capital expenditure of $1,681,112.

That Council **note** the Revenue target of $12,812,031.

Jordan Carter   Catherine Fenwick
Group Chief Executive   **Organisational Services Director**

DNCL STRATEGY

DOMAIN NAME
COMMISSION nz

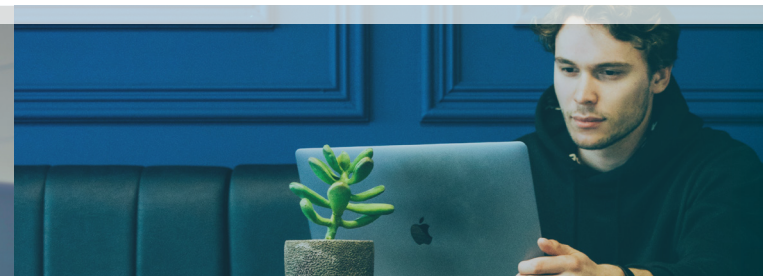InternetNZ **vision**   An internet that is open, secure, and for all New Zealanders.

InternetNZ **purpose**   Helping New Zealanders harness the power of the internet

Domain Name Commission **purpose**

To be a fair, independent and accessible self-regulator who provides trusted oversight of the .nz domain name space and an excellent dispute resolution service.

1. **TRANSFORMATION ONE**

DNCL is to promote an effective system of voluntary self-regulation in respect of the .nz domain name industry.

1.1 The operation of the .nz self-regulatory environment is independently reviewed, and regularly thereafter, by an independent party commissioned by the DNCL Board.

FROM > TO

The .nz domain name space is recognised as effective and successful at improving public good outcomes for participants in the .nz domain name space.

1.2 Maintaining trusted and respected relationships with other regulators both locally and internationally.

FROM > TO

DNCL is recognised as a contributor to best practice regulatory and governance arrangements for the .nz domain name industry and broader international domain name market.
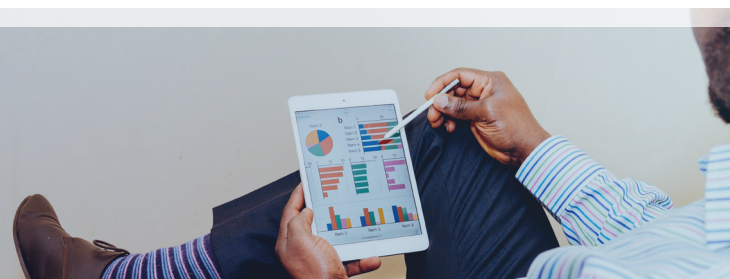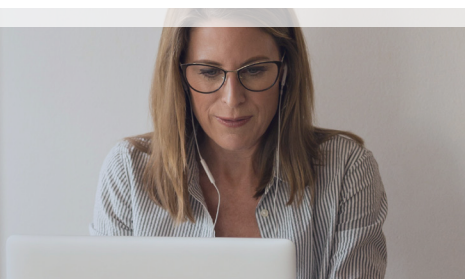
2. TRANSFORMATION TWO

DNCL retools and reassess its compliance function and activities to continuously improve and reduce compliance risks and strengthen the .nz domain name space.

2.1   DNCL has a set of discrete compliance activities that are reactionary to reports of compliance issues.
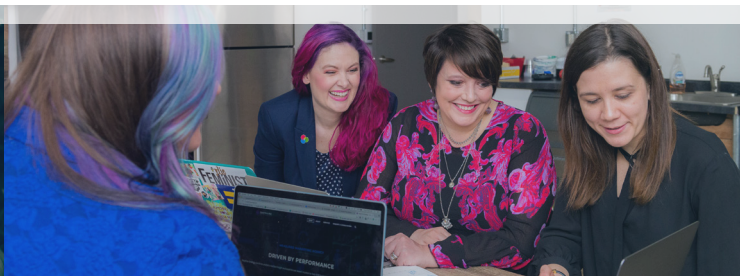
FROM > TO

DNCL has a tailored holistic compliance programme that aligns activities with a risk profile and tolerance that is responsive to changes in the domain name space.

2.2   DNCL contributes to InternetNZ group strategies related to cybersecurity.

FROM > TO

DNCL takes an active role in identifying and fixing domain name abuse issues.

3. TRANSFORMATION THREE

DNCL applies its expertise in policy interpretation and enforcement to drive better .nz policy outcomes and decisions.

The .nz policy framework has evolved from its origins in 2002.

FROM › TO

The .nz policy framework has been reviewed and updated for current needs and is validated as meeting the needs of the .nz domain name space including the local New Zealand internet community.
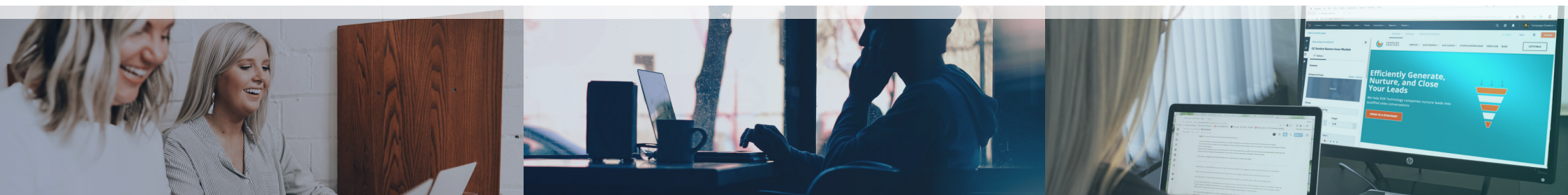
4. TRANSFORMATION FOUR

4. DNCL operates a modern, contemporary and digital first domain name dispute resolution service.

The dispute resolution service has evolved from its origins in 2006.

FROM › TO

The dispute resolution service is reviewed and updated for current needs, and is designed to resolve disputes efficiently, fairly and as meeting the needs of the New Zealand internet community.

Joint .nz group strategic transformations

DNCL also contributes to the following joint InternetNZ group strategic priorities and transformations:

GOAL 2

Modernise and improve the policy and security environment for .nz, consistent with InternetNZ's aim of being a globally excellent ccTLD.

RATIONALE

This goal began as a commitment to understanding and improving excellence in .nz. We have decided to be more specific in the 2019/20 timeframe by recognising two committed areas of work that will contribute to this.

Our strategy process identified security and stability as a threat to realising our purpose and to our ccTLD responsibilities. A security improvement programme for InternetNZ and .nz flows from this.

Refreshing the .nz policy framework through a community review process, and clearly separating policy from process, will improve its quality and usability and ensure it is responsive to the public's needs.

MEASURES

Adopt a revised .nz policy framework following a comprehensive review.

Our cyber security investment and practice is improved on 18/19 baselines, consistent with our role and the threats posed by our environment.

All high priority risks identified in the 2019 risk register review are sufficiently mitigated.

Work with registrars to develop and implement improved security covering at least 80% of the market registrars of high-profile domain names.
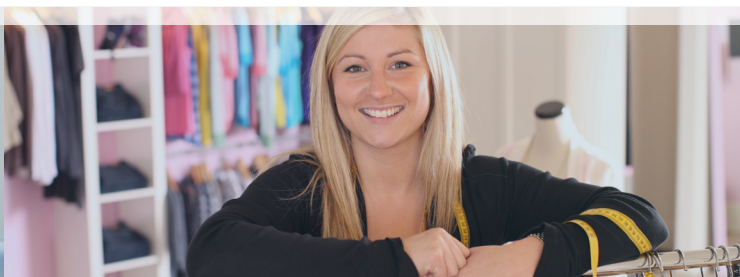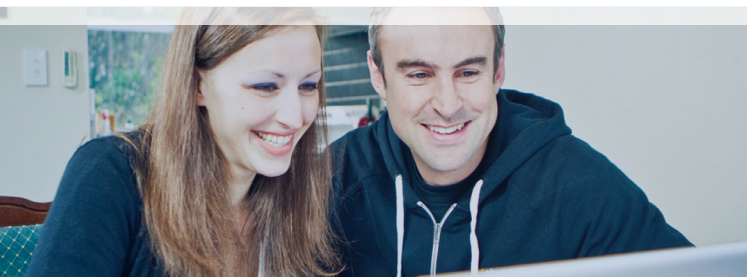
DNCL Company Plan 2020/21

ITEM NO:	3.1
AUTHOR:	Jordan Carter, Chair of the DNCL Board
PURPOSE:	To set out the strategy, summary and detail of the proposed 2020/21 Budget and seek Council Approval.

Purpose

To receive and agree to the 2020/21 DNCL Management Fee and note progress made regarding the implementation of DNCL's three-year Strategic plan.

Strategic Plan 2019-2021

DNCL continues to implement its strategic objectives. This Strategy is for 2019-2021 and is at **Attachment A**.

A major focus for this year is 'data cleanliness' and steps DNCL will take to ensure the data in the register is of high quality. This will also assist with data migration plans as part of InternetNZ's Project Mimosa registry transformation project.

DNCL staff continue to improve its monitoring capability for threats to .nz. Our passive DNS capabilities have significantly been enhanced which is resulting in between 100-200 domain names per month being validated for correct registration details. Being more alert to compliance risks and threats to .nz forms part of our business as usual activities.

Staff will be embedding the work of the Pickens and Deloitte Reviews, making changes to the Dispute Resolution service and assisting with the .nz policy review this coming year.

DNCL Budget for 2020/21 and Management Fee

The DNCL continues to operate on a break even basis and sets the management fee to cover operating costs and its contingency fund.

The 2020/21 budget is one that finances 'business as usual' for DNCL and provides for enhanced capability in the analyst, risk and threat monitoring and intelligence reporting functions of the DNCL.

It also provisions for resourcing to implement changes arising from InternetNZ's three major projects - namely, Registry transformation, end to end .nz policy review and Office re-fit.

The DNCL Board approved budget for 2020/21 is at **Attachment B**.

The DNCL Board has set the DNCL Management fee for 2020/21 at $1,449,699. This is a slight increase in the management fee of $109,699 (8%) over the current year.

The increase is primarily staffing related including the addition of a new data compliance role, shared services operational costs and change management capabilities to deal with a new registry system and .nz policy rewrites.

The DNCL budget was reduced in 2019/2020 from $1,926,850 to $1,398,114 as an outcome of the organisational review. This year's overall proposed budget for DNCL is a 12.5% increase on last year's budget. However, factoring in a baseline of $1.9M, which was the Commission's operating budget pre-organisational review, the combined 2019/20 and 2020/21 budgets will deliver a 23% cost saving over two years. More savings may be able to be realised, for example, in the international cost centre, depending on the impact of coronavirus which is largely unknown at this stage.

US Litigation

The Domain Name Commission will restore its reserves from the DNCL Board and Council decision last financial year to ensure there is $0.5M set aside. This money will continue to fund our US litigation which is set for a 7 day trial in February 2021.

The DNC will continue to brief the CEO of InternetNZ and Chair of the DNCL Board and Council as and when required.

Recommendations:

THAT the Council notes DNCL's three-year Strategic Plan and focus areas for 2020/21.

THAT the Council agree the DNCL Management fee for 2020/21 of $1,449,699.

Attachments:

Attachment A: DNCL Strategy 2019-2021

Attachment B: DNCL approved 2020/21 proposed budget below:

DNCL: 2020-21 BUDGET OVERVIEW	
INCOME	**$**
new - Accreditation Fees	29,625
1250 · Authorisation Fees	9,000
5080 · DRS Complaint Fees	27,000
5100 · Management Fees	1,449,699
7010 · Interest Income	11,515
1540 · Sundry Income	46,612
Total Income	**1,573,451**
EXPENDITURE	
DNCL Board	40,100
Communications	34,000
Compliance	69,000
Dispute Resolution Services	103,000
Registrars	24,000
International	149,396
Office and Administration	297,992
Personnel and Staff	767,549
Professional Services	58,000
Projects	35,000
Total Expenditure	**1,578,036**
Depreciation	9,404
Other Comprehensive Items	-
Net Profit/Loss	**($13,990)**
US Litigation	**$90,000**

MINUTES
COUNCIL MEETING

Status:
Draft - To Be Ratified

Date
14 February 2020, 8:45am

Present:
Jamie Baddeley (President), Joy Liddicoat (Vice President), Don Stokes,
Sarah Lee, David Moskovitz, Richard Hulse, Kate Pearce and aimee whitcroft.

In attendance:
Jordan Carter (Chief Executive), Catherine Fenwick, David Morrison, Dave Baker, Kim Connolly-Stone, Andrew Cushen, Dane Foster, Brent Carey, Sam Sargeant and Diane Robinson (minute taker).

Apologies :

Cr Amber Craig.

Meeting opened:
The meeting started at 8:45am
Staff joined the meeting at 9:38am

Section 1 - Meeting Preliminaries

1.1   Council only (in committee)

1.2   Council and CE alone time (in committee)

1.3   Karakia, apologies, interests register, and agenda review

The President opened the meeting with a Karakia.

Apologies received from Cr Craig.

The following updates were made to the Interests Register:

- Cr Stokes advised that he is a Consultant of Liverton Security.
- Cr whitcroft advised she is a Board member of Wildlife.ai.
- Cr Moskovitz and Chief Executive Jordan Carter are no longer involved with DEDIMAG.

1.4   Environment Scan

Don provided an update on strong themes from the NZNOG conference:

- IPV6 is now being seen as "dead" globally - a contentious argument presented at the event.
- Technical discussions on DNS over HTTP.
- COVID-19 Coronavirus and the effects on the economy.

Section 2 - Strategic Priorities

2.1   Draft Financial and Investment Strategy

Jordan introduced the paper and advised that staff have developed the strategy based on the Council's shared assumptions on the underpinning matters agreed at the previous meeting..

As well as a general statement of the approach, the following targets were proposed and outlined in the paper. The idea is that they provide financial goals for the organisation to pursue in the medium term, and would not be changed from year to year. They would guide the annual budget process.

The targets proposed were:

- Target: Net Equity $9.0m - we would aim to maintain net equity at this level over time. Anet equity target has been proposed because it nets out changing levels of domain name registration fee pre-payments, and because it incorporates both operating and capital budgets.

- Limit: Net Equity $7.0m - the balance sheet must not show net equity of less than $7m at any point.

- Target: Portfolio return 3.5%+ per annum - the annual average return on the cash invested by InternetNZ. We are aiming at .5% above our traditional performance.

The implications of these assumptions are that InternetNZ would neither seek to significantly increase nor significantly erode the current level of financial reserves, but would have some flexibility for deficits or surpluses over time.

Feedback provided by Council:

- Why are the numbers fixed? Could these be CPI adjusted? Management noted these would be regularly reviewed.
- Targeting net equity (includes reserves), Council suggested subtracting the reserves required by various policies so that the target would be a number where there is some discretion over how it could be used.
- Underlying assumptions, it was agreed by Council, InternetNZ are not wanting to drive up the overall financial position at this time - that is, we are explicitly not aiming to accrue large additional financial assets.

- To change the review of the strategy from three-yearly basis to review in one year. This is to allow us to accommodate perspectives of the impending appointed council members. This was agreed while noting that Council expects the financial targets to be stable over time.
- Ethical Investment definition - needs further work on the definition of Ethical.
- Angel Investor - restate that we will not directly invest in anything, we are only going to invest in funds and not in listed or unlisted entities.

RN01/20   THAT Council adopt the matters in the paper, including the
                        financial targets and limits, and asked staff to develop a
Financial   and Investment Strategy document.

RN02/20   THAT Council adopt the Investment Policy, incorporating
feedback   from Council.

<div align="right">
Block Consent (Vice President / Cr Hulse)
CARRIED U
</div>

AP01/20   To explore ethical investment and what it means at a future meeting.

AP02/20   Develop a Financial and Investment Strategy.

2.2   Goals and Key Projects: 2020-2022

This paper builds on the paper presented to the Council in December 2019 'Strategic Framework and Goals- Proposed Updates'. It presents revised content on the five Goals and their measures, and highlights key projects that staff are developing for each, as well as key BAU work that relates to these goals.

The expectation is that these goals have a two year time horizon. They would apply from 1 April 2020 to 31 March 2022.

The **Goals** are:

1. **Grow .nz**
   To fund increased public good investment, grow the use, value and revenue from .nz domain names.
2. **Sell new products**
   Develop new sources of revenue through ongoing investment in and sales of new products.

3. **Develop Internet for Good**
   Work in Aotearoa and globally to help develop an Internet for Good.
4. **Improved digital inclusion**
   New investment and community-drive action drives significant improvements to digital inclusion across Aotearoa.

5. **Improving InternetNZ's performance**
   Develop InternetNZ as a high performing organisation and an excellent place to work.

Council provided feedback:

- **Goal 1** Grow .nz Goal - review the measures to include value of the domain e.g. to connect with a public good funding measures.
- **Goals Priority Order -** It was agreed to reorder the Goals in the following order 3,4,1,2,5. This keeps the purpose based goals at the forefront.
- **Goal 5 Improving InternetNZ's performance** includes staff turnover in the measurements.

RN03/20   THAT Council noted the Goals and Key Projects: 2020-2022, as amended to include public good funding measures in the goals.

AP03/20   Staff to provide further information on 2 year net profitability for DEFENZ at the next meeting, and measuring profit for other new products.

AP04/20   Revise the paper Goals and Key Projects 2020-2022, with the amendments presented at the March 2020 meeting.

2.3   Approach and context for Budget 2020/21

Council commented:
- Why is the 'Cost of Sales' forecasted lower than the budget? Staff advised that the DNS Firewall launched a few months later than anticipated, and so both revenue and costs are lower.
- Why is there a $200k difference in community funding from 2019 $895k and 2020 $705k? This prompted a lot of discussion, and it was noted that previously InternetNZ communicated publicly a target to increase community funding to $1m. The Council confirmed that they would like to achieve the strategic goal of $1m for community funding in the 2020/21 Budget.
- Employment has significantly increased to $6,130,653 from $5,419,150. Management commented that the costs included adding the Security function, restructuring of the Technology and Products teams, as well as capability for the Registry Replacement project.
- On the governance process aStand approach for the approval of the budget, further deliberations by Council are needed to define responsibilities between governance and management. As things stand, Council will continue with its past practice of approving the operating and capital expenditure limits in the Budget at the March meeting.

Jordan requested to schedule discussion on 'Efficiencies' for either the May 2020 meeting or the Council Retreat (August 2020).

RN04/20   THAT Council note the updated Budget planning approach, with the overall financial goals of the organisation being set out in the Financial and Investment Strategy, and the Budget key metrics flowing from that Strategy.

(President /Cr Lee)
CARRIED U

RN05/20   THAT Council note the context for the preparation of next year's Plan and Budget, and note that staff will prepare the 2020/21 Plan and Budget consistent with the key metrics as agreed.

(Cr Hulse /Cr Pearce)
CARRIED U

AP05/2020   Staff to schedule a session on Efficiencies for the May Council Meeting or the Council Retreat in August.

Note: The reference to a changed approvals process for the Budget was not agreed. Council may return to this at the next meeting.

Break 10:52 - 11:05am

2.4   Annual .nz Pricing Review

Cr Stokes left the meeting.

Staff presented additional information as requested by Council at the December meeting.

RN06/20   **THAT** Council approve an increase in .nz domain name pricing of 25c per month per name (from $1.25 to $1.50 per month; from $15 to $18 per year, all prices excluding GST) effective from 1 June 2020.

(Cr Moskovitz / Cr Lee)
CARRIED

NOTE that Don Stokes was not present for the resolution.

AP06/20   Develop a Communications Plan for the Annual .nz Pricing Announcement.

Section 3 – Matters for Decision

3.1   .nz Registry Replacement Project: Decision on next steps

Council was briefed on the outcomes of the EoI process, and on the evaluation panel's recommendations for the RFP phase as set out in the resolutions adopted below.

Cr Whitcroft left the meeting at 11:40am.

RN07/20   THAT Council note the project update and the expenses
incurred for the EOI phase.

RN08/20   THAT Council note the next step in the process, being an RFP to
procure a registry system for .nz operating locally.

RN09/20   THAT Council note the initial cost estimates for the RFP
phase.

NOTE that Don Stokes was not present for the resolution.

Block Consent (Cr Hulse / Cr Lee)
CARRIED U

3.2   Updated Strategic Framework

Cr Stokes rejoined the meeting at 11:44am.

Jordan spoke to the paper by reminding Council that the current framework
our WHYs are about Internet for All, Security and Trust, and Openness. It is
proposed to reduce the framework to two WHY's. These would be **Internet for
All** and **Internet for Good**. Staff sent out a survey to the public and members
and the response was warm.

Following these changes, further work needs to be carried out on clear End
States that set out our vision for what success looks like in these areas. Staff
will do some drafting on these and will seek input from the Council prior to
the March meeting.

Council Commented:
● Under Internet for all - include privacy as part of security.
● Under Internet for good - suggestion to change the wording that The
World needs an evolved Internet for the 2020s rather than 'updated'.

RN10/20   THAT Council approve the proposed changes to the Strategic
Framework, and note the Chief Executive's intention to bring End
States work to Council for its consideration at the March 2020
meeting.

(President / Vice President)
CARRIED U

AP07/20   Staff to prepare a draft of End States for the March 2020 Council
meeting, to share with the Council for input prior to the meeting.

3.3   Appointed Council Member Process

The above policy was tabled in 2018, but was not adopted at the time. In order to progress the Appointed Council member process the policy should be adopted. This policy will be revised as part of the new Governance Charter.

Fellows will assist with the Appointed Council Member Process - the President is soliciting volunteers from the Fellows to fill their roles on the Panel.

RN11/20   THAT Council adopt the Appointed Council Member Policy.

(President / Cr Hulse)
CARRIED U

4.1   President's Report

There was no report.

4.1.1 APTLD visit
The President advised that he is no longer able to go to the APTLD due to other work commitments. The Council delegation will be three Council members.

4.2   Council report-back from ICANN Montreal (Nov 2019)
Cr Lee and Cr Pearce provided a presentation to the Council on their trip to ICANN and their learnings.

4.3   Management Items for Discussion

Jordan presented the Management Items and highlighted the following:
● Key Risks - further work being carried out to review the risk management policy and register and any new risks that the new strategic framework / goals has introduced to the environment
● InternetNZ will be celebrating its 25th Anniversary year in 2020 and staff asked the Council for any ideas to mark this occasion. Council suggested focusing on the next 25 years of the Internet and how this might evolve.
● Post-Christchurch Update - ongoing engagement with Government on the domestic policy response has focused on proposed changes to the Films, Videos and Publications Classification Act. InternetNZ have been invited to comment on an exposure draft of the bill.
● Marketing experiments of .nz conducted this year have not had the desired impact in driving anticipated growth and staff provided commentary to this for Council.

Council Commented:
● On the impact from increased DNCL compliance measures (data validation). Some of these impacts could potentially result in 5k names being cancelled (combined impact from this and from Registrar consolidation in 2019/20). The positive impact is increased trust and security.

4.3.1 Security Update

The Chief Security Officer (CSO) advised that a new Security Steering Group has been established.

There have been no serious security incidents to be brought to the attention of the Council.

The CSO advised that both the Business Continuity Plan and Disaster Recovery Plan were modified to incorporate security incident reporting and security oversight.

Council Commented:
● The proposed work programme will take time to implement, while they accept this they look forward to seeing results.

RN12/20   THAT Council note the Management Items.

RN13/20   THAT Council note the February 2020 update from the Chief Security Officer.

Section 5 - Consent Agenda

5.1   **Confirm Minutes of 6 December 2019**

5.2   **Actions Register** - no outstanding actions.

5.3   **Membership Update**

5.4   **E-votes Ratification**

5.5   **Health and Safety and Wellbeing Update**

There has been a working group created for the Covid19 pandemic environment planning. This is being led by the Chief International Advisor Ellen Strickland.

5.6   **Operational Reports**

     5.6.1   **.nz Quarterly Report**

     5.6.2   **DNCL Quarterly Report**

     5.6.3   **Group Financial Report**

     5.6.4   **InternetNZ Financial Report**

     5.6.5   **Measures of Strategic Goals 2019/20**

RN14/20 THAT Council approved the minutes of the 6 December 2020.

RN15/20 THAT Council note the Membership Update.

RN16/20 THAT the Evote(s) are ratified.

RN17/20 THAT the Health and Safety and Wellbeing Update be received.

RN18/20 THAT the Operational Reports be received.

5.7 Grants Reporting Update

There was a discussion held regarding the reporting approach for Grants, with some concerns expressed about whether the nature of the reporting is what is needed by Council. Our community investment funding in grants is significant. Staff agreed to review the reporting and suggest to Council in March how it could be improved.

RN19/20 THAT the Grants Reporting Update be received.

AP08/20 THAT staff and the Chief Executive consider the feedback received and report back at the March 2020 meeting.

Block Consent Section 5 - (Vice President / Cr Hulse)
CARRIED U

Cr Moskovitz left the meeting at 12:45pm.

Section 6 - Other Matters

6.1 CONTINGENCY

6.2 Matters for communication – key messages

6.2.1 Communications in general

6.2.2 Upcoming events

6.3 General business

- October Council Meeting to be moved so it does not clash with the ICANN meeting.
- Council Retreat will follow the 14 August meeting, the retreat being for Friday and Saturday nights.
- The Chair of the .nz Policy Committee advised the release of the .nz Issues report this afternoon. The Council commended the excellent quality of the report and appreciation of the work carried out by the Chair and Panel.

RN20/20 THAT Council agree to move the October meeting to the 9 October 2020.

AP09/20	Staff to organise the Council Retreat for the weekend following the Council meeting on 14 August 2020.
AP10/20	Staff to update Council Meeting schedule.

6.4   Meeting review

Next meeting:

The next scheduled Council meeting is Friday 27 March 2020.

The meeting closed at 12:50pm.

Council Actions Register 2020

As At March 2020			
Action No#	**Action**	**Owner**	**Status**
AP01/2020	2.1 To explore ethical investment and what it means at a future meeting. Due By May/Aug 2020.	Chief Executive	Due May/Aug
AP02/2020	2.1 Develop a Financial and Investment Strategy	Organisation Services Director	Completed
AP03/2020	2.2 Staff to provide further information on 2 year net profitability for DEFENZ, measuring profit for other new products.	Commercial Director	Due May
AP04/2020	2.2 Revise the paper Goals and Key Projects 2020-2022, with the amendments.	Chief Executive	Completed
AP05/2020	2.3 Budget 2020/21 - Staff to schedule a session on Efficiencies for May Meeting or Council Retreat in August.	Chief Executive / Organisational Services Director	Due August
AP06/2020	2.4 Develop a Communications Plan for the Annual .nz Pricing Announcement.	Engagement Director	Completed.
AP07/2020	3.2 Strategic Framework Staff to prepare a draft if End States	Chief Executive	Completed
AP08/2020	5.7 Grants Report - THAT staff and the Chief Executive consider the feedback and report back for March 2020.	Engagement Director/ Chief Executive	Completed Reporting Framework Developed for March Meeting.
AP09/2020	6.3 General Business - Staff to organise Council Retreat for weekend of 14 August 2020.	Executive Assistant / Chief Executive	In Progress

AP10/2020	6.3 General Business - Update Council Meeting Schedule - Council Meeting 9th October	Executive Assistant	Completed

Financial and Investment Strategy

Introduction and Purpose

The Finance and Investment Strategy sets out InternetNZ's financial goals, and the principles which underpin its financial and investment decisions. It is the key document by which Council sets long term financial parameters for the annual planning and budgeting process - the Strategic Framework and Goals guide the operational parts of that planning process.

For some time, the need for a financial strategy has surfaced at Council meetings. Staff and some Council members have worked to consider the issues such a Strategy would cover. In late 2019 and early 2020 Council developed this Strategy, which is published as part of our commitment to transparent governance.

An Investment Policy (see https://InternetNZ.nz/governance) sets out the approach to investing our financial assets consistent with this Strategy.

Overall, this Strategy makes it clear that InternetNZ will retain a level of financial reserves that will allow us to deal with unexpected events, while otherwise maximising our contribution to New Zealand.

Guiding Principles

The following key principles guide our financial and investment decisions.

Principle	Position
Organisational Longevity	InternetNZ's role is long term. For financial purposes, we assume the organisation has a role at least for the next decade and probably longer. This affects our investment time horizon and risk appetite.
Risk appetite	Our risk appetite is varied. For prepaid domain name fees it is low/conservative, and for other assets it is medium/moderate.
Boundaries	We will take an ethical[1] investment approach.

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[1] What this means in practice is still evolving, with Council scheduled to discuss it in May 2020.

Specific risks or boundaries	We will not invest in .nz connected entities or assets, to avoid a conflict of interest (e.g. buying a registrar or reseller).
	We prefer general investment strategies to sector specific ones, and we do not use investment of our reserves to mitigate business risks.
	Investments will be in New Zealand and offshore, but will always comply with all applicable laws and regulations.
Angel investor	We will not engage in any angel investment - we will only invest in managed funds. If we change this in future, we will consult members and stakeholders.

We aim to be efficient and prudent in the work we do or fund, and to apply appropriate competitive and due diligence processes and tensions so as to maximise the impact of the money we spend.

Financial Targets

Consistent with the above objectives, we propose setting the following targets - for Council discussion and deliberation.

Target / Limit	Description
Target: Net Equity minus Reserves: **$5.5m**	The balance sheet should show net equity around $9m, on average. Minus operational reserves of $3.5m at February 2020, this leads to a target of $5.5m.
	A net equity anchor is useful because it nets out changing levels of domain name registration fee pre-payments, and because it incorporates both operating and capital financial matters.
Lower Limit: Net Equity minus Reserves: **$3.5m**	The balance sheet must not show net equity of less than $7m. Minus operational reserves leads to a limit of no less than $3m at any point.
Target: Portfolio return: 3.5%+ per annum	The annual average return on the cash invested should equal or exceed **3.5%**. This is around 0.5% above recent averages.
	Note: global events such as the current COVID-19 pandemic may challenge achievement of these targets.

The required Operational Reserves are calculated as part of the annual Budget process. Financial reports will report on the Targets for Net Equity minus Reserves (Quarterly) and Portfolio Return (annually). The implications of these assumptions are that we are neither seeking to significantly increase nor significantly erode the current level of financial reserves.

Investment approach

The key aspects of the investment approach are as follows:

Operational Reserves: short term availability - would be held at bank on short term deposit or savings / current accounts, as we do today.

Funds held on trust: domain name prepayments - would be held in a cash-based investment fund. We currently invest all such funds in short-run term deposits.

Discretionary Reserves: all remaining funds - would be held in growth-based managed funds. We currently (31 Dec 2019) have around $3.1m invested in such funds.

These are detailed in the Investment Policy.

Review Process

This Strategy will be reviewed by Council on an annual basis, with the first review slated for February 2021.

While the Strategy will be reviewed, Council's guidance is that the financial targets embedded in it are unlikely to change in the short or medium term. The organisation can plan its work consistent with these, subject to the annual Budget process.

Jamie Baddeley   Jordan Carter

President   **Group Chief Executive**

March 2020

HIGH LEVEL REPORTING FRAMEWORK

ITEM NO: 8.2
AUTHOR: Andrew Cushen, Engagement Director
FOR: InternetNZ Council
PURPOSE: Seek Council input on a revised reporting framework.
DATE WRITTEN: 19/03/2020

Summary

This paper considers the range of reports that are currently being produced. In scope are:

- Governance level reporting.
- Publicly available reporting.

Out of scope are:

- DNC reporting.
- Customer reporting: this is done via specific tools and portals that provide customers of .nz, DefeNZ and the Broadband Map with the insights they need to understand opportunities and the business we do together.
- Management reporting.

The objective of this paper is to consider the reports that are in scope, and propose how these may be developed to:

- Increase the utility of the information by focusing on the audience requirement of the report.
- Assure that the right areas are being reported on at the right level of detail.
- Reduce the operational overhead in producing the current set of reports.

Background

The current reporting framework is a mixture of legacy reporting approaches inherited from the old operating structure as well as new creations that seek to represent the scope of the new InternetNZ.

The overall set of reports has not been considered as a suite in some time. Tactical moves have been made to represent the information in these reports; away from long "text heavy" approaches to more single page, graphic heavy summaries.

Despite these tactical changes, the use of these reports is very low. Available data shows that the Operational Reports section of the InternetNZ website (https://internetnz.nz/operational-reports) is viewed approximately 10 times per month, with many of these views suspected to be by staff.

GIven the new internal structure, and given the changes contemplated in the new website platform project currently in progress, this is a useful time to consider how InternetNZ engages our customers, stakeholders, public, and staff in providing useful summary information.

Current reporting framework

InternetNZ is currently producing the following reports:

Report	Purpose	Contents	Frequency
Activity Report	Summarising activity across the organisation	Word-heavy progress reporting on: - Strategic goals progress; - Ongoing business - operational summary; - Staffing and risks.	Quarterly
.nz Report	Commercial performance of .nz	Graphic-heavy summary of .nz market, domains, infrastructure and compliance activity.	Quarterly
Product Development Report	Development progress of new products.	Graphic-heavy summary of new product development pipeline.	Quarterly
Measures of Strategic Goals	Monitoring progress on strategic goals.	Graphic-heavy summary of work done on the five goals.	Quarterly

Financial Report - InternetNZ and Group	Monitoring financial status.	Financial summary information.	Quarterly
Grants Report	Status update on awarded grants	Summary information on: - Grants made; - Progress against deliverables; - Prospects for further promotion and leverage.	Quarterly
Annual Report	Summarising the annual financial performance and delivery.	Includes: - Graphic heavy summary of the work undertaken during the last financial year, sourced from the other reports and created specifically. - Audited annual accounts. Constitutionally required to be presented to the Members at the Annual General Meeting.	Annually

Purpose of reporting

Reporting has the following purposes:

- Informing the Council of operational delivery, to allow for accountability and tracking of organisational performance and strategic decision making about resource allocation.

- Informing InternetNZ members of priorities and delivery by the organisation.

- Informing the public, the Internet Community and our stakeholders of how InternetNZ is delivering to its purpose and mission.

- Providing transparency.

Most of the reports listed above are intended to meet all of these requirements; in doing so, these reports risk meeting none of the above requirements well. Evidence for this assertion is the readership statistics included above. A different approach, of centering reporting on audience needs, may better achieve these purposes.

Developing an audience-centric approach

The following reporting framework is intended to match reporting with the purposes and the audiences.

Included in this approach is the concept of retaining some information only to members. This would require the development of new capabilities, which are in scope for the second phase of the InternetNZ web platform work, to be undertaken in 2020/21.

Audience	Purpose	Reporting	Distribution
Council	Operational delivery Organisational performance Strategic decision making	- Financial reports as current; - Strategic report that assesses progress against goals and the agreed measures; - Operational report developed to be a concise summary of key progress.	Presented to Council as part of the Council meeting agenda.
Members	Understanding priorities and delivery	- The information presented to Council, and; - **A new membership report -** development of a summary of privileged information for members, giving insight into the range of work the organisation is doing.	Using member specific channels - currently the email lists. Develop the ability to restrict access to members-only as part of the new-website platform, as a benefit of membership.
Public, Internet Community & stakeholders	Fulfilment of purpose and mission	- Annual report - continued development of the graphic summary approach; - **A new quarterly stakeholder update**, concisely covering what the organisation has delivered; - **A new approach to grants storytelling -** relevant and timely summary and	Distribution across public facing communications channels.

		celebration of community funding delivery and impact, produced annually.	

Reports to be retired

The following reports are recommended to be retired:

Report	Rationale	Replacement
.nz Report	Not being read. Duplicates in a summary form the information that is presented to the channel anyway.	Incorporated into reporting presented to Council and available to members.
Product Development Report	Not being read. Contains potentially commercially sensitive information.	Incorporated into reporting presented to Council and available to members.
Grants Report	Grant-making in general is being changed with a Panel approach, for Chief Executive approval. The report otherwise only appears in the Council meeting pack, and is separate from public information that is presented here: https://internetnz.nz/past-funding	Incorporated into reporting presented to Council and available to members. Development of a new grants "summary and celebration of community achievement".
Measures of Strategic Goals	Not being read.	Repurpose this content as an "executive summary" in the new membership report, and include appropriately in Council reporting.

Approach and next steps

The approach to re-developing the reporting is that it is timely, concise and readable. We will not drown Council or other stakeholders in detail; we will be focused on what is important. We will use visual design as appropriate to save words and make information clear.

Following Council discussion and agreement of the high level structure set out here, the organisation will develop these reports over the coming months, and roll them out for the period ending 30 June on the usual timetable.

Recommendation

THAT Council **note** the proposed changes to the Reporting Framework, the approach and next steps set out, and the intention to develop the capability to restrict information to members as part of the second phase of the web platform project.

Andrew Cushen

Engagement Director

19 March 2020