

MINUTES

COUNCIL MEETING

Status:

Final

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. A net 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.

Block Consent (Vice President / Cr Hulse)

CARRIED U

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 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.