

**ICANN
Transcription
CCWG Auction Proceeds call**

Thursday, 29 March 2018 at 14:00 UTC

Note: Although the transcription is largely accurate, in some cases it is incomplete or inaccurate due to inaudible passages or transcription errors. It is posted as an aid to understanding the proceedings at the meeting, but should not be treated as an authoritative record. The audio is also available at: <https://audio.icann.org/gnso/gnso-new-gtld-auction-proceeds-29mar18-en.mp3>

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Coordinator: Recordings have started.

Terri Agnew: Okay great. Thank you. Well good morning, good afternoon and good evening everyone. Welcome to the CCWG New gTLD Auction Proceeds call held on Thursday the 29th of March, 2018.

Attendance for today's meeting will be taken via the WebEx room and the audio bridge. If you're only on the audio bridge could you please let yourself be known now? And I do know that Kavouss is currently on the audio bridge. Anyone else?

Elliot Noss: Yes, Elliot is on the audio bridge.

Terri Agnew: Okay, thank you.

Erika Mann: And Stephanie, I believe is on the audio bridge.

Terri Agnew: Claudia I believe is also on the audio bridge. Okay, all right and I would like to remind all to please state your name before speaking for the transcription and please keep your phones and microphones on mute when not speaking to

avoid background noise. And with this I'll turn it back over to Erika Mann.
Thank you.

Erika Mann: Thank you so much. This is Erika Mann. So I like to move to our next point which is the welcome, so welcome, everybody, and I hope you enjoy this new WebEx, which is a little bit different than Adobe, and we are already experience some difficulties. But I believe we will learn and so let us just move forward.

Let me ask you if we have some updates concerning the conflict of interest declaration? That's not the case? I have to declare that – which is not related to auction proceeds, but the company I work for, Covington, we do have clients which are interested in – because of different interests on Whois and in dispute case so I will have to update the conflict of interest declaration. I did it on the Whois form but I haven't done it yet elsewhere so I hope to be able to do it as soon as possible.

Somebody else?

Ching Chiao: Erika, this is Ching Chiao...

Erika Mann: Yes.

Ching Chiao: I do not have the SOI but I have just a reminder of how to raise hands in the chat room. So if everybody can see on the WebEx there's a little hand icon in the right hand side so you'll be seeing that. So just like to remind everybody you still can raise hands and speak.

Erika Mann: Yes, so we will have some issues. I would say once we have make the introduction or maybe we do it quickly before, Ching, if you want to give this quick update again. So we do have some – just be reminded that on the WebEx, not for everybody the site you will see on your computer looks

identical so we do have some issues here. But Ching was just reminding us in the case you want to mute and in the case how to raise your hand.

So if you want to mute you have to go to the little – on the top there's a name which shows as Panelist and there's on the left side from the name panelist a little triangle. You have to click on it and then a small – the outline of the design changes and bit and suddenly you see right from your name you see the option to mute. It's a little bit complicated. So Ching, again, where do we find the raise hands button?

Ching Chiao: So I'm using the Mac version of WebEx so the mute button is actually you know, in the middle of the right hand side of the screen, so you'll be seeing a mute button. And also the raise hand button what I see is right on top of my – there's a little bar with the chat room so on top of the chat room and also on my screen on the middle right hand side you'll be seeing a hand icon and when you click it you can – you'll be able to – I mean, anybody in the WebEx can see me raising hand like I have this gray hand icon showing up now.

((Crosstalk))

Erika Mann: The problem is but we don't want to go into – the trouble is one always has to move between different opening of the site to see when – and which is a little bit problematic. But let's go forward and let's test how far we can go and how far we are capable and managing a new technology.

So if there's no further updates, then let's move to the next item on the agenda, which is our exchange with our external expert, Russell Haworth from Nominet. Thank you so much for joining us. We already had the pleasure to experience your in-depth knowledge and experience in the topic we want to talk to you about at our meeting which we had in San Jose. It was such a pleasure to have you there and we are so grateful that you are joining us again today for a longer debate and exchange.

We only have two topics today, it's the discussion we'd like to have with you and then to the very end we have to review our work done, but that's all. So we want to spend as much time as possible with you.

Now, I think it's important to mention that you joined about – Nominet about three years ago and that you – before that I looked at it, you have an interesting career because you worked for venture partners.

Russell Haworth: Yes.

Erika Mann: And for some (unintelligible) for many years, so you have an experience in funding environments which I gather from your work with venture partners and you have a lot of international strategic career as well. And then you moved to Nominet, which brings you much closer to our environment. Somebody needs to mute. I hear a TV or a radio.

Man: ...showed you for any other matter you'd like to talk about...

((Crosstalk))

Erika Mann: Can we identify who it is?

((Crosstalk))

Man: And...

Terri Agnew: I am looking. One moment.

Man: ...and share the...

Erika Mann: You don't hear this what I hear? Oh, thank you so much. So Russell, thank you so much for being with us, we are really looking forward. And just give me one more topic which I think is interesting to hear from you because you

mentioned in San Jose that the experience you have with the Nominet Foundation actually started as a – as a kind of foundation which you created first outside of Nominet and that you are currently in the process of in-sourcing the foundation which you had built before.

So I believe we are very much interested in hearing your expertise with this foundation. The reason why you outsourced first and then the reason why you are considering or you are in-sourcing it now. If you remember, we are still at an early phase to identify what is the best model or as we call it, the best mechanism in our case. There's no experience in the ICANN environment about having built a foundation before, so we are deeply interested in your case. Please...

Russell Haworth: Okay.

Erika Mann: ...be so kind just introduce yourself again if you want to and then tell us whatever you'd like to tell us.

Russell Haworth: Okay, well first of all, thank you very much for the introduction. And for the record it's Russell Haworth from Nominet. I will try and answer the brief and happy to take questions as we go and I will try and tackle the first part of the question which is around why did Nominet originally set up the Nominet trust and so as you mentioned, I've been here for three years and the trust was set up before my time. So I'll tell you what I know and hopefully that's a fairly accurate representation of the truth.

But if there are follow on detailed questions and I can get my – our legal team to shed some more specific light on it. But in essence what Nominet as a country code has been very much an organization focused on public benefit and so many of the CCs scale with being operating very successful registry and over the years have built that up to what is now over 12 million domains under management.

But back in 2008 the decision was made by the Board that in order to meet public benefit goals, what we wanted to do was set up an independent organization that was effectively taking some of the surplus and specifically looking at how it can invest – when I say “invest” I mean, give grants to organizations and via the trust to individual companies to effectively do public good and all of that with a technology bias.

So in effect, perhaps different to the way that ICANN has, Nominet had yearly profits that it needed to either put on the balance sheet or put towards something of public benefit good. Now we could do one of two things, we could have done that in house at Nominet and set up a department, or we could have set up a trust.

And the benefits of setting up a trust is that in the UK at least there are some tax advantages and what that meant is once we generate profit from our P&L, we got some tax relief by essentially donating some of that money to the Nominet trust, which I think is distinct from the situation that we’re talking about here in the sense that ICANN have got almost a lump sum. So there may be a different dynamic than we faced at Nominet but I will tell you what I know from Nominet and we can try and compare and contrast between the current situation at ICANN.

So to follow the story, Nominet Trust was set up in 2008 and effectively the relationship between Nominet and Nominet Trust was that we gave roughly £3 million per year into the Nominet Trust. Now the Nominet Trust had its own Board of Trustees and it essentially a large part of its governance was a Board of Trustees, one of which, or a couple of which could be made up from Nominet. But the objective of having its own Board of Trustees, a Nominet Trust, was that it was able to identify its own strategy to a degree and also look at what best it should invest in, again, when I say “invest” I mean give grants to, and effectively what it did was built itself out over the years to be the UK’s leading social tech investment.

And so when we look at where it's evolved from and where it's progressed to, it started with giving grants of – to smaller organizations, businesses who were focused on everything from printing prosthetic limbs for individuals to businesses which were essentially using technology to support young children that were physically disadvantaged and it was all of these initiatives that they were giving money to small businesses who wanted to make a difference in people's lives.

Now some of these businesses were for profit and some of them were not for profit, but in essence, the money was granted through a series of grants, mostly very early stage companies so they could try and get a helping hand as they wanted to investigate or accelerate their social tech investment and businesses. And the monies went from Nominet Trust into these businesses had, what we think is a big impact.

Now, over the years, Nominet Trust have developed a series of mechanisms whereby one of the investments and granting criteria is that the companies who receive the investment measure social impact. And so this became quite a sophisticated way of looking at what the organizations who received the grants were trying to achieve and how they were measuring that. So we think that's a very good thing to do.

Now the other twist to the business model is it also worked with other venture capital firms who were looking to invest in the social technology space as well as businesses looking to grow mostly in the UK, I have to say, that wanted to leverage the funds from Nominet Trust, but equally we worked with larger organizations, large charitable organizations who were trying to appropriate funds for larger scale initiatives, so Comet Relief, as many of you may know or Save the Children, funds like that which Nominet Trust worked with to have a social impact.

So let me just pause there and perhaps open it up for any comments or questions because I'm sure we could – I could talk about Nominet Trust for

quite a while but I think as it specifically relates to this circumstance, others may have some questions that you may want to explore at this stage.

Elliot Noss: Elliot in the queue.

Russell Haworth: Please.

Elliot Noss: Yes, thanks. It's Elliot Noss. I wondered if you could talk about the Nominet mission and how the foundation's actions relate to the mission? You know, specifically, you know, as I understand it, Nominet does have a mission, you know, in their chartering documents and it sounds as if the foundation is quite broad in the grant. So, you know, if you could speak to that, that would be great. Thanks.

Russell Haworth: Yes, so I think it's fair to say that the areas of social tech is very broad and so where we wanted to really focus the trust was around having a principally one of increasing digital skills. So about three years ago we looked at shaping what we mean by the social tech and effectively what we said was we want try and influence Nominet Trust to focus on digital inclusivity, i.e. digital skills, security and getting more people online.

And so that – how that relates to Nominet, well actually the more people go online, then the more people theoretically would want a dotUK email address and actually more vibrant Internet space. Keeping people safe online was obviously a key element and concern as we run the dotUK name space, and increasing number of people who have from different age groups, different social backgrounds the ability to access the Internet and get educated via various initiatives was important as well. So it was about inclusion, digital skills and safety.

Elliot Noss: A follow on if I could?

Russell Haworth: Yes.

Elliot Noss: That sounds – so I want to, you know, where we are struggling is, you know, there are some efforts to really narrow what – when I say what we can do – what the CCWG can recommend in terms of conformance with the ICANN mission. So I understood everything you said, it made great sense to me. Frankly, you know, we'd love to be, you know, taking similar approaches. Did you have any issue relating those, you know, the work of the foundation to the Nominet mission specifically, to the Nominet charter, separate from the foundation?

Russell Haworth: Yes.

Elliot Noss: You know, I think you had described, you know, I think you described rightly, you know, the remit of the foundation from the organization. But I'm talking about sort of a specific kind of legal adornment to the charter.

Russell Haworth: So let me try and answer that – well let me try and interpret your question and tell me if you need any more on that. There are two aspects to is, one of which is Nominet's – Nominet has a fairly broad charter in the sense that we have the ability to set our own strategy, we are – our corporate strategy has actually evolved certainly over the last three years and in essence where we're focused on is very much what we can do to diversify the business as well as focusing on delivering, you know, solid country code name space.

So if you think about what Nominet is constitutionally set up to do, we are there to deliver public benefit but actually we set our own strategy, so we are a company limited by guarantee, we have our own board, which is distinct from the Nominet Trust, we set our own strategy and appropriately the funds to dotUK in the first and foremost but then so other initiatives as we are trying to execute on the strategy, so for example, recently we've been looking at what we can do enter into the cyber security market.

So how that relates to Nominet Trust, which is a separate legal entity, and there are memorandums of understanding between Nominet Trust and Nominet, to try and better align what we have been doing as a Nominet organization and what Nominet Trust are doing. And that's less of a legal arrangement but one which we try and ensure that we are seeing eye to eye and we have, you know, regular meetings between the Nominet Board and the Nominet Trustees to ensure that we are aligned to the best extent we can but also recognizing that there's legal independence between Nominet and Nominet Trust.

Elliot Noss: That's great. Thank you very much.

Russell Haworth: Now it may be worth coming onto the second part of the tale here, which is what's happened recently...

Erika Mann: Can you wait a second? Russell, can you wait a second? We have Alan in the queue. I would love to take him.

Alan Greenberg: Yes, thank you. I was just going to say that the limitation of mission on what we can do with our funds is a very ICANN-specific thing and I'd like to get back to the experience that Nominet has with their trust and why they're bringing it inside, so yes, please go ahead.

Russell Haworth: Yes, so that's a perfect segue to what I was just about to touch on, which is, you know, Nominet – like most organization, Nominet is an organization that – of ambition and we want to evolve as an organization particularly recognizing that actually our domains under management have now reached a level of maturity and so as a business we want to be successful over the long term which requires us to look at how we can diversify our revenue streams beyond just the domains.

And so we've evolved our strategy and we are very much focused on the mission of trying to create more of a vibrant digital future that is connected,

inclusive and secure. Now, that's – that's one where we as Nominet are driving towards. We think there's a real symmetry between being a profit with a purpose organization and we think the symmetry there is we have to generate profit over the long term in order to give back to having a positive impact via technology in society.

And so our goal is to positively impact over 1 million lives a year through our social tech investments as was, which is now migrating to our in-house activities which is focused around giving grants and having a public benefit impact on those three areas of connected, inclusive and secure.

Now why did we have to bring the Nominet ambition for having public benefit in house as opposed to do it via the Trust is probably the key question there. And I think that's an interesting story in the sense that we think Nominet Trust have done amazing things over the last 10 years. Nominet has collectively given Nominet Trust over £40 million pounds during that time. And it's now evolved to be the leading social tech investor and grant-giver in the UK.

They have ambitions to achieve even bigger things and we felt as though it was time after 10 years to look at how Nominet Trust can evolve its strategy to have a bigger impact on social technology. And social technology, as I said earlier on, is a fairly broad field and I think as we focus on connected, inclusive and secure and they're focusing on social technology, it was a natural time to say actually is Nominet Trust the right vehicle for Nominet as we look to do – to have a social impact going forward. And it felt like the right time to review that so we did review it.

And Nominet Trust are looking at bringing in other partners into their organization and grow that and I'm sure that will flourish, perhaps not under the Nominet Trust branding in future. And Nominet will look at ensuring that we've got skills in house to appropriate funds and have an impact on our mission of 1 million lives a year via investing in areas that go to our mission of connected, inclusive and secure.

So it was a focus and because we wanted to have an impact on those three areas, connected, inclusive, secure, we wanted to have more of a control over what funds got appropriated where which is difficult once you're operating under two distinct legal frameworks where Nominet doesn't have a direct influence over Nominet Trust. And so as I say, with one organization focused on social technology, another one focused on connected, inclusive and secure, we felt as though that was the right time to look at the options and we now decided that Nominet Trust will look at other partners going forward and lightly rebrand under a different name.

And that will – that's happening at the moment. It's not concluded yet. So we will no doubt see the next incarnation on that trust over the course of the next few months.

But that is literally in progress as we speak.

Erika Mann: Thank you. This is Erika. I need some help. Marika is dialing me in the background. So please don't be surprised because I can't see who is raising and I understand there is Vanda and then followed by Marilyn.

(Alan) you have to let me know if you want to back to your question.

And I saw Stephanie but I'm not sure if she actually raised her hand. And since she I believe is only on the audio bridge, Stephanie please let us know if I should put you in line. So Stephanie you want to be in line as well.

Alan Greenberg: And it's Alan. My hand is back up again for this queue.

Erika Mann: Perfect. So can I keep the order? I take Vanda, Marilyn, Alan and wait in the near time if I hear something from Stephanie. And then I put myself in the queue as well so Vanda please.

Vanda Scartezini: Yes. And thank you, Vanda for this. Thank you Russell. It is very interesting. I have a question for you. That your firm's, your trust is – has a plan to expand the (grant) to out of UK.

So you have those kind of plan or you're going to – you believe that (unintelligible) just big (grant) inside the UK. So thank you.

Erika Mann: It's Erika. Russell, please be so kind just answer this question even if I don't come in just to give us a little bit more time please.

Russell, you still here?

Coordinator: Erika, Russell's line was disconnected. We're dialing him back now.

Erika Mann: Okay wonderful. We wait a second. Thank you so much.

Coordinator: And it looks like Russell's back. Is that correct, Russell?

Russell Haworth: Hi there. Sorry about that. I'm back now.

Erika Mann: Hi Russell. Did you hear the question or shall...?

Russell Haworth: No.

Erika Mann: ...Vanda repeat it?

Russell Haworth: No, I didn't. I'm sorry.

Erika Mann: Okay Vanda please be so kind.

Vanda Scartezini: Okay, Vanda again for the record. My question, Russell, thank you very much for your presentation, very interesting and my question quickly is do

you have a plan to expand – to give up your grants outside the United Kingdom or just keep on United Kingdom organization?

Russell Haworth: That's a really good question. So we are at the moment given we are bringing it in-house we are looking at the framework for which we decide where monies are appropriated around the connected, inclusive and secure.

Now I think principally we are looking at the UK. But we do acknowledge that there are, you know, the Internet is an international operators and there may be very worthy initiatives that we would look to fund that are outside of the UK.

So I think while there's a focus that we were not exclusive on the UK but as I say that's the primary focus.

Vanda Scartezini: Okay thank you.

Erika Mann: Marilyn please, Marilyn can you hear?

Marika Konings: This is Marika. I see that Marilyn is muted and (Julie) can you maybe assist in unmuting Marilyn?

Coordinator: Yes, just a moment. Okay Marilyn.

Marilyn Cade: Let me try it again. Thanks.

Marika Konings: No, you're good. You're good. You're good.

Marilyn Cade: Thank you.

Marika Konings: You're unmuted.

Marilyn Cade: My name is Marilyn Cade. And thank you so much for joining us. I first want to just say as others may want to say as well, I had followed Nominet's work now for many, many years.

And particularly appreciate the contributions that Nominet has made. I know you've been at Nominet for three years. But Nominet's contribution to stabilizing role of CC engagement at ICANN is quite impressive and your role model through the trust is also quite impressive.

So let me open my comments by saying that. I did want to go onto a couple of questions. And I did post it at the end of the call.

But I think I had – last call. But I had been so late, it probably fell off. I'm interested in the learning experience that Nominet had from having an outside trust that then led to decide okay, we learned enough that we can take this on internally.

And I'm going to be quite direct about my personal inquiry on this. I come from the business sector. I work for a major corporation that had a significant foundation that would be called AT&T.

I also helped to establish other small foundations that were external to (funders). I'm interested in your views on did you learn something extraordinary when you had an external trust that now you feel like you have the skills to bring it inside and make it closer to your mission?

And then I have a follow-up.

Russell Haworth: Yes, okay. Well thank you for that. And, you know, we're obviously glad to take part in these sort of discussions to play a role where we can.

So the learnings I would say are one principally around how to look at the vast array of potential opportunities that could you no doubt give funds to.

And try to understand which one of those ideas is aligned or best aligned to the social impact.

And so what Nominet Trust did well was have a clear sense of measuring what application had the strongest tie-in to having the social impact.

And so without going into too much detail on this call they developed a – nowadays you probably call it through Big Data, some historic perspectives on what – so what types of organizations tended to be the most impactful. And which organizations were typically more successful by looking at types of flaws or opportunities in the business models that we're asking for grants.

And so I wouldn't say that this is anything other than experience that was built up amongst the team that they codified via a number of different applications and tools to identify which were hitting the sweet spot between those who are having the social impact and those were likely to continue because they had a good perspective on the market.

So for example, were they in digital skills training? Were they likely to have a big impact because they had something unique to offer? It was identifying particular coding skills or it was in a particular part of the UK or there was a particular angle to who they were training, i.e. was it targeted at the younger generation or girls or what was it specifically about their business model that would make them successful.

So I think there's an element of trying to make sure you can separate the weak from the chest through the vaster amounts of applications that Nominet Trust got over the years.

And we feel as though, you know, while we're not taking the intellectual property created through the Nominet Trust we do feel as though we have an opportunity now to learn from their experiences of measuring social impact.

And apply that to our three pillars which are focused – more focused for us around that connected, inclusive and secure and not the broad brush of social tech which I think we could all acknowledge is a fairly broad spectrum.

And so, you know, we brought – we actually also brought in one of the guys that used to work at Nominet Trust into our organization as well. So we are bringing some of that knowledge in-house.

But, you know, I think more than anything else we will learn that, you know, you can be overwhelmed by applications and what we've looked at over the course of the years is to whether we invest with just grants or whether we take structured debt or whether it's equity. There are a number of different financial instruments one could look at for having a social impact.

Now the Nominet Trust always focus on grants. And we never got into equity stakes or structured debt or any other hybrid debt instrument. It was very focused on early stage grants typically staged, you know, the kind of very seed or Stage 1 of the growth process.

So, you know, from our perspective we've witnessed what they've been doing. We think we can apply that to what we are doing going forward in some ways because we've got three pillars where we're quite focused on the areas of impact we want to have. We - in some ways theoretically could be somewhat easier for us to identify which areas we want to support because we've got more flexibility.

I think we could look at doing different instruments than just grants. But at the moment we're still working that through and yet to find the conclusion on that.

Erika Mann: Marilyn you had a follow-up question. This is Erika.

Marilyn Cade: Thank you. And it's probably a two part, so Marilyn speaking. So I see a significant contribution made by a consistent funder which to a large granting organization might be viewed as a small grantor. But if we were to allocate the investment from the funds we would certainly have approximately as far as I can tell something close to the consistency of the funding that you have provided.

So that's just kind of a short statement. Because I want to ask a follow-up question.

At ICANN I am very, very concerned on behalf of the business community that I represent and with significant experience frankly, not only my own but other businesses in organizing foundations, creating contributions to other funding mechanisms, concerns about the independence, the need of independence from the – from ICANN itself.

So I wanted to ask a question about your views on how we maintain a completely separate and independent approach as we go forward because right now I see a lot of people saying pick me, pick me. I'm going to get funded. We're going to use the funding for this or that.

And I think there's a need for an independent identity and needs to be fairly understood.

So perhaps you could comment about your views on it.

Russell Haworth: Yes. I mean I guess these are obviously personal views. But I mean first of all, I think you mentioned earlier on, earlier in the discussion at least. It was referenced that ICANN has its own vision and goals and missions which is fine.

But what I would say is that this entity or whatever entity gets created assuming there is one for the appropriation of the funds I think it needs to start with a mission, its own mission.

And that needs to get created by an independent body and, you know, if – so if you're going to go down the path of trying to set up an independent organization, it obviously needs to have its own Board. It needs to have an independent view from ICANN ideally.

And while also maybe some representatives of the ICANN Board on the new entity Board, I would suggest that most organizational structures would warrant that the organizational that's created for charity purposes has a degree of independence.

And the organization assuming there is one that gets created, would need to have its own mission that could and should have a crossover with ICANN I would suspect but equally have its own objectives.

Otherwise I think you will get into a lot of hands out asking for funds. And there's no basis on which to clearly allocate and fairly allocate funds to organizations that are perhaps worthy of getting invested into.

So I think it's perhaps stating the obvious in a way. But if there was an organization set up then at least in drawing on the Nominet Trust experience there was a degree of objectivity between the Nominet Trust trustees and what they want to do. Clearly a lot of dialogue between Nominet and Nominet Trust but in our case we saw the value in having independence between Nominet and Nominet Trust via the Board of Trustees.

So as it relates to ICANN I suspect that if the decision was to set up a separate legal entity then that legal entity would need to have a degree of autonomy in terms of how it and where it invests.

Erika Mann: Russell thank you so much. We will bring in (Sophie Hey) a little bit later concerning one of the tax issues. (Sophie) I'm pretty sure you're on the call so and Marika will send you a separate question but we will bring you in a bit later.

I'd like to take Alan now and then Stephanie and then I have myself in the queue, Alan please.

Alan Greenberg: Thank you very much. It's Alan Greenberg speaking. The issue of what we fund and independence in terms of making decisions, I don't believe is a major issue in ICANN. Whether we outsource it or do it inside we will still set up a mechanism to make sure we have independent evaluators that are not subjected to the pressures of the organization.

I think what we're mainly interested here, at least I'm mainly interested is what you have learned in terms of the mechanisms of how do you distribute the money, how do you evaluate projects afterwards.

Now you said originally that you set up a trust mainly for tax purposes. That's not an issue for us. We are considering either outsourcing it or setting up a second organization as a more effective way of doing it, not necessarily as a more independent way of doing it.

And I think we would like to understand have you learned something from that kind of process. It's – you know to some extent if you look at what is in some areas a standard business practice of keep to your core mission. Don't – you know outsource something if it's not part of your core mission. That would indicate to us that we should outsource this business because our core mission is not giving away money.

And we shouldn't clutter up our internal organization with it. On the other hand, costs may indicate that it might be a lot cheaper to do it in-house than

to fund another organization or to outsource it to an existing other organization.

And it's that kind of decision that we are looking for guidance on in terms of giving away the money, evaluating projects and, you know, going through the mechanics of the process, not so much what – which projects are we selecting for it. Thank you.

Erika Mann: Russell do we still have you? Are you there?

Russell Haworth: Yes. Sorry. I'm just...

Erika Mann: Russell. Okay.

Russell Haworth: ...(unintelligible).

((Crosstalk))

Erika Mann: Yes, please.

Russell Haworth: No. I'm here. I'm just – sorry, I'm just trying to process the question a little bit. So I want to make sure I answer the question specifically. I understand the point that you don't need to set up a – the in-house or external perspective. That is one of the elements.

But equally it doesn't sound like, you know, you're particularly interested in learning more about what we've been doing to get the independence. That sounds like, you know, something that I think you got in place whether it's in-house or out house but what specifically would you like the guidance or some discussion on? Sorry, I missed. I may have missed the question. I want to make sure I remember it.

Alan Greenberg: All right, thank you. Let me ask it from a different point of view. You originally set this organization up, you said mainly for tax purposes. You could have...

Russell Haworth: No. Yes.

Alan Greenberg: Well yes, if I – just let me finish. You could've now set up a second foundation with a different name to do what your new mission calls for you to do.

Russell Haworth: Right.

Alan Greenberg: And kept the other one which will look for other funders. But you've decided to bring it in-house.

And, you know, perhaps part of it is you realize the tax issues were not relevant and you could handle it another way. Or perhaps there are other issues that you considered and decided to bring it in-house as opposed to go – you know build a second foundation since you now have the experience on how to do it. Thank you.

Russell Haworth: So thank you for clarifying the question. I mean I guess my perspective would be that the – there are two principal reasons. I mean perhaps more as I think about them, that we look at bringing it in-house as opposed to create a separate trust. One is that we – by virtue of the fact we don't have a separate Board Nominet can more closely focus and control the quantum, the cadence and the areas in which initiatives are funded so that's the first point. It goes to the ability to control kind of dial up and dial down what we do and when we do it.

And that was in effect what we're trying to do with the Nominet Trust was to say if Nominet has got proceeds we will give that money to Nominet Trust. And Nominet Trust had its own infrastructure and needed to have a certain

amount of funds going to it every year in order to keep it a viable entity and liquid entity.

So actually bringing it in-house means that we don't need to worry about having separate infrastructure per se, we can do it more or less at our own choosing and when we feel as though we want to put funds to a particular entity, maybe bigger than what we anticipated in the past, maybe smaller. But it just gives us that degree of control. It also means that if we feel as though more needs to go to a particular project that's in one of the three pillars I talked about we have that flexibility.

So we very much not set up the new foundation because we wanted that focus and flexibility of that kind of quantum and cadence if you will on particular areas of where we wanted to invest behind those three pillars. So that's principally the reason why we've not continued to look at the trust structure.

And actually just a small point. We do get some tax relief anyway on some of the charitable areas that we invest behind. So it's – I think originally we set up the trust because it was very much a tax evasion vehicle. But actually, you know, from our perspective we can also get tax relief on some of the investments we're making directly.

So the rationale to setting up a trust and actually in some ways putting an air gap from a governor's perspective between Nominet and Nominet Trust or whichever vehicle we chose to set up didn't make sense anymore.

Erika Mann: Okay thank you so much. Alan, I want to mention to everybody as well as Russell if you agree, if you have a follow-up question that we can send it to you and hopefully you will be so kind to be able to answer the follow-up questions as well.

Let me give the floor to Stephanie. Stephanie, are you with us? Can you hear us? Stephanie?

Coordinator: I'm looking for her line, one moment.

Erika Mann: Stephanie, are you there?

Alan Greenberg: She says her hand is not up.

Erika Mann: We're trying to figure out how she can talk. Or she might have the same problem as I do. This is Erika. (Julie) or somebody else, can somebody check if maybe she is muted?

Coordinator: Her line is not muted Erika. I just checked.

Erika Mann: Thank you so much (Julie). Okay.

Stephanie: It's Stephanie. Can you hear me?

Erika Mann: Yes.

Stephanie: Oh wonderful. I actually didn't have anything to say. I think my hand must be showing up for you and it's not. I'm just listening.

Erika Mann: Okay. Okay sorry. You were showing up. Then let me go to (Daniel).

(Daniel): Erika, okay. Can you hear me well?

Erika Mann: Yes.

(Daniel): Okay. So I have a couple of questions and also remark. I think some of the experts and actually from one of the meetings or by email mentioned that one of the risks when creating a new foundation, its own mission and

independence is that it's not doing a temporary setup because it would have in the end a (life) of its own and the ICANN auction grant ends, you know, when the action will run ends. And this foundation will probably have reason to want to survive, so that's a decision that we have to weigh in that is if we create a new foundation then it has a high chance of surviving the auction fund and do something similar maybe. Anyway, that was remark.

And as far as the question for an expert in managing projects, I had my own idea but I'd like to understand your point of view on the number of project officers as we can them in Europe, you know, people that are managing grants, following everything from evaluation to the review, et cetera, and whether that number depends on the size of the project. There are sort of, you know, range of projects that need much more personnel than others in terms of the (unintelligible). Thanks.

Erika Mann: It's Erika. Russell, are you with us? Can you - did you hear the question and can you answer?

Russell Haworth: Yes. I'm sorry. Once again there's a bit of background noise so I'm not quite sure I understood the nub of the question.

Erika Mann: This was about how many project managers you are working with and how many project managers if you would imagine they - how big the projects are, the funding are in general.

Russell Haworth: So well let me it in context. We did about let's say 3 million pounds a year in grants, sometimes up to 5, but we had - so we had overall ten staff. And in terms of the overall - the number of people looking at projects and evaluating, I would say probably half of that, so four to five people evaluating projects, and we were probably looking at 25 grants a year.

So, you know, it's probably a multiple of at least ten, I would say 20 times that in terms of the grant applications versus the grants. So, you know, there's a

fair velocity of grants. So let's say for example just in bold round numbers, around 500 applications a year and around 20 grants were given, of approximately anywhere between, you know, 250,000 and below.

Erika Mann: Thank you. Thank you. So - this is Erika. So your grants are relatively small and probably the case for ICANN will probably be a very different scenario. But it's good to learn from definitely to learn from your example. I'm just checking on who else in the moment in the queue and who wants to raise a question. I can see in the moment again the - if somebody is raises his hands or her hand. Is somebody in the queue?

Marika Konings: This is Marika. I believe all the hands and question marks that are still in the queue are old ones. I still see (Vanda) with a question mark, Marilyn with a hand and a question mark, Stephanie with a question mark, and (Daniel) with a hand, but I'm assuming at this stage that these are all old hands. I actually haven't found a way yet in which we can clear the different statuses.

Erika Mann: Okay. Thank you so much. So then I was - Russell, I was wondering when you took the decision to in-source the trust, what was the main argument for you to do this? And by the way, for our team who is managing the call, somebody is still not muted. I hear - it seems to be not Stephanie anymore but somebody else. Can somebody please review and maybe do a force mute?

(Julie): Yes.

Erika Mann: Thank you so much. Russell, back to you. So my question is what was the main reason why you are in-sourcing the trust?

Russell Haworth: Yes okay. That's fine. So for the record Russell. I will - it goes back to some of the points I mentioned earlier on. I put them in three areas. One, as I mentioned, one of the elements of having a separate trust is separate governance structure and cost base that goes with that.

So I think it's - remember, it's an organization that has in our case ten people in Nominet Trust that is an independent, has a board of trustees, which, by the way just for everybody's benefit, were not paid and so the board of trustees were independent, unpaid, was chaired by somebody who is, again, unpaid, and was - had people who were either part time or full time in the organization that were paid.

So, you know, there was a cost to keeping a trust running but also it was, to a degree, independent of Nominet. And what we wanted to do was direct our grants and pose the benefit activities around the three pillars that I've mentioned already around the connected, inclusive, and secure, so it was tied closer to Nominet's mission.

The other point I've not mentioned so far which I think is an important concept for us is I wanted to make sure that people in the organization at Nominet felt very connected to public benefit. When people walk in in the morning and do whatever job they do in the organization, it's important for them to feel as though they are part of us having an impact on society, a positive impact on society.

And by us looking at what initiatives we want to fund, we're also involving staff across the organization and, you know, that could be the corporate lawyers looking at what we are doing in terms of reviewing the structure for a public benefit investment, it could be people who are in all walks of life, including the help desk even, on why we would look at doing a particular investment in a project, going through to even leveraging some of our technical expertise.

So we have a bunch of very smart guys in our emerging technology and innovation team who really understands the wireless spectrum market. And so when we are looking at connecting with our TV whitespace and dynamic spectrum management communities in Scotland then that we can draw on

the expertise of the people in our innovation team, and that's really motivational for them when they see that they're actually having a benefit of connecting rural communities with wireless broadband who would never have got connected otherwise.

So I think through a number of reasons, just to remind you one of which is around governance and by bringing it in house we have less of that, by bringing it in house we have less cost, and by bringing it in house we have more involvement on where we can direct funds but equally we can engage staff directly, and that's quite motivational for people in the organization.

Erika Mann: This is Erika. Very interesting. Just a follow-up question if I may have, one to the current model and one to the past model, I would assume that even when the trust was outside of the organization you still kept oversight. And coming back to the current model, it feels like you don't have a final decision structure. So who is making the final decisions after you consulted with so many people inside the organization? Who's making the final decision for a particular fund to support the project?

Russell Haworth: In the old world at Nominet Trust it was through a number of initiatives but each grant was granted by the board. So the initiatives that were getting recommended and approved was at the Nominet Trust board and so that was one thing. On - in the new world, meaning where Nominet is doing public benefit ourselves in-house, if you will, effectively we - I've had a certain degree of discretion as to what I'm able to support as a chief executive.

If it's a fairly significant sum, we'd probably take that to our board. So we have a number of structures whereby below a certain amount I will approve it, above a certain amount it will go to our board. And we are working through a framework at the moment to identify on what grounds we invest in something and what grounds we don't, but primarily based on its suitability, feasibility, and the transparency on which we can measure social impact.

Erika Mann: This is Erika. Russell, thank you so much. I do have the feeling we don't have anybody else in the queue, which means we have exhausted the questions for the moment. Can I come back to my point?

Alan Greenberg: Erika, it's Alan. I am in the queue.

Erika Mann: Alan, sorry. Please go ahead. I'll take you -- just give me a second -- I'll take you as the last one, if everybody agrees, because we still have to talk a little bit about the work plan later. And I hope we can come back to Russell if we have other questions in the near future. Alan, please go ahead.

Alan Greenberg: Yes thank you. Just an observation. If I understood what Russell said, then with the in-house operation, one of the benefits is the board for instance can weigh in and say, "Yes, we'd like to shift focus a little bit" or "We favor this project" and certainly the board has the last say I think you said on whether to fund something or not.

In our environment, I suspect if our board started doing that, we would call that interference and would - we would not want the board to weigh in over the independent group of people that we put together as the evaluators. So, you know, just shows the contrast in different organizations and how they - the philosophy of how they will make these kind of decisions. Thank you.

Erika Mann: Thank you, Alan. And that just raises an interesting point -- this is Erika -- which we should put on our to-do list and on our work plan. There might be a time where we will have to review if the current model we are looking into, depending on the outcome of the model we are favoring, or the mechanism as we call it, if there needs to be a kind of, you know, evaluation board or something, a cross-community conflict resolution board or something in case conflict arises. So maybe we should put this on one of our future calls. We shouldn't talk about it right now but we definitely may want to look into this.

Thanks so much for this point, Alan. Russell, coming back to you, are you fine that we send you some follow-up questions if they come up?

Russell Haworth: Yes. That's absolutely fine. I'm happy to do that. I was only - the only thing I would say is the more concise the better so we can respond to that as quickly as possible. I just want to come back to the prior point that was around perhaps the independence point, which is I want to be careful and make sure everybody's understood what I was saying there, which is in the Nominet Trust world they have their own board and in Nominet we have our own board.

We have a series of frameworks and assessments that we go through to look at which ones we need to escalate to the board. Not all of the ones, particularly in the context of Nominet, will go to board approval, only on over a certain size or if they are in somewhat unique or delicate in some ways.

We've not had the experience too many times but I just want to make sure that that point was understood, which is there are in the Nominet Trust world there was a set of procedures and clearly identified processes before it got to the board but equally, you know, it was kind of recommendation to the board that the board could then agree on.

And as contrast that with the Nominet situation where we only go to the board over a certain amount, which may be helpful in the context of in an ICANN setting, you may only want to get board approval for amounts over a certain threshold or where there's some areas that fall slightly outside of the mandate for the grant giving organization.

Erika Mann: Thank you so much. But that's a good point because - and Alan's follow-up question was good because it helps us to focus on another aspect which we have to look into it. (Unintelligible) thank you so much and thank you for coming back to this back. Russell, thanks so much again. Feel free to stay with us and to listen to our work plan, but if you have enough from discussing

potential funding of our foundation model, please feel free to do something else. Thank you so much again.

Marika, can I give the floor to you? There was one question which (Ching) has just to tell you he was interested...

Russell Haworth: Thank you.

Erika Mann: Thank you so much, Russell. There was one question (Ching) has in relation to tax issues which should have gone to (Javier) but we had difficulty in ensuring that (Javier) can respond. We know he's on the call but we have difficulty in transmitting the question to him so I recommend we send him the question and then he can respond to it by email.

So, Marika, would you be so kind to explain the - our work plan to us?

(Javier): Erika?

Erika Mann: Oh, (Javier).

(Javier): Yes, I've been on all the time. I'm not sure what difficulty there has been. I - (Ching) has asked a question in the chat, which I responded in the chat.

Erika Mann: Oh you did already? Fine.

(Javier): (Unintelligible) It was not related to tax issues so I'm happy to answer any tax-related questions.

Erika Mann: Just go ahead. The only question he was if it would be - if ICANN - this new entity would be allowed to finance projects outside of the United States based on the current tax model which we have.

(Javier): Well, based on the current tax status of ICANN, there's no specific issue with overseeing any grants on a worldwide basis. It would be operational and logistical challenges but that's not anything different than what we do today when we operate anywhere else in the world than in the United States.

If there would be a new entity created, we would need to ensure the consistency of the tax status, which is dependent upon the mission and a number of other criteria. We would need to ensure the consistency of the tax status to ensure that there's no taxable activities. And that's unrelated as to whether they are within the US or in another country.

But that would be a setup of that new entity that would determine and drive that we have no tax impact or that we do have tax impacts depending upon what the setup of the organization would be. So that's something we need to be really careful about but it's not, in my view, connected to whether the grants are made within or outside of the United States. Thank you.

Erika Mann: Thank you so much, (Javier). It's another issue which we will have to look into in more depth in the near future. So, Marika, now to you.

Marika Konings: Yes thank you, Erika. And it's - for those who are on WebEx, if you go to the top of the screen you see a tab that starts with work plan and note this is also the document that Erika circulated on the mailing list I believe yesterday. So as outlined in the email and staff worked with the leadership team to review the work plan following our meetings at ICANN 61 and, you know, with a goal of trying to get to initial reports by the ICANN meeting in Panama, which is in June of this year.

So as a result of that, you see that we've made quite a number of modifications to the work plan. I know that we have a - I think a dropped line. (Julie), if you could identify that line and maybe mute it.

(Julie): Yes, I'm trying. One moment.

Marika Konings: Thank you. So in order to be able to meet that target of having an initial report out for public comment prior to the Panama meeting, we've had to add quite a few additional meetings to the list. So we basically moved from having meetings every two weeks to meeting on a more weekly basis, and of course it would also require the related preparation and review of materials to be able to move in this pace.

I think as Erika's email outlined, what we're looking for now is a commitment or an indication if CCWG members especially, but of course also participants, are not able to meet this pace of work, because of course we're dependent on your participation and input to meet such an ambitious timeline. So again, that was circulated on the list yesterday.

I don't know if everyone already had a chance to look at that. Erika, I don't know if it would make sense - of course if people have comments at the moment they can of course put up their hands, but I don't know if it's worth to give people a couple of additional days to look at this and maybe we can put in a deadline by, I don't know, Tuesday of next week for anyone that has any concerns or objections to this timeline to share that either with the mailing list or off list so the leadership team has a better idea of whether this work plan is realistic and, you know, (unintelligible) the commitment to join the meetings that will be scheduled over the next couple of weeks.

So does that make sense, Erika? Is there anything else you want to add to that?

Erika Mann: Yes this is Erika. No I think those captured the topic well. And we reviewed the - somebody needs to mute. So when we review the list - is this me?

Alan Greenberg: It's (Maureen)'s line.

Erika Mann: It's (Maureen)'s line. (Maureen), can you be checked please? So when we reviewed the list we came to the conclusion we have to - we need some more meetings because I think it's extremely important that we have a deadline. If we worked without a deadline and we continue after Panama, I think it's just not healthy for setting up goals and for defining such an important project where so many things are depending upon. So I think we need to have the deadline, but to meet the deadline we need to have more calls.

Now there's another way of doing it and you might want to take it into consideration. Both Marika and (Joka) and the team and everybody on this call, if you don't like weekly calls, we could of course extend the hour calls. And if we are fast and we cover more topics in a single call, we are fine but I mean that's another option that we extend it to two and a half if not three hours just to cover the work which we need to do.

So, Marika, can we extend it next week until Wednesday? Because I think Tuesday's maybe a little bit tight for everybody. Is Wednesday still working for us internally?

Marika Konings: Yes. This is Marika. I believe that is fine. There is one no with regards to next week's meeting. We're trying to confirm participation from the European Commission and EIB for an exchange of views and a Q&A session similar to what we did today, but we likely won't have a confirmation on that until early next week. So I think we probably want to ask everyone to pencil it in. We will send out a call notification for next week, but do keep in mind that the actual taking place of that call is dependent on their availability.

Erika Mann: Yes good that you mentioned this. At the moment I received only information that they are next week all on holiday. It's a holiday week, Easter week, for most European institutions. So most of them are closed next week, and this includes the EIB. Now we might get one person but I'm not certain if it's going to work out. So keep in this mind. There might be a meeting with an expert

next week on Thursday but very likely not. But please keep a slot reserved in your calendar for next week Thursday.

Can we agree upon this? Okay. I don't see a comment. I don't see anybody. We will send you a follow-up email like we always do and with all of the information. So maybe there's a call next week Thursday with the European Commission and the European Investment Bank and if not then we will have a call in two weeks' time and you'll receive an email from us. And we wish you happy - those who are having Easter time, happy Easter time and enjoy the long weekend. Thanks so much to everybody.

Woman: Thanks, all.

Woman: Thanks everyone. Today's call has been adjourned. Operator, can you please stop the recording? Everyone have a good rest of your day.

END