

# INTERNATIONALIZED DOMAIN NAME POLICY EFFORTS

The potential introduction of IDNs represents the beginning of an exciting new chapter in the history of the Internet. IDNs offer many potential new opportunities and benefits for Internet users of all languages around the world by allowing them to establish domains in their native languages and alphabets.

An IDN ccTLD (Internationalized Domain Name country code top level domain) is a country code top-level domain corresponding to a country, territory or other geographic location as associated with the ISO 3166-1 two-letter codes with a label that contains at least one character that is not a standard Latin letter (A through Z), a hyphen, or one of the standard numerical digits (0 through 9). The technical potential for ICANN to now make these domain names available for assignment is prompting significant discussion, study and demand within the ICANN community—particularly for territories and communities who want to make use of non-Latin characters. Current efforts are taking place on two fronts: efforts to identify a fast-track process to provide new domain opportunities to territories with immediate justifiable needs, and efforts to develop a comprehensive, long-term plan that ensures a stable process for all interested stakeholders.

ICANN's Board chartered the joint IDNC working group to develop and report on feasible methods for the timely introduction of a limited number of noncontentious IDN ccTLDs and ensure the continued security and stability of the Internet while a comprehensive long-term IDN ccTLD policy is being developed. The group included participants from the GAC, ccNSO, GNSO, ALAC, SSAC, the technical community and ICANN staff. In February 2008, the IDNC working group posted a discussion draft of the initial report for public comment and input from the ICANN community. The draft report clarified the relationship between the fast-track process and the broader long-term ccNSO policy development process on IDN ccTLDs (IDN ccPDP), and identified the mechanisms for selecting an IDN ccTLD and an IDN ccTLD manager. The ccNSO Council determined that those mechanisms were to be developed within the following parameters:

- The overarching requirement to preserve the security and stability of the DNS compliance with the IDNA protocols

- Input and advice from the technical community on the implementation of IDNs.
- Current practices for the delegation of ccTLDs, which include the current IANA practices.

In June 2008, the IDNC working group published a draft final report for discussion by the IDNC working group and the broader community. At the June 2008 Paris ICANN meeting, several workshops and meetings were conducted to discuss the draft final report, resulting in several revisions and the work necessary to enable the working group to submit its final report to the ICANN Board.

In parallel with considerations of a fast-track approach, the ccNSO Council initiated a comprehensive long-term policy development process for IDN ccTLDs, called the IDN ccPDP. The ccNSO Council formally requested an issues report on 19 December 2007 and directed ICANN staff to identify policies, procedures or bylaws that should be reviewed and revised as necessary in connection with the development and implementation of any IDN ccTLD policy, including efforts to address the proposed fast-track concept.

In accordance with the ICANN bylaws, the creation of the issues report is the second step in launching the IDN ccPDP. The final step is the decision of the ccNSO Council to initiate the ccPDP.

The GNSO and several other parties submitted comments regarding a proposed IDN ccPDP. The issues report was submitted to the ccNSO Council and is the basis for the Council's ongoing IDN ccPDP discussions.

The working group on IDN country code top level domains concluded its work and submitted a final report to the ICANN Board on feasible methods for fast-track introduction of a limited number of IDN ccTLDs associated with ISO 3166-1 two-letter codes while an overall, long-term IDN ccTLD policy is under development by the ccNSO. At the June 2008 Paris ICANN meeting, the Board directed staff to:

- Post the IDNC working group final report for public comment.
- Commence work on implementation issues in consultation with relevant stakeholders.
- Submit a detailed implementation report, including a list of any outstanding issues, to the Board in before the November 2008 ICANN Cairo meeting.

The IDNC working group final report was posted for public comment. At the ccNSO meeting in Cairo the overall schedule and structure for the upcoming IDN ccPDP was presented. The Issue Manager for the ccPDP suggested that, as part of the ccPDP, a cross SO-AC working group should propose a definition of, and selection mechanism for, IDN ccTLDs.

As to the fast track and the new gTLD process, members of the ccNSO will suggest an implementation model to avoid the use of ISO 3166 listed territory names as a new gTLD while the IDN ccPDP is running.

# NEW GENERIC TOP-LEVEL DOMAIN NAME

## PROGRAM EFFORTS

After years of discussion and thought, generic top-level domains (gTLDs) are being expanded. They will allow for more innovation, choice and change to a global Internet presently served by just 21 generic top-level domain names.

A draft Applicant Guidebook has been developed with opportunities for public comment. The draft Guidebook describes processes for objections to applications. There has been detailed technical scrutiny to ensure the Internet's stability and security. There will be an evaluation fee, but it will recover costs only (expenses so far, application processing and other costs) and it will be reviewed after the first round of applications. ICANN is a not for profit corporation dedicated to coordinating the Internet's addressing system. If fee collection exceeds expenses, the community will be consulted as to how that excess is to be used.

Promoting competition and choice is one of the principles upon which ICANN was founded. In a world with 1.5 billion Internet users (and growing), diversity, choice and innovation are key. The Internet has supported huge increases in choice, innovation and the competition of ideas and expanding new gTLDs is an opportunity for more.



Kurt Pritz

## Services

### **Kurt Pritz, Senior Vice President, Services** **Internationalized Domain Names**

IDN implementation in the domain name space is a major project at ICANN, proceeding in alignment with the introduction of new gTLDs. The ICANN community has discussed IDNs for several years, with the initial focus on enabling the introduction of IDNs as registrations under existing top-level domains. In the past year, however, focus has shifted to broadening the repertoire of characters available for use in top-level strings.

Several prior activities became the building blocks for progress throughout 2008. Efforts undertaken to ensure the technical stability of IDNs were of particular importance. These earlier steps include launching the IDN wiki following successful laboratory testing of IDNs and reaching the last stages of final revisions to the IDNA protocol standard, which is to be used by TLD registries and application developers when implementing support for IDNs. This standard will provide a set of rules for determining which languages are available for IDNs while ensuring stable DNS operation. Originally expected to be completed in 2007, this efforts was reaching its final stages in 2008.

The most important milestone for the IDN program in 2007 was the insertion of 11 IDN TLDs in the root zone. These TLDs were inserted for evaluation purposes and a user test facility was launched in the form of an IDNwiki. The IDN wiki continued through 2008, enriched by adding several new languages and much IDN relevant information, including downloadable fonts that enable users to correctly display text in these wiki languages. Users can now experiment with fully localized URLs and internationalized emails in various applications. The English language gateway to the wiki is at <http://idn.icann.org> and IDN TLDs in other languages can be reached from there. The information and experience gained through the wiki is important for all prospective IDN TLD applicants.

Another important milestone for 2008 was the conclusion of policy development on two processes through which IDN TLDs can be launched for production purposes. These are the IDN ccTLD fast track process for introducing a limited number of IDN ccTLDs associated with the ISO 3166-1 list, and the process for introducing new gTLDs, both of which currently are under implementation.

## **IDN Policy Development**

Several policy activities were completed, allowing significant efforts to launch IDN TLDs to begin. Historically, top-level strings were divided into two main groups, ccTLDs and gTLDs. While there is no technical difference from a DNS standpoint, this distinction continues to be relevant as the TLD character repertoire is being increased.

At its meeting in São Paulo in December 2006, the ICANN Board initiated consultations and discussions surrounding the introduction of IDN ccTLDs, after which the ccNSO and GAC produced an issues paper on the selection of IDN ccTLDs associated with the ISO 3166-1 two-letter codes. This led to the formation of an IDNC working group in 2007 with the sole charter of developing an IDN ccTLD fast-track process in 2008.

After several public consultations, in June 2008 the IDNC working group produced its final report containing a proposed methodology and recommendations for how ICANN should meet near-term demand and launch a process for introducing a limited number of IDN ccTLDs.

ICANN posted the final report for public comment and began the implementation work. A consolidated overview of the comments received along with staff considerations of those comments was prepared at the close of the public comment period. As part of the implementation process, ICANN also submitted letters to relevant public authorities and ccTLD managers to seek information on their interest in participating in the fast-track process.

A draft Implementation Plan for IDN ccTLD Fast Track Process was released for public comment in October 2008 and is being finalized. The fast-track process can be implemented as outlined in the draft. However, some open issues, described in Module 7 of the draft, require further input from the community to be resolved and to complete the implementation plan. Based on community feedback, ICANN will prepare draft proposals on these topics for public comment in time for the Mexico City meeting in March 2009. Finalization of the implementation plan is expected in 2009.

A full overview of activities related to the IDN ccTLD fast-track process is at <http://www.icann.org/en/topics/idn/fast-track/>.

## **Outreach and Communication**

Extensive communication efforts aimed at raising IDN awareness across the Internet community will be expanded in 2009. Several previous meetings and events were focused exclusively on IDNs, and many local activities also focus on developing recommendations for additional security and stability in IDN implementations in local regions where additional coordination is necessary as a result of linguistic cross-functionality across

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language communities. Some of these meetings and efforts are at <http://www.icann.org/topics/idn/meetings.htm>.

Outreach is proceeding in many different fora, such as participation in IDN-related events, recommending agenda topics and speakers for IDN-related events, providing financial support, frequent communications, announcements and progress reports, coordinating technical and policy recommendations, and providing general information and network sharing. Face-to-face meetings continue with interested parties within the community, including governments and ccTLD registry operator representatives. IDN program status reports are provided regularly. These reports and other IDN notifications and announcements are at <http://icann.org/topics/idn>.

## **New gTLD Program**

The Board of Directors formally adopted a comprehensive set of policy recommendations for the introduction of new gTLDs at ICANN's meeting in Paris in June 2008. These recommendations grew out of a lengthy collaborative process among the various GNSO constituency groups, with several interested stakeholders and observers also participating in the policy development process. The recommendations affirmed that the Internet namespace should be opened up to new gTLDs, and that ICANN should develop a fair, transparent and predictable process to facilitate this expansion.

With the formal adoption of the policy, the project team intensified its implementation work, building on foundational steps that were taken while the policy development process was under way. The New gTLD Program continues to be a priority area across the organization, and a cross-functional team that includes executive, technical, legal and operational staff is directing its resources toward establishing a sustainable application and evaluation process as efficiently and timely as possible.

A key area of project work within the New gTLD Program is the creation of an independent objection and dispute resolution procedure. This process is designed to safeguard certain interests and rights in the new gTLD process by providing a path for formal objection to an application on certain grounds. This process will also enable ICANN to focus on its core mission of security and stability of the DNS and on the smooth operation of the process, while qualified panelists with specialized expertise adjudicate disputes in the relevant subject areas. ICANN has reached agreements in principle with three well-respected dispute resolution service providers for administration of disputes in the New gTLD Program.

Throughout this implementation work, ICANN continues to consult with stakeholder groups in the community, including the GAC on matters of interest to governments. Staff is also working closely with the GNSO to track consistency in implementation with earlier policy discussions. In addition, open meetings with various constituency groups have produced stakeholder feedback and education within the community on the implementation work that is under way.

In October 2008, ICANN released a draft version of the Applicant Guidebook new gTLDs. This document is organized in six modules and contains an introduction and overview, evaluation procedures, dispute resolution procedures, string contention procedures, delegation procedures, and applicant terms and conditions. The guidebook also includes a draft of the registry agreement applicable to successful new gTLD applicants. In addition to English, the draft guidebook and several explanatory memoranda were made available in Arabic, Chinese, French, Spanish, and Russian. These documents were posted for a 45-day public comment period scheduled to close 8 December 2008, but later was extended to 15 December 2008, and discussions within the community began at the ICANN meeting in Cairo in November 2008.

The draft application materials emphasize protection of domain name registrants in new gTLDs, including the selection criteria and scoring methodology, as well as the draft registry agreement. The protection of rights, such as intellectual property rights, is also given strong consideration in the application materials.

As reflected in the draft guidebook, ICANN expects to be able to receive and process applications for IDN gTLDs at the same time it opens the application process. The application materials contain technical requirements specific to IDN TLD applicants to ensure that IDN labels can be delegated without affecting the security and stability of the DNS.

Work to be done involves procuring the expertise required to fill the various evaluation roles described in the implementation model and reaching a working consensus within the community on any remaining issues. In addition, ICANN is acting to put needed resources in place to operate an ongoing application process and to support a potentially much larger number of gTLDs and operators. For example, if scaling up of compliance and registry liaison operations becomes necessary, ICANN's goal is to be able to launch the application process in 2009.

A dedicated New gTLD Program page on ICANN's website contains announcements, reports, background and explanatory memoranda, as well as the draft Applicant Guidebook and related documents, and is at <http://www.icann.org/en/topics/new-gtld-program.htm>.

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## **gTLD Registry Liaison**

In support of the draft Applicant Guidebook and the preparatory work that went into it, the gTLD registry team contributed sections on DNS stability, registry continuity, data escrow, string contention, a string similarity algorithm, and the evaluation of registry services for security and stability issues.

ICANN completed the gTLD registry failover plan at the ICANN meeting in Paris in June 2008 and published the plan for public comment in July 2008. The plan provides a process to protect gTLD registrants in a registry failure. The plan was revised and retitled the *gTLD Registry Continuity Plan* in September 2008, and ICANN staff is developing a continuity test exercise with gTLD registries to be conducted in January 2009. Elements of the Registry Continuity Plan were also incorporated into the draft base agreement for the new gTLD process.

The process for considering new registry services, known as the funnel, reached its second year of operation. Since the process began, 20 requests have been submitted, including 11 in 2008. The process will soon undergo an independent review to assess how well it meets the needs of gTLD registries and the Internet community.

The .museum registry agreement was renewed in 2007. The .aero renewal agreement is currently in negotiations and is expected to be complete and renewed in early 2009. Negotiations with the Universal Postal Union for the .post sponsorship agreement continue.

Regional registry/registrar gatherings were conducted in New Orleans, Louisiana, and Seoul, Korea, during 2008, with a third event to be held in Rome, Italy, in January 2009. These regional events provide an opportunity for gTLD registries and registrars to participate in the ICANN process during sessions geared to business challenges unique to their regions.

## **gTLD Registrar Liaison**

This year has been marked by significant progress in protection of registrants with the successful implementation of registrar data escrow program, the adoption and use of a process for transitioning the registrations from terminating registrars, and significant progress toward the adoption of several key changes to the RAA.

November 2008 marked the one-year anniversary of the implementation of the registrar data escrow program. This program protects registrants through the escrow of registration data by registrars so that, when a registrar's accreditation agreement is terminated or expires without renewal, its registration data can be made available quickly to another accredited registrar in a bulk transfer of the registrations.

Significant progress has been seen since the data escrow program became operational. By November 2008, nearly 96 percent of gTLD registration data was held in escrow. Over 800 registrars have enrolled in the program and, of those, over 750 had begun depositing data into escrow either daily or weekly. Several registrars have no registrations under management, and accordingly, have no obligation to escrow data.

The data escrow program provides for registrars' use of ICANN's designated escrow agent at no additional cost to the registrar, or they may elect to escrow data with an approved third-party escrow agent. One third-party escrow agent was approved by ICANN in 2008 for participation in the data escrow program.

The strong participation in the program can be attributed in part to the commitment and leadership of the members of the registrar constituency, which took an early, active role in developing the program specifications. Although informal contractual compliance enforcement methods have resulted in enhanced participation in the data escrow program, formal enforcement measures are under way. In addition, ICANN is in the late stages of development of its registrar data escrow verification and audit procedures, which will result in regular audits of each registrar's escrow data beginning in 2009 to ensure that escrowed data complies with registrar obligations.

Building on the progress made through the registrar data escrow program, the gTLD registrar liaison team developed a new de-accredited registrar transition procedure in collaboration with community members to facilitate timely transfer of gTLD registrations from a de-accredited registrar to an accredited registrar in an open and transparent manner.

Several members of the registrar, registrant, registry and At-Large user communities took part in a workshop during the ICANN meeting in New Delhi in February 2008, which fueled the creation of a draft procedure. The de-accredited registrar transition procedure was posted for public comment and simultaneously implemented on an interim basis to facilitate transfers from four de-accredited registrars. The procedure was adopted by the ICANN Board on 1 October 2008 and will be reviewed and revised periodically as necessary.

We continue to experience growth in the number of registrars, offsetting the number of de-accreditations while continuing our expansion into new geographic locations. This is due in part to successful outreach efforts and the use of additional staff to streamline processing and improve support to applicants. Forty-one new registrars were approved during the report period, bringing the total to 945 accredited registrars. Geographic diversity has expanded with registrars applying from Europe, the Americas and the Asia-Pacific region, including the first accredited registrars in Hungary and Mexico. Day-to-day processing of



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changes in ownership, addresses and contact persons has increased with this increasing population. Over 250 requests to add gTLDs to contracts, name changes, contact changes and ownership changes were processed during the report period. Changes in ownership were reflected in six assignments or transfers of accreditation from one company to another and in the sale of at least 15 registrars to new owners. Renewals of 25 registrars were also processed.

These efforts have been handled with greater efficiency and thoroughness by the addition of a regional liaison manager based in the ICANN Brussels office. Our procedures for processing applications and other changes underwent review during the year, and a full set of new procedures will be introduced shortly. This will make the experience more clear and consistent for applicants and registrars while also preparing for the expected increase in activity that will accompany the introduction of new gTLDs.

The department continues to engage in outreach to bring new participants into the process while involving existing registrars in information sessions and opportunities to meet and interact with several members of ICANN staff. This year two regional gatherings were held in North America and the Asia-Pacific region, with a third in Europe scheduled for January 2009. Additional outreach was conducted in Dubai and Dakar, Senegal, with registrar site visits taking place in Europe, North America and Asia.

We continue to strive for excellent relations with registrars—even while increased compliance efforts are undertaken. Most registrars understand and endorse heightened compliance efforts to ensure a level playing field and consistent application of ICANN policies. Once again, registrar approval of the fee structure for fiscal year 2009 was achieved with over 82 percent support. This came in the form of responses from 664 registrars expressing approval. This represents significant broad-based support by the registrar community for ICANN's activities and plans, and an appreciation for the outreach efforts we have undertaken.

ICANN staff engaged with the community in its ongoing efforts to produce revisions to the registrar contract, which is close to completion. A set of RAA revisions was posted for public comment and a final version is expected to be put forward for consensus approval. These proposed changes include additional compliance tools, enhancements to contract language that strengthen ICANN's ability to address problem behaviors, protection of registrants by limiting opportunities for bad actors to buy in to the registrar business, while clarifying responsibilities and streamlining business practices at the same time. The registrar constituency played a key role in defining and improving on recommendations that came through community comments. Their engagement once again demonstrates that the overwhelming majority of

registrars are responsible businesses with an appreciation for professional behavior that reinforces their relationships with their customers and with ICANN.

## **Contractual Compliance**

In 2008, a major goal for the Contractual Compliance Department was to improve communication of contractual compliance program activities, goals and accomplishments. Consistent with this goal, the department published its semi-annual report, which provides detailed information about registrar and registry audits, study activities and a consumer complaint analysis (see <http://www.icann.org/en/compliance/reports/contractual-compliance-audit-report-29jul08-en.pdf>).

In addition, the department began publishing a monthly newsletter to consistently inform the Internet community about a variety of contractual compliance matters, including enforcement statistics, compliance processes, audits, studies, advisories and events at which contractual compliance issues are discussed (see <http://www.icann.org/en/compliance/newsletter/>).

Further, to increase awareness regarding registrar obligations relating to the Uniform Domain Name Dispute Resolution Policy (UDRP), in 2008 contractual compliance staff held workshops, participated in regional gatherings and served as panelists at intellectual property conferences. ICANN's goal is to provide current information and to encourage community dialogue about the contractual compliance program. ICANN will continue to explore ways to enhance its communications efforts.

Over the past 12 months, as part of its efforts to enforce the registrar and registry agreements, the department performed audits and investigated noncompliance claims. Where noncompliance was found and sufficient efforts to cure were not made, in collaboration with the registrar liaison team and the Office of the General Counsel, the department terminated 10 registrars, approximately 1 percent of the total number of ICANN-accredited registrars. The bases for these terminations include failure to escrow data, failure to pay fees and the conviction of a registrar officer. Additional enforcement efforts in 2008 included the transmission of several hundred enforcement notices to registrars to resolve suspected noncompliance issues. While most registrar noncompliance matters were resolved quickly and without the need for escalation, in 2008, ICANN sent three notices of breach concerning Whois and UDRP violations. Consistent with the terms of the RAA, these three registrars either cured the cited breaches or provided information to demonstrate compliance.

# ACTIVITIES OF ICANN DIVISIONS

A major department responsibility is managing consumer complaints. In the first 10 months of calendar year 2008, ICANN processed approximately 9,397 consumer complaints. While most complaints pertained to issues that ICANN has no authority to address, such as financial transactions, Internet content control, web hosting issues and computer viruses, ICANN forwarded these complaints to registrars and other entities for appropriate handling. To enhance the consumer complaint intake process and provide a more user-friendly system for public use, the Contractual Compliance Department and ICANN's Information Technology team redesigned the consumer complaint intake system (see <http://reports.internic.net/cgi/registrar/problem-report.cgi>). The redesigned system includes a complaint tracking component, increased data storage capacity and a statistical analysis component. Since implementing the redesigned complaint intake system in June 2008, ICANN's complaint processing times have improved and contractual compliance staff has provided monthly public complaint analysis information through Dashboard reporting.

In 2008, the department continued to develop and refine internal procedures for consistent handling of escalated compliance matters. These procedures provide clarity for ICANN staff and certainty that all noncompliant parties are treated in a uniform and predictable manner. A flow chart showing the complaint escalation process appeared in the May 2008 Contractual Compliance Newsletter (see <http://www.icann.org/en/compliance/archive/compliance-newsletter-200805.html>.)

In 2008, the department contracted with the National Opinion Research Center, one of the largest and most respected social research organizations in the United States, to develop a methodology that proposes the use of a random sample of the gTLD population to assess the percentage of certain Whois data accuracy. However, a myriad of complexities associated with this study, including the sample and verification methodologies, has delayed publication of study findings. Nevertheless, the completion of this study is a priority and progress meetings are held weekly to ensure that deadlines are met and issues are resolved as quickly as practicable.

Staffing and resources to accomplish the objectives of the contractual compliance program remain a priority. In 2008, ICANN hired a Senior Director of Contractual Compliance Programs to provide strategic leadership and continuing development of ICANN's global contractual compliance efforts and a Contractual Compliance Auditor to enhance registrar and registry audit efforts. Additional hires are planned before the end of fiscal year 2008, including a Whois Manager and two additional Auditors.

## COMPLIANCE STATISTICS

Compliance staff	5
Complaints in 2007	5,808
Complaints in 2008 (Jan-Oct)	9,397
Registrars under contract	945
Registries under contract	16
Total registrars de-accredited since 1998	21
Registrars de-accredited in 2008	10



Kevin Wilson

*The audited financials for the fiscal year ending 30 June 2008 were completed with an unqualified clean opinion from the auditors. The audited financial statement appears as an appendix at the end of this report.*

## Finance

### Kevin Wilson, Chief Financial Officer

The major activities in ICANN's Finance area include improved financial controls, improved reporting of financial results, improved processes for the annual budget, improved management of ICANN's investments and expenditures, and support for the new gTLD program.

Financial controls improvements include the development and implementation of a new ICANN disbursement policy that clarified roles and responsibilities. Documentation and approval processes for all expenditures were improved with corresponding updates to the finance policies and procedures. The audited financials for the fiscal year ending 30 June 2008 were completed with an unqualified clean opinion from the auditors. The audited financial statement appears as an appendix at the end of this report.

The development of functional reporting will help improve ICANN's responsiveness to community requests and help solidify transparency and accountability in ICANN's operations. Community members will be able to identify more clearly how expenditures are prioritized and observe the efficiency of ICANN's expenditures. In addition, ICANN's financial reporting has improved with a Dashboard link on the ICANN website and standardized posting of ICANN's IRS Form 990, Director's expenses and other year-end reports.

ICANN's operating plan and budget development process was improved by sharing a budget framework much earlier than in previous years and in conjunction with the Operating Plan. This action resulted in earlier and more community feedback as well as feedback from constituencies not traditionally involved. The result was an Operating Plan and Budget with more contributions from the community and more responsiveness to the communities' requirements.

ICANN's investments and expenditures management improved greatly this year. An investment policy was developed and approved by the Board of Directors. The implemented policy included the formal establishment of a reserve fund and the active management of the funds. Foreign exchange policy developed for Board consideration reflected the increasing internationalization of ICANN's expenditures.

The New gTLD Program has numerous financial considerations that include the development of fee structures, fee pricing, refund policies and cost estimates of historical, application and risks of the program. In addition, Finance developed a multi-year financial study of the impact of the New gTLD Program on ICANN.

## **Human Resources and Administration**

### **Steve Antonoff, Director of Human Resources and Administration**

The major activities in ICANN's Human Resources and Administration have been in staffing, performance management, developing comprehensive position descriptions, office and facilities management, and implementing a centralized travel system.

Staffing activities during the period were extensive, with the addition of a new Director of Information Technology, a number of senior Policy staff, and a gTLD Program Director. There were a total of 20 additions to staff, both new hires and replacements. ICANN expanded its global sourcing of candidates, resulting in more candidates and hires in a variety of international locations.

A comprehensive review of position descriptions was completed with new descriptions written and existing descriptions updated. A formal template was introduced to ensure consistency throughout the organization.

Additional office space was obtained and work stations reorganized to make more effective use of space. A centralized purchasing system for office supplies was implemented to better manage costs.

A primary global travel provider was implemented to provide for more cost-effective travel arrangements including negotiating corporate rates with appropriate air carriers, hotels and other service providers.

### **Compensation of ICANN Staff**

A complete description of ICANN's compensation structure and base salaries of key staff appears as an appendix at the end of this report.



Steve Antonoff



Theresa Swinehart

*From July 2007 through November 2008, the team supported the negotiations and signing of 16 accountability frameworks or exchange of letters with ccTLD operators.*

## Global and Strategic Partnerships

### Theresa Swinehart, Vice President, Global and Strategic Partnerships

The Global Partnerships division was formed in 2006 as part of ICANN's continued engagement with all stakeholders globally. The division's staff is located in respective regions, with staffing for some subsubsub-regions due to linguistic and cultural distinctions ongoing. Staff in this division are responsible to stakeholders in the respective regions, and engage in relation to all issues under ICANN's mandate, with business plans tailored to each region that reflect and incorporate ICANN's Strategic and Operating plans.

## Stakeholder Support

Global Partnerships participated in, partnered with and supported the organization of workshops, seminars and outreach events at multiple levels to enlarge the ICANN platform of participating stakeholders and provided information on ICANN's mission and goals at regional and global levels. This includes participating in and working with organizations in Internet community-related events touching on issues under ICANN's mandate, such as attending Arab Management and Knowledge Society (AKMS) meetings, participating in initiatives such as Multilingual Internet Initiative (MII) and Arab World Internet Institute (AW2I), the Club of Rome, the Institute for Information Security Issues (IISI), a research unit of the Moscow State University, and Russian Association for Network Security (RANS) conferences in Russia and in Germany, the Commonwealth Telecommunications Organization (CTO) ICT Summit, a ministerial meeting of the CIS countries, the Caribbean ministerial gathering in Anguilla, meetings of Latin American and Caribbean Internet Addresses Registry (LACNIC), Asia Pacific Top Level Domain (APTLD), Latin America Caribbean Top Level Domain (LACTLD), Africa Top Level Domain (AFTLD), Council of European National Top Level Domain Registries (CENTR) and regional ccTLD organizations, and the Universal Postal Union. It also includes partnering with organizations such as the Internet Society (ISOC), the DiploFoundation, the International Telecommunication Union (ITU), the United Nations Economic Commission for Africa (UNECA) and United Nations Educational, Scientific and Cultural Organization (UNESCO) when opportunities arise.

Team members also partnered with ISOC and other organizations to conduct ccTLD training and capacity building exercises. The team members' involvement in ccTLD workshops in San Juan and Amman during 2008, and in developing relationships with local Internet communities throughout the regions has enhanced regional presence in ICANN-related activities.

Managers of regional relations have also provided continuing support for respective stakeholders, including the formation of Regional At-Large Organizations. This process began with the signing of the first RALO that created the Latin America-Caribbean RALO (LAC RALO) at the São Paulo meeting in December 2006. This process culminated just six months later at the ICANN San Juan meeting in June 2007 with the signing of the North American RALO, the final at-large organization. There are now RALOs for all five ICANN regions: LAC RALO, NARALO, APRALO, AFRALO, and EURALO.

From July 2007 through November 2008, the team supported the negotiations and signing of 16 accountability frameworks or exchange of letters with ccTLD operators. A list of accountability frameworks and letters follows.

<b>ACCOUNTABILITY FRAMEWORKS</b>			
<b>Date</b>	<b>ccTLD</b>	<b>Country</b>	<b>Operator</b>
25 June 2008	.cr	Costa Rica	NIC – Internet Costa Rica
6 March 2008	.az	Azerbaijan	IntraNS
16 January 2008	.nu	Niue	Internet Users Society - Niue

<b>EXCHANGE OF LETTERS</b>			
<b>Date</b>	<b>ccTLD</b>	<b>Country</b>	<b>Operator</b>
2 November 2008	.eg	Egypt	Egyptian Universities Network
22 September 2008	.cc	Cocos (Keeling) Islands	eNIC Cocos (Keeling) Islands Pty Ltd
5 September 2008	.pl	Poland	Research and Academic Network (NASK)
3 July 2008	.th	Thailand	Thai Network Information Center Foundation (THNIC)
6 May 2008	.is	Iceland	ISNIC
6 March 2008	.za	South Africa	.ZA Domain Name Authority
31 October 2007	.it	Italy	Istituto di Informatica e Telematica of CNR (ITT-CNR)
30 October 2007	.sb	Solomon Islands	Solomon Telekom Company Ltd.
29 October 2007	.nz	New Zealand	InternetNZ
29 October 2007	.rs	Serbia	Serbian National Register of Internet Domain Names (RNIDS)
24 October 2007	.fm	Micronesia	Federated States of Micronesia, FSM Telecommunications Corporation (FSMTC)
2 October 2007	.ck	Cook Islands	Telecom Cook Islands Ltd (TCIL)
18 September 2007	.se	Sweden	Internet Infrastructure Foundation of Sweden

During the same time frame, the team also brought to fruition several Memorandums of Understanding that were approved by the Board.

<b>MEMORANDUMS OF UNDERSTANDING</b>		
<b>Date</b>	<b>Organization</b>	<b>MOU Can Be Found At</b>
24 June 2008	Russian Association of Networks and Services (RANS)	<a href="http://www.icann.org/en/global-partnerships/mous/rans-mou-25jun08.pdf">http://www.icann.org/en/global-partnerships/mous/rans-mou-25jun08.pdf</a> <a href="http://www.icann.org/en/global-partnerships/mous/rans-mou-25jun08.pdf">http://www.icann.org/en/global-partnerships/mous/rans-mou-25jun08.pdf</a>
9 April 2008	Lomonosov Moscow State University Institute of Information Security Issues (MSU IISI)	<a href="http://www.icann.org/en/global-partnerships/mous/iisi-mou-07apr08.pdf">http://www.icann.org/en/global-partnerships/mous/iisi-mou-07apr08.pdf</a> <a href="http://www.icann.org/en/global-partnerships/mous/iisi-mou-07apr08.pdf">http://www.icann.org/en/global-partnerships/mous/iisi-mou-07apr08.pdf</a>
6 November 2007	Commonwealth Telecommunications Organization (CTO)	<a href="http://www.icann.org/en/global-partnerships/mous/cto-mou-06nov07.pdf">http://www.icann.org/en/global-partnerships/mous/cto-mou-06nov07.pdf</a> <a href="http://www.icann.org/en/global-partnerships/mous/cto-mou-06nov07.pdf">http://www.icann.org/en/global-partnerships/mous/cto-mou-06nov07.pdf</a>
13 November 2007	African Telecommunications Organization (ATU)	<a href="http://www.icann.org/en/global-partnerships/mous/atu-mou-13nov07.pdf">http://www.icann.org/en/global-partnerships/mous/atu-mou-13nov07.pdf</a> <a href="http://www.icann.org/en/global-partnerships/mous/atu-mou-13nov07.pdf">http://www.icann.org/en/global-partnerships/mous/atu-mou-13nov07.pdf</a>
14 November 2007	Inter-American Telecommunication Commission of the Organization of American States (CITEL)	<a href="http://www.icann.org/en/global-partnerships/mous/citel-mou-01sep08.pdf">http://www.icann.org/en/global-partnerships/mous/citel-mou-01sep08.pdf</a> <a href="http://www.icann.org/en/global-partnerships/mous/citel-mou-01sep08.pdf">http://www.icann.org/en/global-partnerships/mous/citel-mou-01sep08.pdf</a>
22 August 2007	United Nations Economic and Social Commission for Western Asia (UN-ESCWA)	<a href="http://www.icann.org/en/global-partnerships/mous/un-escwa-mou-18jun07.pdf">http://www.icann.org/en/global-partnerships/mous/un-escwa-mou-18jun07.pdf</a> <a href="http://www.icann.org/en/global-partnerships/mous/un-escwa-mou-18jun07.pdf">http://www.icann.org/en/global-partnerships/mous/un-escwa-mou-18jun07.pdf</a>



# ACTIVITIES OF ICANN DIVISIONS

## Supporting Other Divisions

The department's responsibilities, and part of its day-to-day activities, include supporting all departments as needed consistent with the operational plan. Examples of this include:

- Supporting ICANN's work on IDNs through engaging with respective interested communities, coordinating with the IDN project team, conducting global outreach and supporting interest in the test bed and the IDN fast track process.
- Participating in registry or registrar-related events in Asia and Europe, and the first outreach meeting in the Middle East.
- Working closely with IANA on relevant ccTLD issues as they arise in respective regions.
- Coordinating with Corporate Affairs on communications and on the various regions to identify regional priorities and how those priorities and ICANN's initiatives intersect.
- Coordinating with the meetings team on issues of relevance to respective regions, including supporting interactions with local hosts.
- Conducting outreach and awareness of issues such as the new gTLD process.
- Supporting work for the President's Strategy Committee and Improving Institutional Confidence consultations in the regions, including assisting in the public consultations conducted by the President's Strategy Committee regarding Improving Institutional Confidence and the post-Joint Project Agreement transition process by identifying opportunities in each region to conduct sessions, providing logistical, translation and intermediary support in the establishment and implementation of the sessions and follow up to the community input. Sessions were held in the Asia-Pacific region, Latin America, the Middle East and in Washington, DC, during this report period.
- Working with ICANN staff and partnering organizations in the regions to conduct intensive Attack and Contingency Response Planning (ACRP) training in Asia Pacific and in the Middle East that increases the security and stability of the Internet through developing the skills of the ccTLD operators to identify vulnerabilities and develop protocols for system data and functionality recovery in a disaster. Continued work will include future training in Latin America and Africa.
- Working with ICANN's At Large staff on engaging with the ALAC community and supporting regional requests.
- Outreach on ICANN's policy development topics to facilitate awareness in respective regions.



*ICANN President and CEO Dr Paul Twomey (left) joined director Vladislav Petrovich Sherstyuk (right) and Dimitry Grigoriev of the Lomonosov Moscow State University Institute of Information Security Issues (IISI) at the signing of an MOU between ICANN and IISI.*

## International Fora

The Global Partnerships team continues to engage in international and regional discussions on Internet issues as they touch on ICANN's mandate, including Internet governance. ICANN participates in the Internet Governance Forum, including its preparatory processes. At the IGF in Rio de Janeiro in November 2007, ICANN partnered with the ITU and UNESCO to host a workshop on multilingualism, participated in several workshops addressing issues within ICANN's mandate, and held the open

forum on ICANN, the first such session at an IGF meeting. At the IGF in Hyderabad, India, in December 2008, ICANN presented a workshop on IDNs, conducted a consultation on post-JPA transition and Improving Institutional Confidence, and once again presented an open forum. The open forum showcased the multi-stakeholder model by focusing on the New gTLD Program and on how the process and protocol are being handled within each constituency and supporting organization. Global Partnerships' participation, together with respective staff expertise, in discussions surrounding Internet issues, including the IGF, are part of the organization's work to increase international understanding of ICANN's role and the multi-stakeholder model, and to better enable participation in this model.

Among several initiatives, ICANN also participated in regional Internet governance discussions as well as other regional and international fora such as the ITU Telecom Africa, the ITU Cyber Security workshop for the Asia-Pacific region in Australia, the African Regional Cyber Security conference in Cote d'Ivoire, Asia Pacific Economic Cooperation Telecommunications and Information Working Group (APEC-TEL) in Lima, Peru, and the Commonwealth Telecommunications Organization (CTO) in both Africa and Trinidad & Tobago, the Caribbean Association of National Telecommunications Operators (CANTO) in the Bahamas, the Caribbean Telecommunications Union (CTU) in Barbados and Caribbean ICT Stakeholders Virtual Community (CIVIC) in the Dominican Republic, and was part of the Internet technical community for the Organization for Economic Co-operation and Development (OECD) Ministerial meeting on the Future of the Internet Economy held in Seoul, Korea, for 2008.

Global Partnerships staff continued its engagement on behalf of ICANN with the League of Arab States Working Group on Domain Names and Internet Affairs, Arab Script IDN Working Group (ASIWG), Middle East Network Operators Group (MENOG), Inter-American Telecommunications Commission of the Organization of American States (CITEL), CANTO, APEC-TEL, Pacific Network Operators Group (PACNOG), South Asia Network Operators Group (SANOG), Asia Pacific Regional Internet Conference on Operational Technologies (APRICOT), Asia Pacific Network Information Center (APNIC), Latin America Caribbean Top Level Domains (LACTLD), Latin American and the Caribbean Internet Addresses Registry (LACNIC), Africa Regional Internet Registry (AfriNIC), Africa Top Level Domain (AFTLD), African Union Commission, CTO, and the European Council Network Security Administrator (ENSA), among others.

## Fellowships

ICANN announced the first round of its global fellowships program in May 2007. As outlined in the 2006–2007 ICANN Operating Plan, this program encourages and funds participation in ICANN meetings and processes by interested parties from developing countries. Citizens from low, lower-middle and upper-middle income economies, according to the World Bank Group country classification, are prioritized in the application. The program further prioritizes participants from the ICANN region in which a meeting takes place, participants from adjacent regions, and overseas participants, in that order. This increases the number of fellows it is possible to support within a limited budget by keeping travel distances shorter and costs down.

# ACTIVITIES OF ICANN DIVISIONS

A graphic illustration of the fellowship program application acceptances and attendees by sector and region for the New Delhi meeting in February 2008 appears below. Accepted applications for New Delhi were from Armenia, Bangladesh, Botswana, Bulgaria, Chile, Colombia, Costa Rica, Egypt, Ethiopia, Fiji, Guinea, Guyana, Haiti, Honduras, Jordan, Kenya, Malawi, Mongolia, Morocco, Nepal, Niger, Pakistan, Papua New Guinea, Paraguay, Republic of Moldova, Saint Lucia, Serbia, Solomon Islands, Tunisia, and Yemen.

## FEBRUARY 2008 NEW DELHI MEETING APPLICATIONS AND ATTENDEES

Number of applications received	67	ccTLD community	6
Number of applicants meeting minimum requirements	43	Government	7
Number of fellows attending New Delhi meeting	18	Civil society and private sector	6
Number of fellows deferred to Paris meeting	0	Academia	5

A graphic illustration of the fellowship program applications acceptances and attendees by sector and region for the Paris meeting in June 2008 appears below. Accepted applications for Paris were from Albania, Algeria, Argentina, Armenia, Azerbaijan, Bangladesh, Botswana, Burundi, Chile, Colombia, Congo, Costa Rica, Cote d'Ivoire, Dominican Republic, Egypt, Ethiopia, Federated States of Micronesia, Fiji, Grenada, Haiti, Jamaica, Jordan, Kenya, Lesotho, Madagascar, Malawi, Mali, Mongolia, Nepal, Nigeria, Pakistan, Panama, Paraguay, Philippines, Republic of Moldova, Saint Kitts and Nevis, Seychelles, St Vincent & the Grenadines, Tajikistan, Thailand, Togo, Trinidad and Tobago, Tunisia, Uruguay, Vanuatu, and Yemen.

## JUNE 2008 PARIS MEETING APPLICATIONS AND ATTENDEES

Number of applications received	131	ccTLD community	8
Number of applicants meeting minimum requirements	57	Government	4
Number of fellows attending Paris meeting	15	Civil society and private sector	3
Number of fellows deferred to Cairo meeting	0	Academia	5

A graphic illustration of the fellowship program applications acceptances and attendees by sector and region for the Cairo meeting in November 2008 appears below. Accepted applications for Cairo were from Armenia, Bangladesh, Cameroon, Chile, Colombia, Congo, Cote d'Ivoire, Ecuador, Egypt, El Salvador, Fiji, Iraq, Jamaica, Jordan, Mexico, Pakistan, Samoa, Somalia, St. Lucia, Tanzania, Thailand, Tunisia, Tuvalu, Uruguay, and Uzbekistan.

## NOVEMBER 2008 CAIRO MEETING APPLICATIONS AND ATTENDEES

Number of applications received	89	ccTLD community	7
Number of applicants meeting minimum requirements	72	Government	5
Number of fellows attending Cairo meeting	30	Civil society and private sector	14
Number of fellows deferred to Mexico meeting	2	Academia	2

To encourage ongoing participation and deepen the connection to the ICANN processes, fellows are encouraged to reapply to attend later meetings. These fellows give presentations on their activities since the previous meeting, the difference the fellowship has made, and what new fellows can do to maximize the value of their participation.

In addition, alumni from the first round of fellows attending the meeting under other programs return and participate in daily meetings and help mentor their colleagues. All fellows are signed up for the mailing lists of the appropriate ICANN regional groups, and an alumni mailing list is being developed.

The program pays for each fellow's hotel room and economy airfare to the meeting, as well as a \$300 stipend to cover incidental expenses during the week. The fellows attend daily briefing sessions with presentations by members of the ICANN community and staff that reflect the areas of interest and activity indicated in the fellows' applications. They are also encouraged to participate in the public forums and are introduced to the chairs of the appropriate constituency groups and welcomed at those meetings. At the end of the fellowship they complete a survey and produce individual reports on their activities and the uses to which they put the fellowship. These are compiled into a summary report that is part of the ongoing evaluation of the program.

## **Academic and Business Outreach**

Global Partnerships staff is actively coordinating work with several academic institutions around the globe to broaden knowledge of the multi-stakeholder model and ICANN's role in the functions of the Internet. This includes presenting at respective institutions upon request, contributing to roundtable discussions, partnering with institutions that may provide student interns for various initiatives, and analysis of issues or venues and platforms for staff to reach new audiences. These academic institutions include Moscow State University Institute for Information Security Issues (ISI), the Harvard Berkman Center, the Princeton University Center for IT Policy (CITP), University of California, Los Angeles, Pepperdine University, Loyola Law School, University of Southern California, University Abdou Moumouni, Niamey, Niger, the African Regional Education Network, Ghana, University of Lisbon (Faculdade de Ciencias da Universidade de Lisboa) and the University of Puerto Rico Law School, Rio Piedras.

ICANN Global Partnership staff is also actively coordinating with other ICANN divisions to reach out to respective business communities, and is engaging in activities to increase awareness of the multi-stakeholder model and importance of security and resilience of the Internet's unique identifier system.



Paul Levins

## Corporate Affairs

### Paul Levins, Executive Officer and Vice President, Corporate Affairs

Some Corporate Affairs practitioners will tell you it is hard to estimate their department's contribution because much of the work involves the apparently immeasurable. For example, how the organization is perceived, its transparency, and how it relates to the external world are matters that are difficult to quantify.

Below are some key measures from the Corporate Affairs effort over this last year related to function. This is followed by a discussion of some of the work yet to be done.

#### The Numbers

##### *Staff*

ICANN's Corporate Affairs department has ten permanent staff. These staff members include the Vice President, Corporate Affairs, as manager, three meetings staff, a manager public participation, a media adviser, a web content manager, a technical writer, a director of information coordination and an executive assistant. There are also three consultants: a web development assistant, a translation coordinator and a meeting manager who assists at ICANN meetings. This reflects the core functions of the department: meetings management; participation; translation coordination; media management, newsletter and alert production; web development; information management and technical writing and presentation work. The Vice President, Corporate Affairs, also manages the discussion around progressing ICANN's Memorandum of Understanding process with the U.S. Government and as a consequence, Corporate Affairs also supports the work of the President's Strategy Committee on Improving Institutional Confidence.

##### *ICANN Meetings*

Corporate Affairs runs three major international meetings each year in which the community participates. The meetings progress policy work, provide for outreach and bring new and existing community members together to discuss ICANN's work as well as provide a forum for face-to-face meetings of the Board. All meeting aspects are managed, including venue selection (anywhere between two and eight venues are examined for each meeting, depending on what is available in the host country, before selecting one), scheduling (with input from chairs of the supporting organizations, advisory committees, executive and Board), IT support (approximately \$200,000 per meeting), food and beverage requirements (approximately \$200,000 per meeting), room configuration, remote and on-site participation, signage (approximately \$10,000 per meeting), website management, security (approximately \$20,000 per meeting), some travel arrangements (approximately \$550,000 per meeting), and drafting of some of the presentations. The rest of each meeting's expenses mainly include accommodations (\$200,000 to \$300,000), interpreters (\$100,000), registration (\$20,000), accommodation (\$200,000), venue hire (\$200,000 to \$300,000) and scribing (\$65,000). Two business access agendas were run for the first time at the meetings in Paris (120 attendees) and Cairo (40 attendees) in 2008, and while good starts to better serve the business community, these sessions still need to be improved with the input of business representatives and ICANN's business constituency.

A total of 3,420 people attended the three ICANN meetings in person in 2008. The breakdown is as follows: New Delhi, 720 attendees representing 76 countries; Paris, 1,672 attendees representing 166 countries; and Cairo, 1,028 attendees representing 144 countries. The top five countries by citizenship represented at the Paris meeting were the United States, France, Germany, United Kingdom and Spain; and at the Cairo meeting the top five countries represented were the United States, Egypt, United Kingdom, Germany, and France. At each of these meetings, 200 to 400 people described themselves as new attendees, having never before attended an ICANN meeting. For example, 290 people described themselves as new attendees at the New Delhi meeting. The number was higher in Paris, where about 400 considered themselves new attendees, and in Cairo 306 people described themselves as new attendees.

In addition to the three main international meetings, there was a regional outreach meeting held in Dubai on 1–3 April 2008, where 80 attendees represented governments, ccTLD managers and businesses. And two registry and registrar meetings were held, one in New Orleans on 2 May and one in Seoul on 10–11 September, which had more than 68 participants representing 26 registrars and six registries. Of the 56 registrar participants, 54 percent reported that they had not previously attended an ICANN meeting. Also, for the first time since the inception of these gatherings, presentation materials were provided in Chinese, Japanese and Korean. In New Orleans 33 representatives from 19 different registrars attended, along with 18 representatives from 9 registries. Corporate Affairs also organized and supported two retreats for the ICANN Board of Directors, one in Riga, Latvia, and the other in Los Angeles, California. Three executive/operations meetings were also supported.

The main ICANN meetings are a huge investment, costing approximately US\$2 million each to produce. Between 40 and 50 staff members attend each meeting, and we also pay for about 150 community members to travel to these events. Corporate Affairs published a paper suggesting that the number of meetings be reduced to two each year and that one of the two be located in a travel hub. A formal decision has yet to be made about these changes. The paper can be found at <http://www.icann.org/en/meetings/meetings-reform-discussion-paper-16may08-en.pdf>.

The smaller meetings Corporate Affairs facilitates throughout the year range in cost from \$4,000 for the executive/operations planning meetings to \$100,000 for the registry/registrar meetings.

The three major meetings are subject to a detailed request for proposal process upon which location decisions are made. That process can be found at <http://icann.org/en/announcements/announcement-22aug08-en.htm>.

#### *Website Management*

By the end of 2008, Corporate Affairs processed approximately 2,600 content change tickets, added or changed at least 6,000 pages of material, added 540 translated pages, fixed 843 broken links, released approximately 250 publications online (Weekly Newsletters, News Alerts, Improving Institutional Confidence Newsletter, Contractual Compliance Newsletter, Monthly Magazine and Policy Update), sent to subscribers by email approximately 500 news mailings in HTML and plain text formats, added to our news mailing database through opt-in an estimated 3,500 contacts (6,800 subscriptions) from across the domain industry, technological

# ACTIVITIES OF ICANN DIVISIONS

*There have been some important improvements for non-English language visitors. For example, right-to-left scripting was introduced for the Cairo meeting. In the past, on ICANN.org we've been accustomed to specifying HTML decimal character entities for Arabic, such as &#1602; for the letter "Qaf", instead of just using the character itself in its natural form. In some cases, where it was difficult to capture Arabic script, an image was used to represent it instead. The script also had to be told which way to flow and align itself, something that now happens more naturally, or with minimal use of HTML. Finally, Arabic pages had to be manually linked to original English pages, to translations in other languages, and within lists of other Arabic pages. None of this was optimal.*

*Now Unicode can be pasted directly into pages to display Arabic on the sites we manage via our content management system. At present, those sites are the Cairo meeting website, the At-Large website, and the Public Participation site. Other sites are forthcoming.*

*For an illustration, the Cairo site now contains English-Arabic pages: <http://cai.icann.org/>, <http://cai.icann.org/en/venue>, <http://cai.icann.org/en/about>*

industry, government, media, nonprofits, academia, and individual users, arrived within our news mailing database at an estimated total of 6,000 contacts and 16,000 subscriptions.

Overall visits and visitors decreased slightly from 2007, with 7,962,026 to 7,792,688 by year-end 2008, but overall page views increased significantly. Compared with 2007 with 26,704,378 page views, 2008 saw 33,070,931 (by 23 November 2008, the last day statistics were available before this report was published) with 36,745,478 expected by 2008 year end. This represents a 23.84 percent increase based on projected value.

Average page views per visit increased by 40 percent, while overall visits from spiders and crawlers decreased from 2,124,259 in 2007 to 1,462,649 in 2008, a decrease of 31.35 percent, meaning that more actual humans viewed more pages per visit than last year. Average visits per day decreased slightly but average page views per day increased by more than 37 percent, from 73,363 in 2007 to 100,826 by 23 November 2008.

Visits originating in North America decreased, from a representation of 54.04 percent in 2007 to 51.08 percent (by 23 November 2008) in 2008, a 5.48 percent decrease.

Non-North American visits increased, with 45.96 percent representation in 2007 to 48.19 percent in 2008 (by 23 November 2008), a 4.85 percent increase.

The number of pages on the site grew to nearly 17,000 from an estimated 13,500 two years earlier, a growth of 25 percent.

An average of 4,589 people visited the meeting websites for the three main meetings. The New Delhi meeting site had 1,661 visitors, the Paris meeting site had 9,547 and the Cairo meeting site had 2,561 visitors.

The scribe feed introduced at the Paris meeting was viewed 52 times, but by the Cairo meeting had been viewed 451 times.

## *News Alerts and Magazines*

From January to November 2008, 177 news alerts were sent out averaging between 10 and 29 news alerts per month. Between April and December 2008 there were 9 magazines. The magazines had an average word count of 3,023.

The year 2008 began with an estimated 6,826 subscriptions and will end with an estimated 16,000 subscriptions, an increase of greater than 100 percent.

## *Translation*

The translation budget has grown from US\$152,100 in fiscal year 2007 to US\$488,000 in 2008. Throughout 2008 approximately 185 documents were translated from English into other languages, including Arabic, Chinese, French, Russian, Spanish, Italian, Portuguese, German, Korean, Japanese, Hindi, Hebrew and Urdu. From January to mid-November 2008, the total count of translated words was 2,352,999.

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to capture Arabic script, an image was used to represent it instead. The script also had to be told which way to flow and align itself, something that now happens more naturally, or with minimal use of HTML. Finally, Arabic pages had to be manually linked to original English pages, to translations in other languages, and within lists of other Arabic pages. None of this was optimal.

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For an illustration, the Cairo site now contains English-Arabic pages: <http://cai.icann.org/>, <http://cai.icann.org/en/venue>, <http://cai.icann.org/en/about>.

#### *Comment and Participation*

There were 47 public comment periods in 2008, with an average of 10 comments per period and 10 days taken on average to post a summary and analysis of those comments. There were 72 blog articles from January to November 2008 with an average of six comments per blog. Since the blog was started in January 2007 there have been 220 blog entries.

#### *Media*

Over the reporting period, ICANN earned media coverage in more than 1,000 unique newspapers, radio broadcasts, magazines and websites. Issues highlighted included efforts to end domain tusting, IDNs, the election of a new Board chair, and the mid-term report on the Joint Partnership Agreement. In addition, 75 media releases were issued and over 180 announcements were posted to the front page of ICANN's website.

By far the widest coverage surrounded the Paris meeting in June 2008 and the decision to move forward with the new gTLDs program. Among the hundreds of stories, coverage appeared in the *International Herald Tribune*, *Les Echoes*, *New York Times*, *Forbes*, *Business Week*, *BBC News*, *Washington Post*, *Wall Street Journal*, and the *Tehran Times*. These papers have a combined readership of about 6.5 million readers.

Stories highlighting ICANN's work on Internationalized Domain Names appeared on the U.S. National Public Radio, in the *China Post*, *Times of India*, *The Australian*, and on the front page of the business section of the *Wall Street Journal*.

Four international press conferences were held in conjunction with ICANN meetings, and these were attended by journalists from the BBC, *International Herald Tribune*, *New York Times*, *Washington Post*, *The Register*, *IDG*, *The Australian*, *New Delhi Tribune*, and *PCWorld*.

#### *Presentations and Technical Writing*

Twenty-five separate presentations or speeches were developed and most of these can be found at <http://www.icann.org/presentations/>.

In addition a major contribution was made to the writing of the draft Applicant Guidebook for the introduction of new gTLDs, a significant task at 27,090 words long. Other contributions included the presentation of the compliance semi-annual report (<http://www.icann.org/en/compliance/reports/contractual-compliance-audit-report-29jul08-en.pdf>) and this annual report. Also completed was the writing of a corporate Style Guide.



# ACTIVITIES OF ICANN DIVISIONS

## *President's Strategy Committee Meetings*

During the midterm review of the Joint Project Agreement by the U.S. National Telecommunications and Information Administration in February 2008, Peter Dengate Thrush identified the President's Strategy Committee as the group within ICANN to facilitate community discussions and outline a plan for developing a transition framework. ICANN's submission was 1,950 pages long, including supporting materials, and was collated and written by Corporate Affairs. It can be found at [http://www.ntia.doc.gov/ntiahome/domainname/jpacomments2007/jpacomment\\_004.pdf](http://www.ntia.doc.gov/ntiahome/domainname/jpacomments2007/jpacomment_004.pdf). ICANN supporting documents can be found at [http://www.ntia.doc.gov/ntiahome/domainname/jpacomments2007/jpacomment\\_icannsupport.pdf](http://www.ntia.doc.gov/ntiahome/domainname/jpacomments2007/jpacomment_icannsupport.pdf).

A program of external outreach meetings on the work of the PSC was held around the world. There were nine outreach meetings held between June and December 2008 in Paris, France; Montevideo, Uruguay; Christchurch, New Zealand; Geneva, Switzerland; Dakar, Senegal; Washington, DC; Cairo, Egypt; Mauritius; and Hyderabad, India. All discussion documents were made available in 10 languages simultaneously. Regional discussions were held in English, Spanish and French, with ICANN staff translating and summarizing all input materials for the PSC and for publication on the ICANN website (<http://www.icann.org/en/jpa/iic/>). Work on Improving Institutional Confidence will continue in 2009, focusing on implementation subject to Board agreement and reporting to the community.



*Chairman of the Board of Directors Peter Dengate Thrush addresses a President's Strategy Committee consultation on Improving Institutional Confidence at the National Press Club in Washington, DC.*

### *Opening of New Office*

The Corporate Affairs department also opened a new ICANN office in Washington, DC, and work commenced there near the end of August 2008. The purpose of opening this office is to improve outreach to Washington-based stakeholders including the U.S. Department of Commerce and the Congress, as well as business representative organizations. Eight meetings with various Congressional staff were held to discuss issues such as the new gTLD expansion and the conclusion of the Joint Project Agreement in September 2009. Briefing and consultation work also took place with members of the business community. In association with a visit by the Chairman and the CEO for the PSC consultation in Washington, DC, meetings with 15 different organizations were held, including CADNA, the Internet Alliance, BITS, AIPLA, ITIF, BSA, NetChoice and members of the intellectual property industry.

### **Work Still to Be Done**

We need better standardization of information across the website and in our presentations and we need to commit to a common—in every sense of that word—language to describe the organization and its work. This will help in understanding the narrow technical nature of ICANN's function so it can be clearly understood and so we can guard against mission creep.

There must be better analysis of public comments. The ICANN website's public comment page has been improved, but those submitting comments are concerned about an apparent lack of clarity as to how their comments are taken into account in the final outcome. Some improvements began at the time this annual report was published, with the employment of an individual to solely do analysis, commencing with the work of the PSC.

We must provide better outreach and accessibility for the community, especially the business community. There must be a better coordinated business agenda at meetings and the business constituency should be the conduit for that contact, supported by ICANN staff.

Translation work must continue to be a priority in order to help the many hundreds of millions of non-English speakers who will come on line this coming year to understand ICANN's distinct function.

We also must improve outreach at meetings so that we go beyond simply holding a meeting in a different location and are making contact with those who may have an interest in ICANN's work; for example, those from the At-Large user community, but who may be unable to afford to attend all the regular meetings.

Finally, this coming year will see the conclusion of the Joint Project Agreement. To support the work of the PSC and the Board, as well as outreach work in both Washington, DC, and internationally, it will be vitally important for our language and our accountability mechanisms to be transparent and accessible.

That effort is one that should never reach a conclusion as we will always aspire to improve.

*Translation work must continue to be a priority in order to help the many hundreds of millions of non-English speakers who will come on line this coming year to understand ICANN's distinct function.*



John Jeffrey

## Office of the General Counsel John Jeffrey, General Counsel

### Responsibilities

The Office of the General Counsel continued to provide high-quality legal services to the various functional units within ICANN, including its staff, Board, and participatory structures. The office advises ICANN's various business units on all issues that affect or have the potential to affect ICANN. Such issues include:

- Handling corporate and legal filings, managing litigation, providing interpretation of bylaws and legal interpretation
- Advising the Board and staff on legal matters pertinent to or contemplated for the organization
- Managing aspects of risk and crisis management
- Managing external counsel
- Reviewing and approving all legal documents
- Supporting the organization's compliance functions, finance and organization-wide operational functions
- Negotiating various registry, registrar and other agreements
- Verifying bylaws and applicable corporate legal and ethical compliance
- Managing the corporation's relationship with the U.S. government
- Negotiating in conjunction with other departments significant agreements that ICANN proposes to enter
- Reviewing and handling daily transactional business
- Supporting various ICANN Board members and committees
- Ensuring staff cooperation with the ICANN Ombudsman
- Monitoring conflicts of interest issues
- End ensuring general corporate legal compliance
- Assuming responsibility for management of the implementation of the Document Information Disclosure Policy
- Expanding ICANN's global legal advisory capacity through additional involvements with lawyers and firms in 15 additional countries in regions throughout the world.

### **Fulfillment of Bylaws**

In 2008, the ICANN Board convened three regular and eight special meetings, including the annual meeting held in Cairo. Appropriate Board committees were staffed, including the Executive Committee, Board Governance Committee, Conflicts of Interest Committee, and Reconsideration Committee, and produced reports at the regular ICANN meetings. New Board committees were adopted during ICANN's Cairo meeting. These new committees are for IANA, Public Participation, Risk and Structural Improvements. In addition, bylaws changes were proposed to consolidate the Conflicts of Interest Committee and the Reconsideration Committee into the Board Governance Committee functions.

### **Litigation Support**

The General Counsel's actions in support of ICANN included defending the organization against a variety of lawsuits and frivolous lawsuits. The office has taken additional steps to enhance ICANN's litigation readiness.

### **Department Staffing and Operations**

Office staff has heightened the effective advice to internal and external business units, implementing a full-service responsiveness regime and participating in increasing its operational excellence through the enhancement of new reporting and reviewing mechanisms. Positions have been posted to hire new lawyers for the Australia/Asian, European and African regions, and to provide additional support in the ICANN headquarters.



Frank Fowlie

## Frank Fowlie, Ombudsman

The Office of the Ombudsman had an active year in 2007–2008. The number of overall complaints or contacts dropped significantly, from 375 complaints or community contacts for assistance the previous year, to 125. The difference in complaint volume related directly to the number of RegisterFly-related complaints received the previous year. In addition, the volume of jurisdictional issues examined by the Ombudsman remained relatively consistent: 21 jurisdictional investigations were received and completed, and two jurisdictional files remained open as of June 30, 2008.

In 2007–2008 the Ombudsman's Office resolved all matters without having recourse to formal reporting to the Board of Directors and the community. This is a positive step for both the community and the organization, and demonstrates that a facilitated approach to conflict resolution is most effective at ICANN.

The ICANN Office of the Ombudsman continues to be a field leader in the development of ombudsman evaluations. In 2007–2008 the Ombudsman gave presentations on ombudsman evaluations to the Forum of Canadian Ombudsman, the United States Ombudsman Association, and the International Ombudsman Association. The Office of the Ombudsman also published a Practitioner's Guide to Evaluating Ombudsman Offices, which was reprinted by the International Ombudsman Institute. The *International Ombudsman Yearbook*, published in 2008, included a paper written by ICANN's Ombudsman on client satisfaction.

In June the Ombudsman chaired the 2008 International Forum on Online Dispute Resolution ([www.odrforum2008.org](http://www.odrforum2008.org)). This event brought together 130 delegates from 30 countries for a two-day conference on the use of online technology as a dispute resolution tool.

The community of ombudsman practitioners was delighted to have several world leaders participate in the forum, among them His Excellency Dr. Jose Ramos Horta, President of Timor Leste, who participated by video broadcast; Her Excellency Ambassador Patricia Durrant, retired United Nations Assistant Secretary General and United Nations Ombudsman; His Excellency Nelson Santos, Permanent Representative of East Timor to the United Nations; and Dr. Vinton Cerf, Chief Internet Evangelist for Google, who gave the keynote address.

The ICANN Office of the Ombudsman took great pleasure in working with Royal Roads University, Victoria, British Columbia, which offers a bachelor of Justice Studies degree, and Pepperdine University, Malibu, California, which offers a masters of Conflict Resolution degree, to provide externship and practicum opportunities for their learners. During 2007–2008 learners from these universities participated in two ICANN meetings and the 2008 International Forum on Online Dispute Resolution. The Ombudsman offers thanks to Indu, Doug, Shanna, David, Collin, Eleanor, Leda, Chris, Thomas, Grace, and Marcia, and trusts they enjoyed their ombudsman experience.

Also in 2008, the Ombudsman was awarded a Doctor of Conflict Resolution from La Trobe University in Australia.

The ICANN Office of the Ombudsman publishes an annual report independent of the ICANN annual report. The 2007–2008 Ombudsman annual report is posted in six languages at [www.icannombudsman.org/](http://www.icannombudsman.org/).

# ACTIVITIES OF NOMINATING COMMITTEE

The ICANN Nominating Committee selects eight members of ICANN's Board of Directors, three members of the Country Code Names Supporting Organization (ccNSO), three members of the Generic Names Supporting Organization (GNSO), and five members of the At-Large Advisory Committee (ALAC). The 2008 Nominating Committee included 22 members, 17 voting and 5 nonvoting. The Chair is appointed by the Board, the Associate Chair is appointed by the Chair, and the previous Chair serves a second term as an Advisor to the new Chair. None of these positions is a voting position.

Hagen Hultsch, former ICANN Director, was appointed by the Board as Chair of the 2008 Nominating Committee. Wolfgang Kleinwaechter was appointed Associate Chair, and George Sadowsky was Advisor to the Chair.

The 2008 Nominating Committee had two face-to-face meetings. The first meeting involved orientation and discussion regarding its processes and procedures and took place following the ICANN meeting in Los Angeles in October 2007. The call for Statements of Interest was posted on 14 December 2007 with a closing date of 15 April 2008. Members of the Nominating Committee conducted extensive outreach during that time, which resulted in 78 statements of interest being received.

In a new process, the Nominating Committee retained the professional services of Ray & Berndtson, an executive search firm based in Frankfurt, Germany, to assist with candidate assessment, including candidate interviews. The Nominating Committee used Ray & Berndtson's assessments, in addition to references provided with statements of interest, and in some cases, telephone interviews, to review candidates.

The second meeting to select the nominees took place at the conclusion of the ICANN meeting in Paris in June 2008. During this meeting, the 2008 Nominating Committee selected:

- Two members of the ICANN Board of Directors: Katim Touray, Africa, and Steve Crocker, U.S.A.
- One member of the Council of the Generic Names Supporting Organization (GNSO): Terry Davis, U.S.A.
- One member of the Council of the Country Code Names Supporting Organization (ccNSO): Jian Zhang, China.
- Two members of the At-Large Advisory Committee (ALAC) from the North American and European regions: Alan Greenberg, Canada, and Adam Peake, UK.

Those selected took their seats at the conclusion of the ICANN annual general meeting in Cairo on 7 November 2008.

## Nominating Committee Review

In December 2006, ICANN sought public comments on proposed terms of reference to guide the independent review of the Nominating Committee. ICANN's Board Governance Committee approved a proposed plan for the Nominating Committee review.

Interisle Consulting Group was engaged to conduct the review in accordance with the terms of reference, and Interisle's report was posted for public comment on 24 October 2007 ([http://www.icann.org/public\\_comment/#nomcomreview](http://www.icann.org/public_comment/#nomcomreview)). Interisle conducted a special workshop at the annual general meeting in Los Angeles in October 2007 to discuss the recommendations in its report and provide the community an opportunity to provide feedback and comments.

The Nominating Review working group, composed of Chairman Alejandro Pisanty, Jonathan Cohen, Mouhamet Diop and Steve Goldstein, later considered the report and public comments, and prepared a final report to the Board Governance Committee.

The ICANN Financial Statements for 2007–2008 are posted at <http://www.icann.org/en/financials/financial-report-fye-30jun08-en.pdf>.



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MOSS ADAMS LLP

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors (Board)  
The Internet Corporation for Assigned Names and Numbers

We have audited the accompanying statements of financial position of Internet Corporation for Assigned Names and Numbers (ICANN) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of Internet Corporation for Assigned Names and Numbers. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Internet Corporation for Assigned Names and Numbers as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Moss Adams LLP*

Los Angeles, California  
October 6, 2008



# ICANN FINANCIAL STATEMENTS 2007–2008

## INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

### STATEMENTS OF FINANCIAL POSITION

**JUNE 30,** 2008 2007

*Amounts are rounded to the nearest thousand in US Dollars*

#### ASSETS

Cash and cash equivalents	\$ 22,005,000	\$ 31,031,000
Accounts receivable, net	12,456,000	14,970,000
Investments	24,773,000	-
Prepaid expenses	14,000	270,000
Other assets	404,000	97,000
Property and equipment, net	<u>1,316,000</u>	<u>582,000</u>
Total assets	<u>\$ 60,968,000</u>	<u>\$ 46,950,000</u>

#### LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued liabilities	\$ 5,402,000	\$ 4,270,000
Deferred revenue	<u>9,141,000</u>	<u>7,444,000</u>
Total liabilities	<u>14,543,000</u>	<u>11,714,000</u>
Unrestricted net assets	<u>46,425,000</u>	<u>35,236,000</u>
Total liabilities and net assets	<u>\$ 60,968,000</u>	<u>\$ 46,950,000</u>

*See accompanying notes to financial statements.*

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# ICANN FINANCIAL STATEMENTS 2007–2008

## INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

### STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30,	2008	2007
<i>Amounts are rounded to the nearest thousand in US Dollars</i>		
<b>UNRESTRICTED</b>		
<b>SUPPORT AND REVENUE</b>		
Domain name registry and registrar fees	\$ 45,299,000	\$ 38,348,000
Address registry fees	823,000	823,000
Accreditation fees	3,667,000	3,597,000
Application fees	115,000	270,000
Interest income and other income	<u>829,000</u>	<u>433,000</u>
Total support and revenue	<u>50,733,000</u>	<u>43,471,000</u>
<b>EXPENSES</b>		
Personnel	16,746,000	13,784,000
Travel and meetings	9,449,000	6,203,000
Professional services	8,854,000	5,864,000
Administration	4,957,000	3,219,000
Bad debt recovery	<u>(462,000)</u>	<u>(2,429,000)</u>
Total expenses	<u>39,544,000</u>	<u>26,641,000</u>
Change in net assets	<u>11,189,000</u>	<u>16,830,000</u>
<b>UNRESTRICTED NET ASSETS</b>		
Beginning of year	<u>35,236,000</u>	<u>18,406,000</u>
End of year	<u>\$ 46,425,000</u>	<u>\$ 35,236,000</u>

*See accompanying notes to financial statements.*

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# ICANN FINANCIAL STATEMENTS 2007–2008

## INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

### STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30,	2008	2007
<i>Amounts are rounded to the nearest thousand in US Dollars</i>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 11,189,000	\$ 16,830,000
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities:		
Depreciation expense	259,000	139,000
Bad debt recoveries	(462,000)	(2,429,000)
Unrealized loss	227,000	-
Changes in operating assets and liabilities		
Accounts receivable	2,976,000	975,000
Prepaid expenses	256,000	(48,000)
Other assets	(307,000)	(42,000)
Accounts payable and accrued liabilities	1,133,000	1,788,000
Deferred revenue	<u>1,697,000</u>	<u>2,490,000</u>
Net cash provided by operating activities	<u>16,968,000</u>	<u>19,703,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(994,000)	(462,000)
Purchases of investments	<u>(25,000,000)</u>	<u>-</u>
Net cash used in investing activities	<u>(25,994,000)</u>	<u>(462,000)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(9,026,000)	19,241,000
<b>CASH &amp; CASH EQUIVALENTS</b>		
Beginning of year	<u>31,031,000</u>	<u>11,790,000</u>
End of year	<u>\$ 22,005,000</u>	<u>\$ 31,031,000</u>

*See accompanying notes to financial statements.*

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## INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1 - ORGANIZATION

The Internet Corporation for Assigned Names and Numbers (ICANN) was established in September 1998 under the laws of the state of California as a non-profit public benefit corporation. ICANN coordinates a select set of the Internet's technical management functions, such as the assignment of protocol parameters, the management of the domain name system, the allocation of Internet protocol (IP) address space, and the management of the root server system. Categories of Internet domains include Generic Top Level Domains (gTLDs) examples of which are *.com*, *.net*, *.org*, and *.edu* domains and Country Code Top Level Domains (ccTLDs), examples of which are *.us*, *.uk*, *.de*, and *.fr*. ICANN's primary sources of revenue are from domain name registration activities and DNS service providers as follows:

- **Domain name registry and registrar fees** for the registration and administration of Internet domain names. These fees include: 1) *Transaction fees from registrants of domain names via ICANN accredited registrars and gTLD registries* which are charged based upon a set rate per domain name registration, renewal, or transfer, and 2) *Fixed fees* which are amounts paid by registrars and registries in amounts set by contract for services rendered and/or rights given. ICANN also receives contributions and grants from other organizations.
- **Address registry fees** from organizations responsible for the assignment and administration of Internet addresses.
- **Accreditation fees** from ICANN accredited registrars for initial and annual renewal accreditation.
- **Application fees** from applicants seeking to become an ICANN accredited domain name registrar.

ICANN has three supporting organizations which serve as advisory bodies to the ICANN board of directors with respect to internet policy issues and structure within three specialized areas, including the system of IP addresses and the domain name system. The three supporting organizations are the Address Supporting Organization (ASO), Generic Names Supporting Organization (GNSO), and the Country Code Domain Name Supporting Organization (CCNSO). These supporting organizations are the primary source of substantive policy recommendations for matters lying within their respective specialized areas. The supporting organizations are not separately incorporated entities. Transactions handled by ICANN on behalf of GNSO are included in the accompanying financial statements.

## INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation** - The financial statements of ICANN have been prepared on the accrual basis of accounting. ICANN recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of ICANN and the changes therein are classified and reported as follows:

- **Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the objectives of ICANN. ICANN's Board adopted an investment policy in November 2007. This investment policy established a Board designated Reserve Fund which limits use of the Reserve Fund based upon specific Board actions. All investments are designated under the Reserve Fund.
- **Temporarily restricted assets** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of ICANN and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.
- **Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity. Investment income generated from these funds is available for general support of ICANN's programs and operations unless otherwise stipulated by the donor.

As of June 30, 2008 and 2007, ICANN had no permanently or temporarily restricted net assets.

**Cash and cash equivalents** - Cash and cash equivalents include deposits in bank, money market accounts, and marketable commercial paper. ICANN considers all cash and financial instruments with maturities of three months or less when purchased by ICANN to be cash and cash equivalents.

## INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Accounts receivable** - ICANN carries its accounts receivable on invoiced amounts less allowances for doubtful accounts. On a periodic basis, ICANN evaluates its accounts receivable and establishes allowances based on overdue accounts and a history of past write-offs. ICANN had two major registries/registrar totaling approximately \$22,237,000 or 44% of total support and revenue in 2008 and one major registry/registrar totaling approximately \$14,394,000 or 34% of total support and revenue in 2007. ICANN had accounts receivable amounts totaling approximately \$3,881,000 and \$2,150,000 due from the major registries/registrar at June 31, 2008 and 2007, respectively.

ICANN recovered approximately \$462,000 and \$2,429,000 of bad debt expense during years ended June 30, 2008 and 2007, respectively.

**Investments** – Investments in marketable securities are carried at fair value, based on quoted market prices. In November 2007, the Board adopted an investment policy which established a Board designated Reserve Fund. All funds in investments are reserved by the Board as the Reserve Fund.

**Property and equipment** - Property and equipment are stated at cost or, for contributed items, at fair market value at date of contribution. The equipment, furniture and fixtures are being depreciated using the accelerated method over estimated useful lives of three to seven years. Leasehold improvements are being depreciated using the straight-line method over the useful life or the remaining lease term, whichever is shorter. Acquisitions of property and equipment in excess of \$10,000 are capitalized.

**Deferred revenue** – Revenue is recognized during the period that the transaction associated with a fee relates, regardless of when the transaction fee was billed. Unless a registrar elects to have their multi-year transaction fees billed on a deferred basis, all transaction years are billed during the quarter in which the transaction agreement was signed. Fees relating to future periods are recorded as deferred revenue until earned. Fees for which deferred billing has been elected are billed and recorded as revenues in the year the transactions associated with the fees occur.

**Advertising costs** - Advertising costs are expensed in the period incurred. Advertising expense amounted to approximately \$94,000 and \$16,000, for the years ended June 30, 2008 and 2007, respectively.

**Income taxes** - ICANN is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

## INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Functional allocation of expenses** - Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on methods determined by management. ICANN's expenses are classified approximately as follows for the fiscal years ended June 30:

	<u>2008</u>	<u>2007</u>
Program services	\$ 28,631,000	\$ 19,300,000
Support services: management and general	<u>10,913,000</u>	<u>7,341,000</u>
Total expenses	<u>\$ 39,544,000</u>	<u>\$ 26,641,000</u>

**Concentration of credit risk** - Financial instruments which potentially subject ICANN to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, and investments. ICANN places its cash with major and creditable financial institutions. The cash held at these financial institutions may, at times, exceed the amount insured by the Federal Deposit Insurance Corporation. Concentration of credit risk with respect to receivables is mitigated by the diversity of registries/registrar base comprising ICANN's registry/registrar base. ICANN places its investments with a major and creditable investment broker. The investments held are subject to the volatility of the market and industry in which it is invested.

**Use of estimates** - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications** - Certain 2007 amounts have been reclassified in the financial statements to conform to the 2008 presentation. These reclassifications have no impact on net assets.

## INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following as of June 30:

	<u>2008</u>	<u>2007</u>
gTLD registries and registrars	\$ 11,779,000	\$ 13,875,000
IP address registries	823,000	2,172,000
ccTLD's	451,000	232,000
Other	3,000	12,000
	<u>13,056,000</u>	<u>16,291,000</u>
Less: allowance for doubtful accounts	<u>(600,000)</u>	<u>(1,321,000)</u>
	<u>\$ 12,456,000</u>	<u>\$ 14,970,000</u>

#### NOTE 4 - INVESTMENTS

Investments consist of the following as of the year ended June 30, 2008:

Stocks	\$ 8,190,000
Bonds	<u>16,583,000</u>
Total	<u>\$ 24,773,000</u>

There were no investments for the year ended June 30, 2007.

#### NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2008</u>	<u>2007</u>
Computer equipment	\$ 1,453,000	\$ 752,000
Computer software	20,000	20,000
Furniture and fixtures	322,000	194,000
Leasehold improvements	<u>294,000</u>	<u>130,000</u>
	2,089,000	1,096,000
Less: accumulated depreciation	<u>(773,000)</u>	<u>(514,000)</u>
	<u>\$ 1,316,000</u>	<u>\$ 582,000</u>



## INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 6 - LEGAL MATTERS

In the ordinary course of business, ICANN is occasionally named as a defendant in lawsuits and may be involved in other alternative dispute resolution proceedings. Management is unable at this time to determine the probable outcome or the effect, if any, that these matters may have on the financial position and the ongoing operations of ICANN. Accordingly, the accompanying financial statements do not include a provision for any losses that may result from ICANN's current involvement in legal matters.

#### NOTE 7 - RELATED PARTY TRANSACTIONS

ICANN's President and Chief Executive Officer (CEO), Dr. Paul Twomey's services are currently provided to ICANN through a professional services agreement with Argo Pacific Party Limited (Argo Pacific), an Australian Proprietary Company. Dr. Twomey has an interest in Argo Pacific.

Payments were made to Argo Pacific under a contractual arrangement with ICANN (the terms of which have been approved by the ICANN Board of Directors) for the provision of Dr. Twomey's professional services, benefits allowance, and for related expenses (incidental travel, telecommunications, computer supplies, and office supplies).

Pursuant to the agreement, during the year ended June 30, 2008, Argo Pacific was paid \$256,000 associated with Dr. Twomey's employee benefits, \$543,000 in base compensation, and \$148,000 in bonuses. Argo Pacific's agreement with ICANN is denominated in Australian Dollars. ICANN's functional currency is in US Dollars, thus the payments to Argo Pacific are impacted by exchange rate fluctuations between the US dollar and Australian dollar. During the year ended June 30, 2007, Argo Pacific was paid \$219,000 associated with Dr. Twomey's employee benefits, \$451,000 in base compensation, and \$210,000 in bonuses. These bonuses were for service during the fiscal year ending June 30, 2004, 2005, and 2006. Furthermore, during the year ended June 30, 2007, Argo Pacific received \$24,000 in foreign currency adjustments for years prior to 2007 and received \$37,000 in foreign currency adjustments for the 2007 year. Reimbursements made to Argo Pacific for related expenses such as travel, telecommunications, and office supplies amounted to \$25,000 and \$26,000 for the years ending June 30, 2008 and 2007, respectively. Total payments made to Argo Pacific for the years ended June 30, 2008 and 2007, were approximately \$972,000, and \$967,000, respectively.

Included in accounts payable and accrued liabilities to Argo Pacific as of June 30, 2008 and 2007 was \$7,000 and \$143,000, respectively.

## INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 8 - COMMITMENTS

ICANN leases its offices and certain other facilities under operating lease agreements with termination clauses from three to twelve months. Rent expense amounted to approximately \$1,211,000 and \$535,000 for the years ended June 30, 2008 and 2007, respectively. Minimum payments under the cancelable operating leases for the future years ending June 30 are approximately:

2009	\$	1,189,000
2010		1,014,000
2011		823,000
2012		800,000
2013		<u>67,000</u>
Total	\$	<u>3,893,000</u>

ICANN has probable pass-through and additional charges from the sublessor which are not included in the minimum payments above. The pass-through and additional charges cannot be reasonably estimated for future periods. Pass-through and additional charges amounted to approximately \$494,000 and \$254,000 for the years ended June 30, 2008 and 2007, respectively.

#### NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN

ICANN's 401(k) Plan (the "Plan") is available to all employees in the United States at the first of the month following hire date with ICANN. ICANN contributes 5% of employee's salary to the plan regardless of employee contributions. ICANN also matches employee contributions up to 10% of the employee's annual salary. Employer contributions for the years ended June 30, 2008 and 2007 amounted to approximately \$1,083,000 and \$709,000, respectively.