

.au Domain Administration Limited

ABN 38 079 009 340

Board Meeting

12th December 2016 at 9:30AM

auDA, 114 Cardigan Street, Carlton VIC

1. Welcome and Apologies

Present: Stuart Benjamin (Chair), Cameron Boardman (CEO), Erhan Karabardak, George Pongas, Grant Wiltshire, Joe Manariti, Kartic Srinivasan, Simon Johnson, Tony Staley, Leonie Walsh, Michaela Richards, Tim Connell, Di Parker (Company Secretary)

Apologies: Richard Windeyer and Annaliese Williams (Department of Communications)

Commenced 9:30am

Welcome

Stuart welcomed everyone to the meeting and in particular welcomed Tim Connell to his first auDA Board meeting.

2. Continuous Disclosure

Tim Connell disclosed that he owns 250 domain names and manages a further 150 domain names for clients. He advised that the domains do not have any current complaints or investigations. He advised that he does not hold any other Directorships.

3. Confirmation of 14 November 2016 Minutes and the Minutes of the Annual General Meeting

Motion proposed by Joe Manariti and seconded by Erhan Karabardak that the minutes of the 14 November 2016 Board meeting and the Annual General Meeting be confirmed. **Carried.**

4. Actions Arising

The CEO provided an update on the actions arising.

The CEO advised that Mike Burgess' security report makes some recommendations on ISS which management is reviewing before providing the findings of the ISS roll out to the Strategic Risk Committee.

It was agreed for our insurance brokers to provide an overview of our D&O insurance policies to the Strategic Risk Committee.

The Board noted the actions arising.

5. Chair Report

There was no Chair Report.

6. CEO Report

Deloitte Access Economics

The CEO advised the Board that he has engaged Deloitte Access Economics in an economical and statistical analysis of the .au domain range, which includes three separate projects:

- economic and social contribution analysis;
- critical infrastructure analysis; and
- top level domain registration.

The CEO advised the Board that this will allow auDA to better understand our value add contribution and therefore inform our advocacy agenda as well as provide us with an easily explained narrative of our position in the national economy.

The CEO advised the Board a draft report would be available for the Strategic Review and the final report is due the end of February.

Policy Review

The CEO advised the Board that he has engaged Ashurst to undertake a holistic review of our current policy settings. As per the Constitution, any significant changes that may be recommended would require a panel review.

Government Engagement

The CEO advised that our relationship with the Commonwealth has significantly improved.

The CEO informed the Board that Alistair Paterson and Rachael Falk have been assisting with our engagement with Government. He advised the Board that over the past month, we have met with:

- Darren Disney, Mitch Fifield's Chief of Staff
- Phil Connell, Dan Tehan's Chief of Staff
- Richard Marles, Opposition Defence spokesperson
- Victoria Robertson, Gai Brodtmann Chief of Staff
- Australian Strategic Policy Institute (ASPI)
- Alister MacGibbon, Cyber Security Advisor to the Prime Minister
- Toby Feakin, Cyber Security Ambassador
- Nigel Phair, candidate for ICANN EC Advisory Committee
- Sandra Ragg, Department of Prime Minister and Cabinet
- Henry Fox, Department Foreign Affairs and Trade

The CEO advised the Board that he has arranged a formal partnership with ASPI commencing 1st January 2017.

The CEO advised the Board that a further two days of meetings in Canberra have been scheduled for 12th and 13th January 2017. The CEO advised that Nigel Phair has been short-listed to become a Director of the EC Advisory Board of ICANN and he is scheduling a time to meet with him in January.

Security Review

The CEO advised the Board that Mike Burgess, former Chief Security Officer at Telstra, had been commissioned to undertake a security review of auDA. The CEO advised the Board that a table top crisis communications event was scheduled for Thursday 15th December and the results will be communicated to the Board.

The CEO advised the Board that the preliminary report contained 13 recommendations. A final report will be available for the Strategic Review.

Strategic Review

The CEO advised that Board that he has engaged Mike Burgess to facilitate the Strategic Review. The CEO advised the Board that there were five key areas to be covered in the review and discussion papers will be distributed to Directors prior to the review. It was agreed that discussion papers would be distributed progressively to Directors as they become available to allow Directors sufficient time to prepare for the Strategic Review.

Staff Update

The CEO advised the Board that we would commence recruitment for two new positions shortly- Policy Manager and Policy and Research Officer.

The CEO informed the Board that auDA would close from COB 23 December 2016 and re-open 3 January 2017. A communications plan is in place for this period.

S Johnson ended teleconference and joined meeting in person.

New Office

The CEO advised the Board that we had entered a Heads of Agreement for new office premises at Level 17, 1 Collins Street. The CEO advised the Board that the relocation would likely take place at the end of March 2017.

Policy Development

The CEO informed the Board that a number of new operational policies have been implemented:

- Travel policy
- Purchasing policy
- Communications policy
- Whistle Blower policy
- Bullying and Discrimination policy
- Employee Assistance Program policy
- Leave policy

The Board recommended that the bullying and discrimination policy should set a no tolerance standard in regards to cyber bullying and given the culture of this industry in general, the auDA leadership should set an example in this area.

The Board noted the CEO report.

7. Finance Report

The CFO presented the October and November 2016 financial report to the Board.

The CFO advised that a deficit of \$62K was recorded in October against a reforecast deficit of \$19K which means a negative result to budget of \$43K was achieved.

The CFO advised that a deficit of \$43K was recorded in November against a reforecast deficit of \$124K (excluding timing issue with the registry annual licence fee invoice) which means a positive result to budget of \$81K was achieved.

Year-to-date a surplus of \$181K has been achieved which is a positive result to budget of \$263K. The CFO advised that key items currently under budget are staff salaries, staff development and consultancy costs but that these costs are likely to be incurred in the second half of the year.

Cash on hand is \$9.3M and investments are \$3.7M.

The CFO also advised that the transition from Moore Stephens has been completed.

The Board noted the Finance report.

8. Board Committee Updates

a. Finance and Audit Committee

Kartic Srinivasan advised the Board that our application for payroll tax exemption was lodged on 6th December. We expect to have a response from the State Revenue Office in three to six months.

Kartic advised the Board that the Finance and Audit Committee had approved a new investment strategy which would allow for better diversification of our portfolio and maximisation of returns. The strategy still maintains liquidity with funds able to be retrieved within two weeks. As part of the service, the CFO will also have access to real-time online reporting of the portfolio. The Board discussed that our investment strategy could give consideration to digital investments and we should ensure that all investments are in ethical investments.

Kartic advised the Board that the Finance and Audit committee reviewed and endorsed the proposal for the new office premises.

The Board noted the Finance and Audit Committee report.

b. Governance Committee

Stuart Benjamin advised the Board that the Governance Committee had not met since the previous Board Meeting and there was no update.

c. Strategic Risk Committee

Simon Johnson advised the Board that the Strategic Risk Committee had not met since the previous Board Meeting and there was no update.

The Board agreed to re-constitute the Board Sub-committees after the Strategic Review.

9. Matters for Decision

b. Membership Applications

The Board agreed to move the Membership Applications agenda item forward.

The CEO advised the Board that the 73 Membership applications approved in the June Board meeting paid via PayPal have been investigated.

The Board agreed that in the absence of eligibility criteria that the current vetting process for membership applications should be to contact prospective Members prior to submitting them to the Board for approval to validate that they are:

- a 'real' person; and
- they have some knowledge of auDA's purpose and activities.

Motion proposed by Stuart Benjamin and seconded by Tony Staley that subject to validating the prospective Members are 'real' people and have some knowledge of auDA's purpose and activities, the current Membership applications before the Board should be approved. **Carried.**

a. Registry Contract Process

George Pongas and Kartic Srinivasan excused themselves from the Board Meeting due to a conflict of interest.

The CEO advised the Board that he has had extensive negotiations with AusRegistry regarding their unsolicited proposal for the Registry contract over the past month. He advised the Board that AusRegistry have made some significant concessions throughout the negotiations. He advised the Board that it is the strong recommendation of himself and his executive team that we enter into a period of exclusive negotiation with AusRegistry.

The CEO advised the Board that in evaluating AusRegistry's updated proposal he utilised the Commonwealth Procurement Framework as a best in practice framework, and considered the following criteria:

- value for money;
- encouraging competition;
- efficient, effective, economical and ethical procurement;
- accountability and transparency in procurement;
- procurement risk; and
- procurement method.

The CEO presented a comprehensive analysis of AusRegistry's proposal and associated concessions and improvements by way of a detailed written report against the Commonwealth's procurement framework, and compared to ICANN's model Registry Operators Agreement.

Each procurement criteria and associated guidelines were used to assess the proposal with information provided by AusRegistry directly benchmarked, analysed and evaluated against international best practice and external advice. The CEO detailed weighed assessments for the board's consideration against the criteria.

The CEO outlined in this analysis detailed consideration that a market exercise would not result in a more advantageous result for auDA or the Australian digital community, and that the commercial and technical risks associated with transference to a new operator were considerable. He further stated that the concessions, innovations and investment AusRegistry had in principle agreed to during the negotiations would allow for the registry contract to become internationally best-in-class within 6 to 12 months. There was extensive goodwill demonstrated by AusRegistry during this process and combined with the improvement to performance management both parties had agreed to, the CEO strongly endorsed this position.

The CEO further advised the Board that the current proposal received by AusRegistry is not the final agreement and he would be negotiating further with them. The CEO recommended to the Board that for expediency, cost, to become a best-in-class operator within 6 to 12 months and to avoid the risks and complications of a transition, that auDA should enter into exclusive negotiations with AusRegistry for the Registry contract.

The CEO informed the board that he had consulted and advised DoCA of this process.

The Board advised that options for shorter terms should be considered. The Board advised that we need to ensure that we mitigate the risks to entry in the new agreement.

Motion proposed by Tim Connell and seconded by Leonie Walsh that auDA enter into a period of exclusive negotiation with Neustar for the continuation of the Registry operations subject to the Board's satisfaction. **Carried.**

10. Matters for Discussion

There were no matters for discussion.

11. General Business

Meeting closed 1:20PM.