

ANNUAL REPORT 2007



INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS



"Over the past eight years, ICANN's model of full participation by all interested stakeholders in decisions and policy-making has progressively evolved and strengthened. It is clear that your expertise and resource commitments are a testament to the validity of the ICANN model.

"Given how relatively young ICANN is, and given the enormously important work it is called upon to perform, there's been great progress. In particular, the Joint Project Agreement executed in 2006 was an important step forward and reflects the maturity of the ICANN model.

"These aren't just my views. These are the views largely shared by the over 700 contributions received when the new Joint Project Agreement was executed.

"Our public consultation process also revealed broad support for the continued transition to the private sector. The majority of interested stakeholders endorsed the original principles put forward to guide this transition—stability and security, competition, bottom-up policy coordination and broad representation."

John Kneuer

*Assistant Secretary of Commerce for Communications and Information
National Telecommunications and Information Administration*

U.S. Department of Commerce

Opening address, ICANN 30th international meeting, Los Angeles, California, 29 October 2007

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BOARD OF DIRECTORS 2007

Vinton G. Cerf

Chairman of the Board
November 1999–November 2007

Roberto Gaetano

Vice-Chair
December 2006–December 2009

Paul Twomey

President and Chief Executive Officer
Ex-officio member

Alejandro Pisanty

November 1999–June 2007

Raimundo Beca

May 2004–June 2007

Vittorio Bertola

At-Large Advisory Committee Liaison

Susan P. Crawford

December 2005–December 2008

Steve Crocker

Security and Stability Advisory Committee Liaison

Francisco da Silva

Technical Liaison Group Liaison

Peter Dengate Thrush

January 2005–May 2008

Demi Getschko

January 2005–June 2009

Steven Goldstein

December 2006–December 2009

Joichi Ito

December 2004–November 2007

Ambassador Janis Karklins

Governmental Advisory Committee Liaison
beginning March 2007

Thomas Narten

IETF Liaison

Rajasekhar Ramaraj

December 2006–December 2009

Njeri Rionge

June 2003–December 2008

Rita Rodin

June 2006–May 2008

Vanda Scartezini

December 2004–December 2007

Mohamed Sharil Tarmizi

Governmental Advisory Committee Liaison
until March 2007

David L. Wodelet

June 2006–June 2009

Suzanne Woolf

Root Server System Advisory Committee
Liaison

BOARD OF DIRECTORS 2008

Peter Dengate Thrush

*January 2005–May 2008
Elected Chairman of the Board November 2007*

Roberto Gaetano

*Vice-Chair
December 2006–October 2009*

Paul Twomey

*President and Chief Executive Officer
Ex-officio member*

Harald Tveit Alvastrand

November 2007–October 2010

Dennis Jennings

November 2007–October 2010

Susan P. Crawford

December 2005–November 2008

Rajasekhar Ramaraj

December 2006–October 2009

Steven Goldstein

December 2006–October 2009

Jean-Jacques Subrenat

November 2007–October 2010

Njeri Rionge

June 2003–November 2008

Ambassador Janis Karklins

Governmental Advisory Committee Liaison

Thomas Narten

IETF Liaison

Reinhard Scholl

Technical Liaison Group Liaison

Steve Crocker

Security and Stability Advisory Committee Liaison

Suzanne Woolf

Root Server System Advisory Committee Liaison

Wendy Seltzer

At-Large Advisory Committee Liaison

Demi Getschko

December 2005–May 2009

Rita Rodin

June 2006–May 2008

Bruce Tonkin

June 2007–April 2010

Raimundo Beca

May 2004–April 2010

Dave Wodelet

June 2006–May 2009

WITH THANKS...

The entire ICANN community extends its sincerest gratitude and highest esteem to these Board members for their contribution to the Internet. We all benefit in so many ways as a consequence of their commitment, energy, determination and style in the arena of ideas, policy, technology, diplomacy and operations. We appreciate their service on a global scale and hope they will find time to continue to join us occasionally and continue to share their insights, ideas and energy.



Vinton G. Cerf

November 1999–November 2007

Chairman of the Board, November 2000–November 2007



Alejandro Pisanty

November 1999–June 2007

Vice-Chair, November 2001–December 2006

Chairman of the ICANN Committee on Evolution and Reform

Chairman of the Board Governance Committee

Member of the Executive Committee, Finance Committee,

and the Reconsideration Committee

Key member of the ICANN Board and Governmental Advisory Committee joint working group



Joichi Ito

December 2004–November 2007

Member of the Finance, Compensation, Conflicts of Interest, and Audit committees



Vittorio Bertola

At-Large Advisory Committee liaison to the ICANN Board for 2007



Francisco da Silva

December 2002–December 2004

Technical Liaison Group liaison to the ICANN Board for 2004

Technical Liaison Group liaison to the ICANN Board through 2007

WITH THANKS...



Vanda Scartezini

December 2004–December 2007

Chair of the ICANN Audit Committee, member of the Board Governance, Conflicts of Interest, Meetings and Compensation committees, and the joint ICANN Board and ICANN Governmental Advisory Committee working group
Vice-Chair of ALAC for 2008



Daniel Dardailier

Technical Liaison Group liaison to the ICANN Board for 2006



Hagen Hultzsch

June 2003–December 2006

Chairman of the ICANN Finance Committee and ICANN Board Conflicts of Interest Committee
Member, ICANN Board Governance Committee
Chair, Nominating Committee, 2008–2009



Veni Markovski

June 2003–December 2006

Chairman of the ICANN Board Meetings Committee
Member, Board Governance and Finance Committee



Hualin Qian

June 2003–December 2006

Member of the ICANN Board Meetings and Conflicts of Interest committees

ICANN'S MISSION

The limited and distinct mission of ICANN is clearly set out in Article I of its bylaws:

The mission of the Internet Corporation for Assigned Names and Numbers (ICANN) is to coordinate, at the overall level, the global Internet's systems of unique identifiers, and in particular to ensure the stable and secure operation of the Internet's unique identifier systems. In particular, ICANN:

1. Coordinates the allocation and assignment of the three sets of unique identifiers for the Internet, which are:
 - a. Domain names (forming a system referred to as DNS)
 - b. Internet protocol (IP) addresses and autonomous system (AS) numbers, and
 - c. Protocol port and parameter numbers
2. Coordinates the operation and evolution of the DNS root name server system
3. Coordinates policy development reasonably and appropriately related to these technical functions

ICANN'S Core Values

In performing ICANN's mission, the following core values guides its decisions and actions.

1. Preserving and enhancing the operational stability, reliability, security, and global interoperability of the Internet.
2. Respecting the creativity, innovation, and flow of information made possible by the Internet by limiting ICANN's activities to those matters within ICANN's mission requiring or significantly benefiting from global coordination.
3. To the extent feasible and appropriate, delegating coordination functions to or recognising the policy role of other responsible entities that reflect the interests of affected parties.
4. Seeking and supporting broad, informed participation reflecting the functional, geographic, and cultural diversity of the Internet at all levels of policy development and decision-making.
5. Where feasible and appropriate, depending on market mechanisms to promote and sustain a competitive environment.
6. Introducing and promoting competition in the registration of domain names where practicable and beneficial in the public interest.
7. Employing open and transparent policy development mechanisms that (i) promote well-informed decisions based on expert advice, and (ii) ensure that those entities most affected can assist in the policy development process.
8. Making decisions by applying documented policies neutrally and objectively, with integrity and fairness.
9. Acting with a speed that is responsive to the needs of the Internet while, as part of the decision-making process, obtaining informed input from those entities most affected.
10. Remaining accountable to the Internet community through mechanisms that enhance ICANN's effectiveness.
11. While remaining rooted in the private sector, recognising that governments and public authorities are responsible for public policy and duly taking into account governments' or public authorities' recommendations.

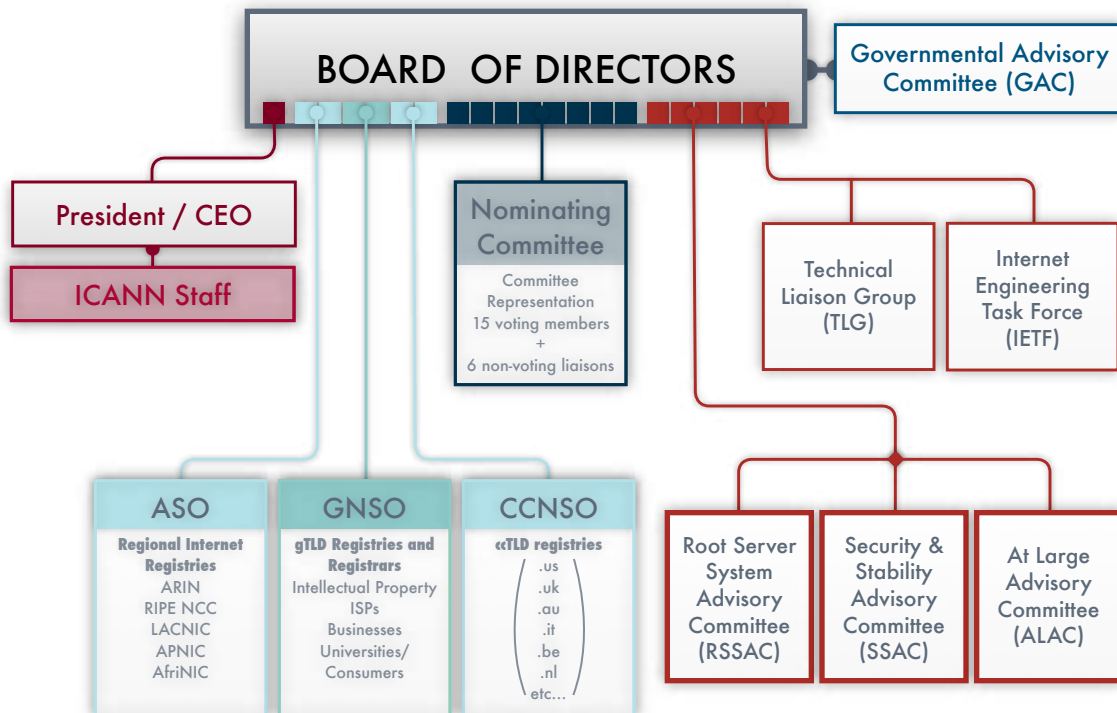
These core values are deliberately expressed in very general terms, so that they may provide useful and relevant guidance in the broadest possible range of circumstances. Because they are not narrowly prescriptive, the specific way in which they apply, individually and collectively, to each new situation will necessarily depend on many factors that cannot be fully anticipated or enumerated; and because they are statements of principle rather than practice, situations will inevitably arise in which perfect fidelity to all eleven core values simultaneously is not possible. Any ICANN body making a recommendation or decision shall exercise its judgment to determine which core values are most relevant and how they apply to the specific circumstances of the case at hand, and to determine, if necessary, an appropriate and defensible balance among competing values.

ICANN'S STRUCTURE

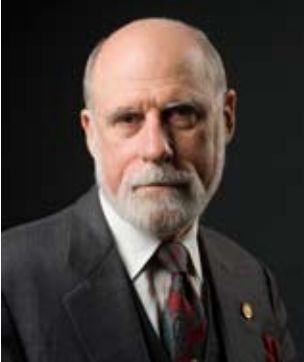
Within ICANN's structure, governments and international treaty organizations work with business organizations and individuals to maintain the stability of the global Internet.

Innovation as well as continuing growth bring constant challenges to stability. Working together, ICANN participants address issues that are directly concerned with ICANN's mission of technical coordination.

ICANN is governed by an international Board of Directors. The policy development process (PDP) originates in three supporting organizations: the Generic Names Supporting Organization, the Address Supporting Organization and the Country Code Names Supporting Organization. Advisory committees composed of representatives from individual user organizations and technical communities work with the supporting organizations to develop policy. In addition, over 120 governments and government institutions advise the Board via the Governmental Advisory Committee.



THE RETIRING CHAIRMAN OF THE BOARD OF DIRECTORS



In the past 12 months, ICANN has made significant progress, particularly on its Board-developed objectives and commitments as expressed in the Joint Project Agreement (JPA) between ICANN and the National Telecommunications and Information Agency of the U.S. Department of Commerce. Because you will find progress reports along these lines elsewhere in this annual report, I will not outline them in detail but, rather, look ahead towards the next year.

Significant momentum has been built up in the testing of Internationalized Domain Names (IDNs) at the top level of the Domain Name System (DNS) in preparation for opening up opportunities for new ccTLDs and generic TLDs. Processes for accepting and validating proposed new TLDs including IDNs are in development, anticipating that calls for formal applications for new TLDs could come as early as mid-calendar 2008. The introduction of internationalized ccTLDs adds a new twist because the strings associated with these new TLDs will not have been specified beforehand in either the ISO 3166-1 two-letter table or any other table. They will have to be derived from proposals from parties interested in operating such new ccTLDs. There can be collisions between the generic and the country code TLD proposals, so new dispute resolution practices will be needed to establish rules for standing to object to a proposal from another entity.

We are also anticipating the rapid run out of IPv4 address space and hence a strong need to introduce IPv6 into full operation. That this is a significant undertaking is an understatement. That it has to be undertaken by every operating element of the public Internet is also understood. ICANN needs to convey to the Internet community persistently and persuasively that we all need to put the Internet into full IPv6 operation well before we run out of IPv4 addresses in 2010.

We are similarly urgently in need of increased security in the Domain Name System. The implementation of DNSSEC (digital authentication of zone files) represents a major step towards increasing the integrity of the DNS. Digitally authenticated responses to DNS queries allow automatic validation of the resulting answers and defends against various attempts to falsify DNS responses. ICANN must demonstrate its readiness to produce digitally signed root zone files as a key milestone towards implementation of DNSSEC.

One of the great strengths of ICANN's model is that its performance and structure undergo constant review. In fact, a schedule of reviews of organizational elements and operational objectives is in place at all times. ICANN must work diligently to analyze the external reviews of its component operations (supporting organizations, advisory committees, the Board, and others) and to assess its performance against the JPA objectives adopted by the Board. It will be aided in this process by the recent call for responses from the Internet community by the U.S. Department of Commerce on the continued transition to the private sector of the technical coordination and management of the Internet's domain name and addressing system.

ICANN has come a long way in its constant refinement of the multi-stakeholder model of policy development and transparency and it has the opportunity and obligation to continue to improve this process during the next year. It also has the opportunity to enhance efficient interaction between the Governmental Advisory Committee and the rest of the ICANN structures to achieve enhanced cooperation in policy areas involving public interests. By the same token, Civil Society has the opportunity to help to animate and refine the operation of the new At-Large Advisory Committee that has been set up to ensure public input on issues of concern and to convey to the public matters that should be of interest to every Internet user.

As I step down from my appointment to the ICANN Board after eight years of service, it is my belief that the organization has reached an important milestone in its maturity. I believe it is well prepared to carry out its mission and to meet the inevitable challenges posed by the rapidly evolving Internet. One thing has not changed: ICANN can only succeed if it continues to benefit from the willing commitment of all stakeholders to make the ICANN process work. Cooperation, coordination, and collaboration with other entities in the Internet universe and with its many stakeholders are essential to the successful development and implementation of policy for the Internet's system of unique identifiers and the operation of a single, global, interoperable Internet. I am confident that ICANN can and will carry out its mandate to the satisfaction of the billion users of today and the billions more to come.

Vinton G. Cerf

Chairman, November 2000-November 2007

THE INCOMING CHAIRMAN OF THE BOARD OF DIRECTORS



The activities reported in this annual report cover calendar year 2007, and Vint Cerf was Chairman for most of that period. However, the annual report is required to be signed by the Chairman of the Board, a position I was elected to on 2 November 2007. So, while Vint has addressed the items in the report, I'd like to thank Vint and address the future of ICANN.

Vint stepped down after nine years of extraordinary service, eight of those years as Chairman. During that time ICANN has grown and matured as an organization in a way many of us may have hoped for but could not have predicted when we first drafted or critiqued the bylaws of what was then known as NEWCO back in 1997.

A great deal has been achieved during Vint's term as Chair, and it was a pleasure to participate in the very well-merited acknowledgment ceremony held in his honor at the Los Angeles meeting in October.

After nine years since its inception, ICANN is well placed to face the challenges of the future. The fact that it is so well positioned is a tribute to Vint Cerf and the staff led by CEO Paul Twomey. This team has taken us out of foundation mode to become the right organization to meet future challenges.

Those challenges include the introduction of internationalized scripts into the Domain Name System, the introduction of a process for introducing potentially thousands of generic top-level domains in the next few years, and increasing international support and acceptance of the role ICANN plays as the coordinator of the Internet's critical resources. The special relationship ICANN has enjoyed with the government of the United States of America will come under scrutiny during the mid-term review of the Joint Project Agreement between ICANN and the U.S. Department of Commerce, scheduled to take place in the first quarter of 2008. Within the term of ICANN's current Strategic Plan, that agreement should come to an end.

I am honored to take the baton passed by Vint and look forward to leading the Board as it guides ICANN in meeting those challenges.

Peter Dengate Thrush
Chairman of the Board

THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



This is ICANN's second annual report to the global Internet community. In this reporting period, ICANN made significant progress on operational excellence and accountability. We have perceptibly raised our game on how we plan, execute and report on our commitments to the global Internet community. An independent review found ICANN to be a very transparent organization that shares more information than probably any other global organization. Throughout 2007, we focused on making information about ICANN more accessible and easily understood so that people can follow and participate in our multi-stakeholder processes. The ICANN community made enormous progress on two developments that will change the Internet as we know it: the creation of new generic top-level domains (new gTLDs) and Internationalized Domain Names (IDNs).

ICANN's Generic Names Supporting Organization (GNSO) concluded almost two years of policy development work to develop a fair and efficient process for introducing new gTLDs. The GNSO's work was guided by advice from the Governmental Advisory Committee and by ICANN's core values of fostering choice and competition while preserving the security and stability of the Internet. The GNSO recommendations will be considered by the ICANN Board of Directors in early 2008. Pending approval by the Board, a big staff priority for 2008 will be the implementation of new gTLDs.

On Internationalized Domain Names, we passed several major milestones that bring us closer to making a truly multilingual Internet a reality. The first was the successful laboratory testing of IDNs in November 2006. This paved the way for the next and most exciting step: inserting test IDNs in 11 languages in the root zone. While these "example.test" domain names are for evaluation only, they are an important step towards the expected deployment of IDN TLDs in 2008.

ICANN itself is evolving, mirroring the changing nature of the global Internet community. More country-code TLD operators are signing accountability frameworks or exchanging letters with ICANN, and participation by governments in the Governmental Advisory Committee is increasing. The ICANN Board, supporting organizations and advisory committees comprise people from all over the world. ICANN's approximately 80 staff are nationals of 26 countries. They work from 11 locations worldwide and speak more than 30 languages.

As ICANN grows, we are developing permanent, clear operating principles and frameworks to guide our work on transparency and accountability. The draft ICANN Accountability and Transparency Frameworks and Principles, together with ongoing scheduled reviews of ICANN's component parts, are the foundation stone of ICANN's accountability. These frameworks encompass internal and external accountability, dispute resolution, consultation, translation, and standards of behavior. The frameworks and principles were developed through a 15-month multi-stakeholder process and express the community's confidence in ICANN's ability to be truly accountable to the global Internet community.

An essential part of accountability is people's ability to participate directly in ICANN's policy processes. In early 2007, we appointed a general manager of public participation, a position mandated in the Bylaws. This appointment focused internal efforts on immediate and lasting improvements in website navigability, remote participation, meetings, translation, an ICANN Blog, and weekly news magazines and monthly newsletters. ICANN now produces more up-to-date and accessible information that allows a wider range of people to participate in our processes. Looking forward to 2008, we will continue to improve the means of participation and also implement a translation policy to support more involvement from ICANN's stakeholders around the world.

ICANN's Global and Strategic Partnerships team led new outreach efforts in five continents in 2006 and 2007. The pilot fellowship program supported nearly 60 fellows from developing nations to attend the San Juan and Los Angeles meetings. University outreach events were held in Lisbon, Puerto Rico and Los Angeles. We continued to participate in the Internet Governance Forum (IGF) and took an active role in a range of discussions at the IGF in Rio de Janeiro in November of 2007. The 2007 IGF strengthened the concept of the multi-stakeholder model pioneered by ICANN as the best way to approach Internet issues.

One of my key focuses for this year was ensuring that ICANN's growth is matched by appropriate controls and procedures so that we function efficiently and continue to give good value to the community. This is part of our ongoing work to align day-to-day work with the community-mandated Strategic Goals. In late 2006, we implemented a project management methodology and later identified 11 key projects to manage in this way. In 2007, led by our new Chief Operating Officer, Doug Brent, we began a trimesterly planning and reporting system to synchronize with the community's working cycle centered on ICANN meetings. This lets us track our day-to-day work against the ICANN Operating Plan, executing against the current Strategic Plan. The President's Operational Review Panel reviewed each department in August and September of 2007. We are currently developing relevant performance metrics to report more effectively to the community on operational performance, beginning in 2008. I am confident that we have the systems and tools in place to further develop operational excellence and adherence to ICANN's community-mandated Strategic and Operating plans.

ICANN has begun a new chapter with the retirement of Vint Cerf as Chairman of the ICANN Board of Directors. His vision and extraordinary commitment and abilities helped the ICANN community to create the global, multi-stakeholder organization that is now viewed as a model around the world. ICANN has earned its place in the Internet universe and is here to stay, thanks in large part to Vint's meticulous stewardship. As our new Chairman, Peter Dengate Thrush, says in his message, ICANN's challenge going forward is to increase international participation and serve our global audience.

At the IGF in Rio, I issued a personal invitation to all the participants to join the 20,000-strong ICANN community and contribute to its work and evolution. I reiterate that invitation to everyone who uses the Internet anywhere in the world. The ICANN multi-stakeholder model is the best way to maintain a single, global, interoperable Internet. I invite you to become part of it.

Paul Twomey

President and Chief Executive Officer

US DEPARTMENT OF COMMERCE

In September 2006, ICANN signed a new agreement with the U.S. Department of Commerce, thereby taking a significant step forward towards full responsibility for the Internet's system of centrally coordinated identifiers through ICANN's multi-stakeholder consultative model.

The Joint Project Agreement reflects the Department of Commerce endorsement of the ICANN model and affirms ICANN's capacity to take full responsibility for the coordination of these technical aspects of the Internet on an ongoing basis. The substantive work of the JPA has been completed successfully and will continue to be improved as the ICANN model continues to improve itself.

It is a clear demonstration of ICANN's maturity that the Joint Project Agreement with the Department of Commerce (see <http://www.icann.org/general/JPA-29sep06.pdf>) is a document that outlines three functions on the part of the Department and two on the part of ICANN. The day-to-day administrative tasks and supervisory relationship that characterized earlier versions of the MOU between ICANN and the Department have been concluded. While the Department is moving to less direct involvement in oversight over ICANN's day-to-day operations, the Department will continue to provide expertise and advice on transparency and accountability and on root server security, to participate in the activities of ICANN's Governmental Advisory committee in matters of public policy, and to monitor ICANN's performance in relation to the Joint Project Agreement.

ICANN, in turn, will fulfil its commitments in its 10-part Affirmation of Responsibilities and will report annually on its progress against its Bylaws, the Joint Project Agreement, and its Strategic and Operating plans. This is ICANN's second annual report in compliance with section II.C.2 of the JPA.

ICANN has successfully carried out its 10 affirmative responsibilities and its obligations under the JPA through the end of calendar year 2007. The graphic that follows highlights some of the successes ICANN has achieved in carrying out its key responsibilities.

1 Security and Stability

ICANN shall coordinate at the overall level the global Internet's systems of unique identifiers, in particular to ensure the stable and secure operation of the Internet's unique identifier systems.

Achieved, and ICANN will continue to make improvements going forward.

- Ensuring the stable and secure operation of the Internet's unique identifier systems has been and will continue to be ICANN's central mission. See Article I, Section 1 of ICANN's Bylaws at <http://www.icann.org/general/bylaws.htm#I>.
- In 2007, ICANN brought online additional systems based in Florida that improve the resiliency and performance of the L-root servers. We now operate the L-root from two locations using Anycast technology that assists in managing distributed denial of service attacks.
- Draft Registry Failover Plan and Best Practices was discussed by community during the Los Angeles meeting in October 2007 for implementation in first quarter 2008.
- Process for consideration of new registry services (the "funnel") explicitly considers security and stability issues for each proposed new service.
- ICANN entered into an agreement with Iron Mountain Intellectual Property Management to provide escrow services. The Registrar Data Escrow program began operation nearly a year ahead of schedule in December 2007. Registrars will begin enrolling in the program in first quarter 2008.
- IANA has fully deployed an automated request tracking system and continues to improve efficiency and productivity in request processing.
- The Security and Stability Advisory Committee (SSAC) produced reports and advice on attacks exploiting the DNS, Whois and adoption of IPv6 (IPv6 testing was in collaboration with ICANN's Root Server System Advisory Committee, RSSAC).
- SSAC work on Internationalized Domain Names (IDNs) included initiation of a study on the impact of IDN TLDs on the security and stability of the DNS.
- ICANN participated in and supported appropriate events and initiatives on security and stability, including workshops on DNSSEC and ccTLDs

2 Transparency

ICANN shall continue to develop, test and improve processes and procedures to encourage improved transparency, accessibility, efficiency and timeliness in the consideration and adoption of policies related to technical coordination of the Internet domain name system (DNS), and funding for ICANN operations. ICANN will innovate and aspire to be a leader in transparency for organizations involved in private sector management.

Achieved, and ICANN will continue to make improvements going forward.

- An independent report on ICANN's transparency and accountability said "ICANN is a very transparent organization. It shares a large quantity of information through its website, probably more than any other global organization." See <http://www.icann.org/announcements/announcement-17oct07.htm>.
- ICANN focused in 2007 on improving the accessibility of its information.
 - General Manager of Public Participation was appointed to prioritize and deliver on improved transparency, *accessibility* and efficiency
 - Improvements to ICANN website design and structure at ICANN Lisbon meeting March 2007
 - Creation of one-stop shop Public Comments page for all open consultations: see http://www.icann.org/public_comment/
 - Creation of Processes page with information and links on all current ICANN policy and issue processes: <http://www.icann.org/processes/>
 - Creation of individual meeting sites that enable remote participation in ICANN meetings in 2007
 - Monthly news magazines and intersessional newsletters with extensive hyperlinks to other resources to provide easily digestible summaries of ongoing work
 - Production of easily readable and translatable fact sheets on issues of importance to the ICANN community including IPv6, DNS attacks
 - Translation of policy and information documents into other languages
 - Real-time language interpretation at ICANN meetings, including between English and French, Spanish, Mandarin and Russian at the Los Angeles meeting in October 2007
 - Doubling of translation and interpretation budget to facilitate non-English native speakers' involvement in ICANN
- Greater transparency and accessibility to ICANN Board work with comprehensive reports of Board meeting minutes posted within 72 hours. See <http://icann.org/minutes/>
- Implementation of procedure for New Registry Services (the "funnel") which informs community of proposed new services and invites comments as appropriate.
- ICANN's transparent strategic and operational planning and budget processes are the basis of ICANN's ongoing work.

US DEPARTMENT OF COMMERCE

3 Accountability

ICANN shall continue to develop, test, maintain and improve on accountability mechanisms to be responsive to global Internet stakeholders in the consideration and adoption of policies related to the technical coordination of the Internet DNS, including continuing to improve openness and accessibility for enhanced participation in ICANN's bottom-up participatory policy development processes.

Achieved. ICANN has made significant improvements over the past year and has made an ongoing commitment to continue to make improvements going forward.

- ICANN has made major steps to clarify its accountability mechanisms in its ongoing commitment to serve and be accountable to global Internet stakeholders.
- Ongoing public review and improvements to draft Accountability and Transparency Frameworks and Principles.
- Accountability and Transparency Frameworks and Principles drafted for San Juan meeting, updated after a public consultation period and comments at the Los Angeles meeting, and are scheduled for publication January 2008.
- Continued functioning of ICANN's three complaint and response procedures: the Ombudsman, Reconsideration Committee, and Independent Review Panel of Board actions. These separate but interrelated accountability mechanisms were described by an independent review as "robust."
- Conducted strategic planning process for July 2008 through June 2011 using multiphase consultation with the ICANN community. Strategic planning sessions were simultaneously translated at ICANN meetings into English, Spanish, French and Arabic.
- The Operating Plan—a publicly available one-year action plan—and Budget were finalized in June 2007 after scheduled community consultations.
- The 2006–2007 planning cycle worked on ongoing improvement of the process itself. In this cycle, ICANN made the Strategic Plan outcomes more explicit so that performance against plan is measurable. The Strategic Plan was tied more directly to the yearly Operating plans. Current draft Strategic Plan and current Operating Plan are at <http://www.icann.org/planning/>.
- Improved remote audio and video participation in meetings means ICANN is accountable in real-time to all community members, not just those physically present. Staff created and monitored forums and chatrooms for input into meeting sessions.
- Created the ICANN Blog, which is written by staff and allows comments and interaction from the public. It was a key two-way communication method during the RegisterFly episode and was recognized by many community members as a help to registrants.
- ICANN staff represented the organization at many sectoral and international meetings to account for our actions and explain our multi-stakeholder model, including at the Internet Governance Forum (IGF) meetings in Athens and Rio de Janeiro.
- ICANN staff and Board members held an Open Forum on ICANN at the IGF meeting in Rio de Janeiro.
- In 2006–2007, the ccNSO reviewed ICANN's regional structure and made recommendations to ensure correct representation.
- ICANN's Regional Relations Managers represent ICANN and seek community views in Latin America and Caribbean, Russia and current and former CIS countries, Middle East, Australasia–Pacific. Global and Strategic Partnerships staff participate in regional and global organizations and discussions on issues related to ICANN's mandate.
- Regional registry and registrar gatherings were conducted in North America, Asia and Europe during 2007, and an open house was held for registrars at ICANN's US office. These outreach events and greater communication efforts improved relations with registries and registrars.
- 50 new registrars were accredited and now total more than 900. More important, the geographic diversity of registrars has increased, with applicants from Africa, Central and South America, Eastern Europe and Southeast Asia.
- ICANN introduced a new online RADAR interface for registrars. All registrars now have access to the initial version of this tool, which permits updates to contact information, requests for additional TLDs, and access to information for other registrars that can be used to facilitate domain name transfers and communication among registrars.
- ICANN's strategic and operational planning and budget processes ensure accountability to the global Internet community
- The auditors delivered an unqualified clean opinion on the fairness of the 2006 financial statements to the Audit Committee of the Board of Directors. ICANN has received unqualified clean opinions from independent auditors for all years since its inception.

4 Root Server Security and Relationship

ICANN shall continue to coordinate with the operators of root name servers and other appropriate experts with respect to the operational and security matters, both physical and network, relating to the secure and stable coordination of the root zone, to ensure appropriate contingency planning, and to maintain clear processes in root zone changes. ICANN will work to formalize relationships with root name server operators.

Achieved. ICANN maintains excellent relationships with the root name server operators. Overall security of the root server system will continue to be a topic of ongoing dialogue between ICANN and the USG.

- ICANN has made significant progress in its relationship with the Internet's root server operators. Root server operator engagement will continue to be an area of high priority with all operators of root servers, including the USG.
- ICANN worked closely with root name server operators to resist the major DDoS attack that occurred in February 2007.
- SSAC and RSSAC issued Advisory SAC 018, *Accommodating IP Version 6 Address Resource Records for the Root of the Domain Name System*. The report recommends that type AAAA resource records for root name servers be included in the root hints and root zone files and that root servers should return these in priming responses soon. The report also recommends phased deployment.
- ICANN asked the RSSAC to prepare a statement on IDN deployment next steps. See <http://www.icann.org/committees/dns-root/rssac-idn-statement.htm>.
- In ongoing efforts to improve the resiliency and performance of the L-root servers, in October new additional systems were brought online in Florida. These systems, copies of the original large cluster operating in Los Angeles, double L-root capacity. It also brings opportunity for direct peering with many ISPs in Latin America—Caribbean. Operating from two separate locations also means the use of Anycast technology that is also used by many other root server operators. This enables DNS server operators to distribute query loads and aids in managing DDoS attacks.

5 Top-Level Domain Management

ICANN shall maintain and build on processes to ensure that competition, consumer interests and Internet DNS stability and security issues are identified and considered in TLD management decisions, including the consideration and implementation of new TLDs and the introduction of IDNs. ICANN will continue to develop its policy development processes, and will further develop processes for taking into account recommendations from ICANN's advisory committees and supporting organizations and other relevant expert advisory panels and organizations. ICANN shall continue to enforce existing policy relating to Whois, such existing policy requires that ICANN implement measures to maintain timely, unrestricted and public access to accurate and complete Whois information, including registrant, technical, billing and administrative contact information. ICANN shall continue its efforts to achieve stable agreements with country code top-level domain (ccTLD) operators.

Achieved, and ICANN will continue to make improvements going forward.

- 11 IDN TLDs were inserted for evaluation purposes into the root zone. These were accompanied by a user test facility in the form of IDNwikis where users can do testing of fully localized URLs and emails in various applications. Available at: <http://IDNs.icann.org>.
- Significant progress was made on IDN policy implications. This work will continue in 2008 and involve the GNSO, ccNSO, GAC and ALAC.
- Outreach and communication initiatives on IDNs to raise awareness and understanding in the community included events at APTLD in Dubai, global media outreach, participation in the Arabic Domain Names Working Group meetings, and a joint event with TWNIC in Taipei.
- The GNSO concluded its work on the policy process on new gTLDs. Following multiple draft versions and public discussions, a Final Report of the GNSO Committee was posted for public comment in August 2007. In September 2007, the Council adopted the report's policy principles, recommendations and implementation guidelines for introducing new TLDs.
- In October 2007, the GNSO Council formally ended the policy development process on gTLD Whois without making any recommendations for specific policy changes to ICANN's Board. It also decided to do more data gathering and study of the issue in the future.
- Contractual compliance work on Whois continued. The 4th annual report on the Whois Data Problem Reports System about complaints of inaccurate Whois data was produced. The 4th annual report on registrar compliance with the Whois Data Reminder Policy was also published. An audit to assess Whois accuracy and availability begin in 2007 and will conclude in 2008.
- ICANN continues to enforce existing Whois policy, which requires that ICANN implement measures to maintain timely, unrestricted and public access to accurate and complete Whois information, including registrant, technical, billing and administrative contact information.
- In October 2007, the GNSO Council began a policy development process on domain tasting, a practice that has caused concern among many in the ICANN community and beyond.
- In November 2007, the GNSO Council began a policy development process on improving transfers of domain names between registrars.
- Draft Registry Failover Plan and Best Practices were discussed by community during Los Angeles meeting in October 2007 for implementation in first quarter 2008.
- In December 2007, ICANN began developing several compliance projects to improve Whois data accuracy and service accessibility.

US DEPARTMENT OF COMMERCE

5 Top-Level Domain Management

- Process for consideration of new registry services (the “funnel”) explicitly considers security and stability issues for each proposed new registry service.
- ICANN entered into an agreement with Iron Mountain Intellectual Property Management to provide data escrow services. Registrar Data Escrow program began operation nearly a year ahead of schedule in December 2007. Registrars will begin enrolling in the program in first quarter 2008.
- Improvements are being made to the Registrar Accreditation Agreement to give greater protection to registrants.
- Accountability frameworks and exchanges of letters were signed with 29 ccTLD operators. A complete list appears in the Global Partnership section of this report. This brings the total to 36. 60% of ccTLD registrants are now covered by such agreements. In addition, Memorandums of Understanding were concluded with several significant organizations.
- In November 2006, the .asia agreement was signed, and the .asia TLD was launched in 2007.
- Outreach and communications on new TLDs and related top level domain management is an ongoing responsibility of the organization, and is reinforced through regional outreach initiatives.

6 Multi-Stakeholder Model

ICANN shall maintain and improve multi-stakeholder model and the global participation of all stakeholders, including conducting reviews of its existing advisory committees and supporting organizations, and will continue to further the effectiveness of the bottom-up policy development processes. ICANN will strive to increase engagement with the private sector by developing additional mechanisms for involvement of those affected by the ICANN policies.

Achieved, and ICANN will continue to make improvements going forward.

- ICANN is maintaining and improving its multi-stakeholder model partly through scheduled reviews of its supporting organizations and advisory committees as mandated by Section 4 of the ICANN bylaws.
- The GNSO review was completed in September 2006. During 2007, the GNSO and ICANN Board considered the recommendations and held discussions on how or whether to implement them. The GNSO developed its working group model of broader policy participation with less focus on voting. This model was further refined and recommended by the Board Governance Group’s working group on GNSO improvements.
- The Nominating Committee review was completed in late 2007 for consideration and implementation in 2008.
- The process has begun on reviews to conclude in 2008: RSSAC, ALAC, Board, ccNSO, and ASO.
- The Regional At-Large Organization (RALO) was finalized in 2006 and RALOs for all five regions became active in 2007. The transition to new leadership of the at-large structure was completed in late 2007, only six months from the commencement of their formation. The transition to new leadership of the At-Large organization was completed in late 2007.
- The Fellowship Program to encourage and fund participation in ICANN by interested parties in developing countries began in 2007. 33 fellows were supported at the San Juan meeting in June, and 23 at the Los Angeles meeting in October 2007. The program also included daily briefing sessions with presentations by ICANN community members and staff.
- ICANN is recognized by other organizations as a leader and innovator in multi-stakeholder policies and processes, and is regularly asked to present on the multi-stakeholder model.
- ICANN has engaged in face-to-face meetings with the global business community, including the US Council for International Business, US Chamber of Commerce, BITS/The Financial Services Roundtable, Information Technology Association of America, World Information Technology Software Alliance, International Chamber of Commerce, Fédération Internationale des Conseils en Propriété Industrielle, International Trademark Association, Business Software Alliance, Cyber Security Industry Alliance, Nippon Keidanren (日本経済団体連合会) and the Australian Institute of Company Directors, among other organizations (refer to the Global Partnerships section).

6 Multi-Stakeholder Model

- ICANN did student-targeted university outreach events in conjunction with the Lisbon, San Juan and Los Angeles meetings, focusing on technology and law students.
- Outreach efforts included an historic open house for North American registrars at ICANN's Marina del Rey office. Similar events were also hosted in Beijing, Hong Kong, Los Angeles, Miami, Seattle, Seoul and Tokyo. A European event took place December 2007 in Prague, Czech Republic.

7 Role of Governments

ICANN shall work with Governmental Advisory Committee members to review the GAC's role within ICANN so as to facilitate effective consideration of GAC advice on the public policy aspects of the technical coordination of the Internet.

Achieved, and ICANN will continue to make improvements going forward.

- The GAC produced policy advice to the Board on Whois and new gTLDs in two documents: GAC principles regarding new gTLDs, and GAC principles regarding gTLD Whois services.
- The GAC also provided advice to the Board on the draft ICANN procedure for handling Whois conflicts with national privacy laws.
- The GAC recently submitted a paper to the Board on Definitions of Accountability in the ICANN environment as input to the ongoing consultations on the Accountability and Transparency Frameworks and Principles.
- The GAC worked closely with the ccNSO to consider the public policy issues surrounding the selection of IDN ccTLDs associated with the ISO 3166-1 two letter country codes. They delivered an issues paper to the ICANN Board at the San Juan meeting in June 2007. The GAC and ccNSO will continue work on a process for implementing ccTLD IDNs in the short and longer terms.
- ICANN, through the joint Board-GAC working group, addressed ways to ensure continued improvement of the GAC's role in ICANN.
- In 2006, a joint GAC-Board working group looked at enhancing overall communication between ICANN and the GAC and related issues. GAC Whois and new gTLD principles and its work with the ccNSO on IDNs demonstrate the strong collaboration and communication set by the working group's efforts, which is now considering other areas of possible improvement.

8 IP Addressing

ICANN shall continue to work collaboratively on a global and regional level so as to incorporate regional Internet registries' policy-making activities into the ICANN processes while allowing them to continue their technical work. ICANN shall continue to maintain legal agreements with the RIRs (and such other appropriate organizations) reflecting this work.

Achieved, and ICANN will continue to make improvements going forward.

- ICANN and the Numbers Resource Organization of the Regional Internet Registries conducted a draft exchange of letters in November 2007. The respective negotiating teams agreed to document their relations and commitments in an exchange of letters, and agreed to seek approval from their respective Boards.
- The Address Supporting Organization (ASO) developed a global policy for IPv6 address allocations. This policy was ratified by the Board in September 2006.
- ICANN is conducting early awareness tracking of proposals for global policies under development in the addressing community on Autonomous System Numbers and remaining IPv4 Address Space.

US DEPARTMENT OF COMMERCE

9 Corporate Responsibility

ICANN shall maintain excellence and efficiency in operations, including good governance and organizational measures to maintain stable, international private sector organization, and shall maintain relevant technical and business experience for members of the Board of Directors, executive management and staff. ICANN will implement appropriate mechanisms that foster participation in ICANN by global Internet stakeholders, such as providing educational services and fostering information sharing for constituents and promoting best practices among industry segments.

Achieved, and ICANN will continue to make improvements going forward.

- Achieving and maintaining operational excellence continues to be a central strategic goal operationalized through ICANN's operational planning. The Operating Plan is supplemented by use of project management methodology, goal setting and performance monitoring of trimesterly business initiatives for each ICANN department.
- ICANN made several key appointments to augment and strengthen its capabilities:
 - The new Chairman of the ICANN Board of Directors, Peter Dengate Thrush, and Vice Chair Roberto Gaetano were chosen unanimously by the Board at the annual general meeting in Los Angeles in October 2007
 - The Chair of the GNSO Council, Bruce Tonkin, was elected to the Board and succeeded as GNSO Chair by Avri Doria, a Nominating Committee appointee
 - ICANN created the new Chief Operating Officer and appointed Doug Brent to the role
 - New appointments are CFO, IT Director, HR Director, Director of Project Office and Director of Compliance
 - A Director of Compliance was appointed in late 2006. In 2007, compliance staffing added an audit manager and data analyst to ensure sufficient resources for contract enforcement
- The President's Operational Review Panel was convened in May 2007 to align performance with ICANN's Strategic Plan. In August and September it reviewed each department's operations and process development, highlighting process improvements for the next 12 months.
- To implement the Nominating Committee review recommendation, position descriptions for supporting organization roles are being developed in further detail.
- Educational services and information sharing, outreach and workshops by Global Partnerships and the Office of the Chief Technology Officer were conducted all over the world.
- Fostered information sharing at joint meetings of ICANN supporting organizations and with the appointment of liaisons from supporting organizations to other participatory structures.
- IANA's new RZM automated system will be operational in early 2008.

10 Corporate Administrative Structure

ICANN shall conduct a review of, and shall make necessary changes in, its corporate administrative structure to ensure stability, including devoting adequate resources to contract enforcement, taking into account organizational and corporate governance best practices.

Achieved, and ICANN will continue to make improvements going forward.

- Legal reviews are under way to ensure that ICANN's corporate structure continues to be well suited to its key responsibilities. ICANN is consulting with international law firms in numerous countries on governance and organizational structure issues, including research on analogous organizational frameworks in Austria, Australia, Belgium, Egypt, Ethiopia, France, the Netherlands, Singapore, Switzerland, Thailand, the U.K. and Uruguay.
- President's Strategy Committee (PSC) was established to make "observations and recommendations concerning strategic issues facing ICANN." The PSC took input at ICANN meetings during 2006 and 2007 and in online consultations on successive drafts of its report. The PSC made important clarifications to its report in October 2007. See <http://www.icann.org/psc/>. The recommendations made it clear that there was no intention in the PSC's work to move the headquarters of ICANN or the operation of the IANA function from the United States.
- The PSC explored ICANN's legal framework, policy making processes, administrative operations, transparency and accountability, and stable growth and operation of the DNS.
- Many PSC recommendations complement issues in ICANN's Strategic Plan and the JPA with the US Department of Commerce.
- A Director of Compliance was appointed in 2006. In 2007, compliance function staffing added an audit manager and data analyst.
- ICANN's global work saw continuing improvements of the global corporate administrative structures and addressing the needs of all stakeholders.

ACTIVITIES OF THE NOMINATING COMMITTEE

The ICANN Nominating Committee is responsible for selecting 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 Interim At-Large Advisory Committee (ALAC). The Nominating Committee is composed of 23 members, 17 voting, and 6 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.

The 2007 Nominating Committee had two face-to-face meetings, the first for orientation and discussion regarding its processes and procedures took place following the São Paulo meeting in December 2006. The Formal Call for Statements of Interest was posted on 1 February 2007 with a closing date of 18 May 2007. Members of the Nominating Committee conducted extensive outreach during that time, which resulted in more than 90 statements of interest being received.

The second meeting to select the nominees took place in Vancouver in July 2007. During this meeting, the 2007 Nominating Committee selected:

- Three members of the ICANN Board of Directors
- Two members of the Council of the Generic Names Supporting Organization (GNSO)
- One member of the Council of the Country-Code Names Supporting Organization (ccNSO)
- Three members of the At-Large Advisory Committee (ALAC) (from the African, Latin American and Caribbean and Asia Pacific regions)

Those selected took their seats at the ICANN annual general meeting in Los Angeles in October.

Hagen Hultsch was appointed Chair of the 2008 Nominating Committee. Hagen took over from George Sadowsky, who chaired the Nominating Committee with enormous dedication for the past three years. The 2008 Nominating Committee had their first face-to-face meeting at the Los Angeles meeting.

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 (BGC) approved a proposed plan for the Nominating Committee review.

The independent, objective review of the Nominating Committee began in July 2007, with opportunity for public review and comment on both the terms of reference and the results of the review. The review also was conducted with guidance of a NomCom Review Advisory Committee appointed by the Board. The report of the independent evaluator, Interisle Consulting Group, was posted for public comment on October 24 (see http://www.icann.org/public_comment/#nomcomreview).

A special workshop at the annual general meeting in Los Angeles in October presented the results of the review and included opportunities for Q&A. The independent review report makes important observations about the role, structure and operation of the NomCom and recommends changes that would have a significant impact on both the NomCom and ICANN.

ICANN MEETINGS

ICANN holds three meetings each year in different locations around the world in order to engage the international community in ICANN's work. One meeting each year is considered the official annual general meeting, during which the Board is reconstituted and newly elected board members take their place. These meetings provide excellent opportunities for outreach and face-to-face policy discussion. Meetings are supported by a host city and sponsorships are sought to help defray the cost of running the meetings and to assist with logistics. ICANN marked a significant milestone with the holding of its 30th international meeting during 2007.

Lisbon, Portugal 26–30 March 2007

More than 830 people from 81 countries gathered in Lisbon, Portugal, for ICANN's 28th international public meeting, one of the busiest and most issue-intensive meetings during which ICANN made substantial progress on numerous fronts.

ICANN continued to formalize its relationships with ccTLD operators, including three with .ly - Libya (General Post and Telecommunication Company), .ci - Côte d'Ivoire (Institut National Polytechnique Felix Houphouet Boigny), and .ru - Russia (Coordination Center for the ccTLD .ru).



ICANN and the Coordination Center for the ccTLD .ru sign an exchange of letters. This is just one of three relationships with ccTLD operators formalized at the Lisbon meeting.

ICANN MEETINGS

A new GNSO working group was formed to develop recommendations on the Final Task Force Report on Whois Services presented to the GSNO in March 2007. With broad and balanced participation, the working group considered input and expected to report back to the GNSO Council within 120 days. The Council was then to decide whether to recommend any changes on Whois policy to the ICANN Board.

Other work at the Lisbon meeting included:

- A discussion of Registrar Accreditation Agreements and how to improve them, especially in the context of the enormous difficulties that registrants who have their domain names registered through the registrar known as RegisterFly.
- The creation of three new Regional At-Large Organizations that will give Internet users from Africa, Europe and Asia-Australia-Pacific direct input into ICANN.



The European Regional At-Large Organization and ICANN formalize their relationship.

ICANN MEETINGS



*The African Regional At-Large Organization and ICANN formalize their relationship.
The five RALOs became fully operational at the Lisbon meeting*

- A discussion of the Registrar Accreditation Agreement and how to improve it, especially in the context of the enormous difficulties of some registrants with domain names registered through the registrar know as RegisterFly.
- Presentations by Sweden and Bulgaria on the enhanced Domain Name System security enhancements in their respective top-level domains.
- The launch of ICANN's new website with better navigation and new features to increase ICANN's transparency and accountability.
- Updates on moving to IPv6 to expand the number of IP addresses available to global Internet users and the process of introducing Internationalized Domain Names to introduce non-Latin characters to the root.

Also at this meeting, ICANN released the One World Trust (<http://www.oneworldtrust.org>) independent review of ICANN's accountability and transparency, which stated that overall, ICANN is a very transparent organization, noting that it shares a large quantity of information through its website, probably more than any other global organization. The report also identifies areas for improvement. See <http://icann.org/announcements/announcement-4-29mar07.htm>

ICANN also released the next steps in the development of a draft set of Frameworks and Principles for Accountability and Transparency, in line with ICANN's hard work toward improving openness and transparency.

Public participation was a key aim at this meeting. Interested parties unable to be physically present could participate through webcasting, chatrooms, and the ability to ask questions to speakers through the new public participation website.

ICANN MEETINGS

San Juan. Puerto Rico 25–29 June 2007

ICANN's 29th international public meeting in San Juan, Puerto Rico, was attended by more than 1,000 participants from over 115 countries. The San Juan meeting was the second of the three public ICANN meetings in 2007.

Major topics of interest at this meeting were Internationalized Domain Names, or IDNs, and new generic top-level domains. Progress in San Juan put ICANN on track for the new applications and approvals policy to be ready for a potential 2008 introduction of new TLDs. ICANN has overseen two earlier increases to the number of gTLDs: the addition of seven TLDs, including .info and .name in 2000, and the addition of another six in a process that began in 2004.

Another area crucial to the expansion of the Internet is the amount of address space available. IPv4 address space is projected to be fully distributed in just a few years. Part of the work at the San Juan meeting was understanding deployment of IPv6. IPv6 provides a larger availability of address space than IPv4, which has 4.2 billion addresses, with about 340 trillion, trillion, trillion IPv6 addresses.

Physical attendees and on-line participants took part in more than 30 sessions and workshops intended to help ICANN continue improving the global coordination of the Internet's unique identifiers.

Work at the San Juan meeting included:

- Update on the testing process of introducing IDNs to the Internet.
- Discussions around ICANN's Registrar Accreditation Agreement, or RAA, the accreditation process and the data escrow process.
- A public forum on the draft set of Frameworks and Principles for Accountability and Transparency.
- The debut of an enhanced public participation website, new global maps of ICANN related information, and a daily newsletter summarizing the previous day's activities.



A daily newsletter was introduced at the San Juan meeting. It has become a permanent feature.

An agreement signed with the fifth Regional At-Large Organization (RALO), the North American RALO, will provide global Internet users increased official opportunities for input with ICANN. The entire global at-large structure is now in place.

The first of these structures, the Latin American and Caribbean RALO, or LAC RALO, was set up in December 2006 at the São Paulo meeting, so progress in providing access to ICANN discussions for Internet users has been a high priority. RALOs are the main forum and coordination point for public input to ICANN on a regional basis.

ICANN MEETINGS



Members of the North American Regional At-Large Organization pause for a photo while signing their agreement with ICANN Board Chair Vint Cerf and President and CEO Paul Twomey. The formation of the NARALO completes the RALO structures worldwide.

The LAC RALO held its first General Assembly at San Juan, just three months after its formation. From the formation of the first RALO to the fifth required only six months, an extraordinary achievement in outreach and involvement of the Internet community in each region of the world.

ICANN continued to formalize its relationships with ccTLD operators, including three accountability frameworks with .nl - Netherlands (Stichting Internet Domeinregistratie Nederland), .fj - Fiji (University of the South Pacific), and .pr – Puerto Rico (The Gauss Research Laboratory Inc.).



Signing of an accountability framework between ICANN and the Netherlands gives cause for celebration.

ICANN MEETINGS

With the signing of the accountability framework with Fiji, the number of formal relationships between ICANN and ccTLD operators is nearing 30.



It seems only fitting that an accountability framework with Puerto Rico should be signed in San Juan.



San Juan also marked the end of the term of Alejandro Pisanty of Mexico, who has served on the ICANN Board since 1999. During that time he served as Vice-Chair, led the Evolution and Reform Committee which transformed ICANN in 2000 to 2003, was the first chair of the Board Governance Committee, and co-chaired the Board-GAC Joint Working Group.

ICANN MEETINGS

Los Angeles, California 29 October–2 November 2007

More than 1,100 participants from 132 countries gathered in Los Angeles for ICANN's 30th international public meeting to undertake the work of strengthening the single, global, interoperable Internet. The 30th meeting provided an excellent forum for ICANN to lay out progress on Internationalized Domain Names and new generic top-level domains, and to chart a course forward on other complex and difficult issues.

Along with their regular ICANN work, participants found many occasions to celebrate the years of careful stewardship by Vint Cerf, who joined the ICANN Board in 1999 and served as its Chairman from 2000 until this meeting. Peter Dengate Thrush, a New Zealand barrister and long-time Board appointee from the ccNSO, was elected unanimously as the new Chairman of the Board.

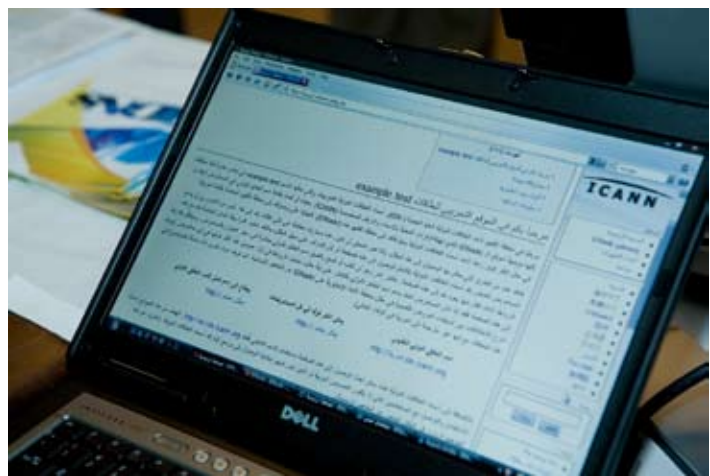
Work at the meeting included:

- Formation of an IDN working group to explore the process for developing a fast-track policy and process for introducing and assessing IDNs.
- Review and discussion of ICANN's draft Accountability and Transparency Frameworks and Principles.
- Calling on the ICANN community, including the GNSO, ccNSO, ASO, GAC, and ALAC, to provide input on the ccNSO Council's resolution relating to ICANN's geographic regions.
- Having staff continue work on an implementation analysis for new gTLDs and report to the Board and community on implementation issues before the ICANN meeting in New Delhi in February 2008.

A record seven accountability frameworks were signed with country-code TLD operators from the Asia-Pacific region and from Europe, bringing the total to 36. ICANN also signed an accreditation agreement with the second registrar based in Africa, AFRIREGISTER of Burundi. This meeting also saw Memorandums of Understanding signed with the Inter-American Telecommunication Commission of the Organization of American States (CITEL) and the Commonwealth Telecommunications Organization (CTO). In addition, the China Internet Network Information Center became a member of the Country-Code Names Supporting Organization.

A key development during the meeting was the U.S. Department of Commerce's announcement of its consultation with interested stakeholders on the mid-term review of the Joint Project Agreement with ICANN.

The insertion of test IDNs in 11 languages in the root zone for evaluation in October stirred interest around the globe, and the IDN evaluation booth drew hundreds of participants eager to experiment with setting up their own test wiki pages. As part of ICANN's campaign to help raise awareness of this remarkable change in the Internet, Los Angeles attendees received T-shirts, pens and other giveaways imprinted with the slogan "My Name. My Language. My Internet."



IDN example.test evaluation booth at Los Angeles drew hundreds of attendees eager to see their names on wiki pages set up for the 11 test languages.

ICANN MEETINGS



An Internet café aided attendees to communicate and to keep up with the work going on throughout the meeting.



A workshop on translation policies drew varied comments and suggestions, as well as acknowledgment that improvements in this area are overdue.

A gala event honoring retiring Board Chairman Vint Cerf, was held on the Tuesday evening of the meeting at Sony Studios. Dr. Twomey, ICANN's President and Chief Executive Officer, led the tributes at the event, which included speeches from Ira Magaziner, who oversaw U.S. Government policy on the Internet that led to the creation of ICANN, and Steve Crocker, Chair of ICANN's Security and Stability Advisory Committee and a life-long friend of Vint Cerf. There were also video tributes from across the globe, from former U.S. Vice President Al Gore; Dr. Tarek Kamel, Minister of Communications and Information Technology, Arab Republic of Egypt; Dr. Eric Schmidt, Chairman of the Board and Chief Executive Officer of Google; Commissioner Viviane Reding, Member of the European Commission (Information Society and Media); and Dr. Charles Elachi, Director of Jet Propulsion Laboratory. Finally, the ICANN community welcomed new board members Harald Tveit Alvastrand, Dennis Jennings, and Jean-Jacques Subrenat.



New Board Chairman Peter Dengate Thrush (left), President and CEO Paul Twomey, and Vice Chair Roberto Gaetano.



Vint Cerf, retiring after nine years of service on the Board and eight years as Chair, bids farewell.

ADVISORY COMMITTEES AND SUPPORTING ORGANIZATIONS

These reports of activities by the advisory committees and supporting organizations were compiled by ICANN staff based on records from the organizations' conference calls, meetings, and work conducted via the Internet, as well as their activities at the ICANN meetings in São Paulo, Lisbon, San Juan and Los Angeles held during 2006 and 2007, and agreed by the chairs of the respective advisory committees and supporting organizations.

ICANN policy support staff worked closely with the working groups, task forces, councils, and members of the supporting organizations and advisory committees to research and provide information, prepare issues papers, preliminary and final draft reports, and other documentation necessary to the fulfillment of the policy development process and the other work of the supporting organizations and advisory committees, as well as policy making by the Board of Directors.

Address Supporting Organization Sebastian Bellagamba, Chair, ASO Council

A proposed global policy for IPv6 address allocations submitted by the Address Supporting Organization Address Council (ASO AC) was ratified by the ICANN Board in September 2006. This policy, which addresses allocation of IPv6 addresses by the Internet Assigned Numbers Authority (IANA) to the Regional Internet Registries (RIRs), was implemented by IANA in October 2006 with corresponding IPv6 address allocations to all RIRs.

Recent initiatives for new global policies taken by the RIRs regarding allocation of AS Numbers and allocation of remaining IPv4 addresses have still to reach consensus among all the RIRs before the ASO AC can propose them for ratification to the ICANN Board.

During the year, the ASO regularly organized workshops to inform interested stakeholders about address policy developments at the ICANN meetings in São Paulo, Lisbon and San Juan. A similar workshop was held at the ICANN Los Angeles meeting in October 2007.

The ASO AC has the responsibility to elect two Directors to the ICANN Board. At this writing, these seats are held by David L. Wodelet, elected in June 2006, and Raimundo Beca, re-elected in May 2007.

Country Code Names Supporting Organization Chris Disspain, Chair, CCNSO Council

The ccNSO addressed several issues of interest to the global ccTLD community during the year, including ccTLD Internationalized Domain Names (IDNs) and how geographic regions affect representation and participation within the ccNSO.

Internationalized Domain Names

The ccNSO created an IDN Working Group to help provide advice to the ccNSO on the global policy issues associated with the introduction of IDNs:

- At the second level of a ccTLD introduction of IDN gTLDs
- As a top level ccTLD
- With respect to cross-over issues arising from the introduction of IDNs in new gTLDs

A joint ccNSO–GAC working group also was established and produced an issues paper relating to the selection of IDN ccTLDs associated with the ISO 3166-1 two-letter country codes. The paper was submitted to the Board at the ICANN San Juan meeting. Both the GAC and the ccNSO expressed interest in exploring a two-track or interim approach to the introduction of IDN ccTLDs. The Board asked the GAC, ccNSO, GNSO and ALAC to advise the Board on how to address the issues raised in the joint issues paper and on the implementation of the two-track approach. The issues paper raised preliminary questions related to a policy for the overall introduction of IDN ccTLDs. As the expectation is that developing and implementing an overall policy can take between two and a half and seven years, an interim approach to meet near-term demand for IDN ccTLDs is being explored.

Geographic Regions

The ICANN geographic regions were originally created and included in ICANN's bylaws to ensure regional diversity in the composition of the ICANN Board. Over time, references in the bylaws to ICANN's geographic regions have been expanded and are now included in the sections dealing with the GNSO, ALAC and ccNSO. However, the uses to which the geographic regions are put varies from organization to organization.

A number of ccTLD managers and Internet communities are interested in revising the present ICANN regional structure to ensure appropriate representation in ICANN as a whole, and the ccNSO in particular.

Anticipating a review of ICANN geographic regions, the ccNSO initiated a discussion on this topic. Based on a questionnaire in July 2006, the need to reassess the definition of ICANN's geographic regions was ascertained. In January 2007, a working group was established. To structure the discussion at the ICANN Lisbon meeting, the working group produced a discussion paper. Based on the comments received, including an open session with the GAC to discuss the paper, the working group produced additional drafts for public consultation.

The working group recommended that the ccNSO Council adopt a procedure for self-selection to enable ccTLD managers who consider themselves inappropriately assigned to an ICANN geographic region on the basis of the so-called citizenship criterion, to self-select an appropriate region with support of the relevant public authority. This self-selection is for ccNSO purposes only. ICANN staff was asked to propose mechanisms for implementation. The working group also recommended that the Board create a working group to enable all affected supporting organizations and advisory committees to coordinate in reviewing ICANN geographic regions.

Generic Names Supporting Organization **Bruce Tonkin, Chair (September 2002–June 2007)** **Avri Doria, Chair (June 2007–January 2008)**

The Generic Names Supporting Organization (GNSO) made significant advances on numerous initiatives this past fiscal year to improve the generic top-level domain (gTLD) space. These efforts included developing policies to guide the introduction of new gTLDs and the contractual conditions for gTLD registries. The GNSO also made substantial progress on policy work regarding Internationalized Domain Names, Whois services, reserved names, and domain name tasting. The GNSO also sponsored several public workshops and forums to augment their online public comment process for soliciting broad-based input on their policy work and to inform the public about their activities.

New Generic Top-Level Domains

The process for the introduction of new generic top-level domains (gTLDs) is central to fostering choice and competition in domain registration services, and as such is significant to the promotion of ICANN's core values. The evolution of the namespace toward enhanced diversity of services and service providers must be planned and managed effectively to ensure that the security, stability, reliability, and global interoperability of the Internet is maintained. The proposed policy that would guide the introduction of new gTLDs was created by the GNSO through its bottom-up, multi-stakeholder policy development process. The questions addressed by the GNSO in the development of new gTLD policy are complex and involve technical, economic, operational, legal, public policy, and other considerations. The intended result is a straightforward process that awards new gTLDs if they satisfy the criteria and no objections are sustained.

The GNSO formed a Committee on New Top-Level Domains to conduct a policy development process on new gTLDs in 2005. The Committee identified five main reasons why ICANN should proceed to introduce new gTLDs at this time:

1. It is consistent with the reasons articulated in 1999 when the first proof-of-concept round for new gTLDs was initiated.
2. There are no technical impediments to the introduction of new gTLDs, as evidenced by the two previous rounds and as confirmed by technical experts.
3. Expanding the domain name space to accommodate the introduction of both new ASCII and internationalized domain name (IDN) TLDs will give end-users more choice about the nature of their presence on the Internet. In addition, users may be able to use domain names in their language of choice.
4. There is demand for additional top-level domains as a business opportunity, which can stimulate competition at the registry service level.
5. No compelling reason has been articulated not to proceed with a new gTLD round.

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The Committee made considerable advances in its policy development process through regular conference calls, email discussions, and periodic meetings, and has concluded its work by adopting, with a supermajority vote, a Final Report with a set of principles, policies and implementation guidelines. The Final Report has been submitted to the ICANN Board for decision.

Public comments on draft reports were incorporated in the Committee's work. In addition, input was sought and incorporated from the Governmental Advisory Committee about the public policy aspects of new gTLDs.

ICANN staff has assisted the Committee to help ensure that new gTLD implementation challenges were addressed and ICANN's cross-functional IDN activities were accounted for in the Final Report on the Introduction of New gTLDs.

Contractual Conditions

The GNSO has concluded a policy development process on contractual conditions of gTLD registry agreements. The GNSO Task Force on Contractual Conditions produced a report containing a set of 10 majority supported recommendations, proposing that certain steps be taken by ICANN in relation to the terms of gTLD registry agreements, or in some cases, recommending no changes. The set of recommendations to be considered by the GNSO Council imposes certain obligations on ICANN, rather than directly on its contracted parties, the registries and registrars. A number of these items recommend that ICANN's existing practices should continue. ICANN staff is working on the proposed implementation of the remainder of the recommendations as part of ICANN's 2007–2008 Operating Plan.

Internationalized Domain Names

The development of IDN top-level policy is a part of ICANN's overall IDN program. To address the potential that applications for internationalized top-level labels could be received in the next new gTLD round, the Committee on New Top-Level Domains deliberated over the introduction of IDN TLDs.

In October 2006, the GNSO relaunched its IDN working group and tasked it to verify whether the emerging policy within the new gTLDs policy development process would be appropriate also for IDN top-level domains and which special considerations should be taken into account in that regard. The successful working group was open to all in the ICANN community who wanted to participate. In its outcomes report delivered to the GNSO Council in March 2007, the working group found no inconsistencies in applying the new gTLD policy approach for IDN top-level domains and recommended specific aspects to integrate when implementing this policy for IDN gTLD applications. The working group also made many recommendations for the conditions for the introduction of IDN gTLDs.

Whois Service

In 2007, the GNSO Council concluded its Whois policy development process, which addressed a number of important questions related to Whois service. Key questions addressed by the GNSO's Whois task force during this PDP included the purpose of Whois service, which information should be available to the public, how to improve Whois accuracy and how to deal with conflicts between Whois requirements and relevant privacy laws. The task force completed work on the first two terms of reference, defining the purpose of Whois and developing a draft procedure for addressing conflicts between Whois contractual requirements and national or local privacy laws. Regarding the term of reference defining the purpose of Whois, the GNSO Council approved the definition provided by the task force. The recommendation regarding Whois contractual requirements was approved by the ICANN Board and the Board directed staff to develop and publicly document a procedure for dealing with such conflicts.

The Whois task force then completed its final report on 12 March 2007. The Final Task Force Report addressed the three remaining items in the terms of reference. During deliberation on these questions, several registrars offered a proposal called the Operational Point of Contact (OPoC). In the final report, a simple majority of members of the Whois task force endorsed this proposal. As set forth in the initial OPoC proposal considered by the task force, every registrant would identify a new operational contact that would be published in Whois in lieu of the administrative and technical contact information currently displayed. The task force also set forth means for correcting inaccurate Whois data, and for facilitating inter-registrar domain name transfers. The Council determined that more information was

needed on OPoC and convened a working group to pursue this matter further. This working group concluded its work in October 2007. Taking into account the work of the task force and the working group, the Council decided not to accept the OPoC procedure. Based on the outcome and the fact that Whois service had changed in the intervening years of the PDP, the Council decided at the ICANN Los Angeles meeting to request that in-depth research studies on crucial aspects of the current Whois service be performed.

Reserved Names

One component of the new gTLDs policy development process, reserved names, was addressed by the GNSO Reserved Names Working Group. The group, which was composed of 12 members representing most GNSO constituencies, operated under a detailed statement of work approved by the GNSO Council. The working group submitted to the Council its findings and recommendations, which dealt with the reservation of ICANN-IANA names and symbols; single letters; digits, single letters, and single digit combinations; two letters; tagged names; IDN gTLDs; and geographic and geopolitical names. The Council is considering next steps on application to legacy gTLDs.

The GNSO Council also is considering a recommendation by the Intellectual Property Constituency proposing that International Governmental Organization names and abbreviations be protected as domain names. This recommendation is consistent with the so-called WIPO-2 Recommendation and principles issued by the Governmental Advisory Committee concerning new gTLDs. The Council has directed staff to develop a proposed dispute resolution procedure for IGO names as part of the new gTLDs application process.

Domain Name Tasting

Responding to a request from the At-Large Advisory Committee in March 2007, the GNSO Council requested an issues report from staff on the increasing practice of domain tasting, when registrants use the so-called Add Grace Period (AGP) to try out domain names for advertising purposes and delete unprofitable ones within the AGP, effectively without being charged for those. The issues report was delivered in June 2007 and was the centerpiece of a GNSO open forum at the ICANN meeting in San Juan later that month. The GNSO Council resolved to appoint an ad hoc group for fact-finding on this phenomenon as a basis for decisions on further steps to take. The ad hoc group launched a request for information for community input on any perceived harm or benefit with domain tasting, as well as on possible remedies to curb this practice. The group delivered its result in October 2007, for the GNSO Council's deliberations on further steps to take at the ICANN Los Angeles meeting, where it was resolved to launch a policy development process.

Security and Stability Advisory Committee

Steve Crocker, Chair

ICANN's Security and Stability Advisory Committee (SSAC) spent considerable time in 2007 studying and advising the community on attacks that exploit the DNS, Whois, and registration processes, and on matters pertaining to adoption of IP version 6 (IPv6).

In the first quarter, SSAC collaborated with RSSAC to test whether firewalls and recursive name servers could process IPv6 (AAAA) resource records and, in particular, whether the inclusion of AAAA resource records in the root zone file and in priming response messages returned by root name servers would have adverse effects on name server operations. Advisories SAC 016 and SAC 017 report the results of testing performed by RSSAC and SSAC members as well as the community at large. In SAC 018, *Accommodating IP Version 6 Address Resource Records for the Root of the Domain Name System*, RSSAC and SSAC jointly recommend that type AAAA resource records for root name servers should be included in the root hints and root zone files and that root servers should return these in priming responses as soon as practicably possible. The report also recommends a phased deployment plan.

In mid-year, SSAC turned its attention to attacks that exploit Whois, DNS and registration processes. Three studies were initiated. In June, SSAC offered preliminary results on a study that sought to determine whether the Whois service was a resource used by spammers to collect email addresses. The study results indicate that publication of email addresses anywhere, including the Whois service, virtually ensures that the address will receive unsolicited bulk email, better known as spam. During this time frame, SSAC also began studying fast flux attacks, a growing and troubling exploitation of the DNS and registrar services to facilitate a broad range of Internet attacks, including phishing and hosting of illegal pharmaceutical and child pornography websites. SSAC began working

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cooperatively with other anti-hacking organizations, including SpamHaus, the ISOI and the APWG, and the SSAC Fellow now participates as a liaison to and member of several APWG subgroups. Fast flux attacks are highly sophisticated attacks and SSAC continues to review possible mitigation measures that DNS operators, registries and registrars might implement. SSAC also studied domain name grabbing, a term applied to activities by which some party covertly monitors domain name availability checks, identifies domain names currently of interest and preemptively registers these domain names before the party originally interested in the name does. Like fast flux, domain name grabbing is a complex issue, and additional study continues. SSAC issued an Advisory on both fast flux and domain name grabbing activities in the fourth quarter of 2007.

SSAC resumed consideration of IPv6 security and stability matters in third quarter 2007 and reported the results of a survey of IPv6 support in commercial firewall products at the Los Angeles meeting. The survey includes responses from 42 of 60 firewall vendors, representing, by SSAC's estimation, in excess of 95 percent of the installed base of commercial firewall products. The survey indicates that firewall support for IPv6 is not as broadly available as SSAC would hope, given the accelerated depletion rate of IPv4 addresses.

SSAC also studied several matters at the request of ICANN staff or in response to a public call for comments. SSAC reviewed and commented on a new IANA policy for including glue resource records in the root zone file. SSAC also commented on the GNSO Principles for Adding New TLDs and responded to the Chief Registrar Liaison's questions regarding whether the use of certain strings in gTLD labels might create technical instabilities in the DNS. SSAC also made substantive comments to ICANN's study and reports on Registry Failover and Registrar Data Escrow policies. SSAC commented on ICANN's proposal for IDN deployment at the root level of the DNS.

SSAC has adopted Wiki technology to serve as an archive of sensitive correspondence and meeting minutes, and as a readily accessible repository for works in progress. SSAC's practices and procedures are at last codified and are currently under review by the committee.

At-Large Advisory Committee **Jacqueline Morris, Chair (December 2006–November 2007)** **Cheryl Langdon-Orr (November 2007–November 2008)**

The involvement of the world's individual Internet user communities in ICANN has grown rapidly over the past year. The number of Internet user organizations certified as At-Large Structures (ALSs) continued to increase worldwide, with over 105 applications received as of September 2007. A list of these groups, which range in size from 25 to millions of members, is posted at <http://www.alac.icann.org/applications/>. ALS certification recognizes groups that involve individual Internet users at the local or regional level in issues addressed by the ICANN community. Participation as an ALS facilitates input on ICANN activities and processes that affect users via contributions to the At-Large Advisory Committee (ALAC). ALS certification also enables groups to participate in the work of the Regional At-Large Organization (RALO) nearest them. The five RALOs around the world are the focal point for at-large information sharing and participation in each region, and they select members of the At-Large Advisory Committee as their representatives.

With ICANN support, at-large community leaders finalized memorandums of understanding (MoUs) for all five worldwide RALOs in 2006–2007: Africa, Asia-Australia-Pacific, Europe, Latin America and the Caribbean, and North America.

With the formation of the final RALO in June 2007, the At-Large Advisory Committee's last ICANN Board-appointed interim members were replaced by elected representatives, an important milestone in the development of this diverse worldwide constituency.

The community has been aggressively working to put into place consultative mechanisms to allow each region an equal voice in the development of policy responses to the issues confronting the ICANN community. These efforts

are expected to lead to much greater policy advice capacity in the at-large community and have already resulted in many new at-large participants worldwide in the work of at-large in ICANN.

Issues affecting Internet users on which the at-large community has provided input include the introduction of new gTLDs, advancing use of Internationalized Domain Names, changes to Whois services, revisions to the Registrar Accreditation Agreement, migration from IPv4 to IPv6, and domain name tasting.

Governmental Advisory Committee Ambassador Janis Karklins, Chair

During the reporting period the Governmental Advisory Committee produced policy advice to the Board on Whois and new gTLDs in the form of two documents: GAC principles regarding new gTLDs, and GAC principles regarding gTLD Whois services. In addition, the GAC also provided advice to the Board on the draft ICANN procedure for handling Whois conflicts with national privacy laws. The provision of these documents and advice was the culmination of many months' work for the GAC.

The GAC acknowledges ICANN's commitment to make further progress on transparency and accountability and has engaged with the ICANN Board on this issue on a number of occasions during face-to-face meetings. The GAC recently submitted a paper to the Board on Definitions of Accountability in the ICANN Environment as input to the ongoing consultations on the Accountability and Transparency Frameworks and Principles.

The GAC also worked closely with the ccNSO during the period to consider the public policy issues surrounding the selection of IDN ccTLDs associated with the ISO 3166-1 two letter country codes. This collaborative effort resulted in an issues paper being delivered to the ICANN Board at the San Juan meeting in June 2007. The GAC will continue to work with the ccNSO and others in the ICANN community to answer the questions in the issues paper and on developing a process to enable the implementation of ccTLD IDNs in both the short and longer terms.

A joint GAC–Board working group co-chaired by Janis Karklins and Alejandro Pisanty was established in 2006 to look at ways to:

- Enhance overall communication and engagement between ICANN and the GAC
- Strengthen the ability of the GAC to provide advice on ICANN operations that relate to concerns of governments
- Support the creation of a strong and sustainable GAC Secretariat to facilitate communication on public policy issues
- Improve information for GAC members by providing background analyses of relevant issues
- Maintain the GAC as part of the multi-stakeholder public-private partnership of ICANN

The working group met first in March 2006, and again in regular teleconferences and at ICANN meetings. The GAC principles on Whois and new gTLDs, and the GAC's work with the ccNSO on IDNs demonstrate the strong collaboration and communication established by the working group's efforts. At the ICANN meeting in San Juan in June 2007, the working group agreed that it had met its initial objectives. It is now considering focusing on other areas of possible improvement.

DNS Root Server System Advisory Committee Jun Murai, Chair

During 2007, RSSAC met three times: in Prague, Czech Republic in March; in Chicago in July; and in Vancouver in December.

In addition, the RSSAC and SSAC jointly prepared and released an Advisory, SAC 018, *Accommodating IP Version 6 Address Resource Records for the Root of the Domain Name System*, which has helped pave the way for the inclusion of the AAAA IPv6 addresses into the root zone (see <http://www.icann.org/committees/security/sac018.pdf>).

ICANN also asked the RSSAC to prepare a statement on the next step for IDN deployment. That statement is available at <http://www.icann.org/committees/dns-root/rssac-idn-statement.htm>.

In addition, the RSSAC presented several reports on current issues at the various ICANN meetings during the year.

STRATEGIC PLAN FOR THE NEXT THREE YEARS

ICANN's Strategic Planning process takes place from June through December, and the ICANN Strategic plan for the period July 2008 through June 2011 is being finalized. The process anticipated that a final draft would be approved by ICANN's Board in December.

ICANN Strategic Planning balances input from the broad multi-stakeholder base, along with strategic input from ICANN's Board. The initial draft of the plan is based on a multiphase consultation with the ICANN community. It attempts to set out the community's views of the major opportunities and challenges that face ICANN in the next three years as it continues to evolve as a global organization serving the Internet community in maintaining the stability and security of the Internet's unique identifier systems. Key aspects of environmental change identified in this planning cycle is the imminent arrival of new top level domains in Latin and non-Latin characters, increased emphasis on Internet security, and the impact that will have on the Internet community in terms of scale, community composition with many new non-English speakers and more.

Development of this Strategic Plan began at the ICANN meeting in San Juan in June 2007. Consultation with the community was undertaken at that meeting and sessions conducted in English, French and Spanish, including a session for the Caribbean community. An online forum was established with questions set out in Arabic, English, French and Spanish. For the first time, the Strategic Planning online forum received responses in languages other than English.

Input from the public forum, the Board and staff and the San Juan sessions was synthesized into an issues paper published in September 2007. Comments were sought through a public forum on the ICANN website. Teleconference consultations based on this issues paper were conducted with ICANN constituency groups. From this input, this draft version of the plan was written.

At ICANN's Los Angeles meeting in October, the draft plan was discussed in six constituency-specific fora, one multi-language session, and in a public forum. Further, an online forum was established to allow all members of the ICANN community to contribute to the planning discussion.

Based on the feedback received through this consultation process, the plan was redrafted. The Board approved the updated plan in December 2007, and it will be posted in January 2008 along with a summary and analysis of all feedback received.

The plan identifies specific community objectives within eight priority areas for this plan period. These priority areas are:

- Implement generic top-level domains and Internationalized Domain Names, including for ccTLDs associated with the ISO 3166-1 two-letter codes.
- Enhance security and stability of the Internet's unique identifiers, and clearly plan ICANN's role in conjunction with others in enhancing security.
- Monitor the depletion of IPv4 address space and provide leadership towards IPv6 adoption.
- Improve confidence in the generic top level domain marketplace through ongoing efforts towards stability and registrant protection.
- Strive for excellence in core operations in activities such as provided by the IANA function, and in internal support operations and management.
- Strengthen ICANN's multi-stakeholder model to manage increasing demands and changing needs.
- Strengthen accountability and governance and consider structural changes that are part of the next phase of its evolution as an organization.
- Ensure financial stability and responsibility.

STRATEGIC PLAN FOR THE NEXT THREE YEARS

The draft Strategic Plan for July 2008 to June 2011 is available at http://www.icann.org/strategic-plan/draft_stratplan_2008_2011_clean_en_v1.pdf.

In addition to completing the plan for this cycle, the community is also seeking ongoing improvement in the planning process itself. How can the quality of the Strategic Plan be measured? How can the Strategic and Operating Plans be tied more closely? In this cycle, plan outcomes have been made more explicit with the goal of making the plan more measurable and the tie with the Operating Plan more direct. This will undoubtedly remain an area of future focus and improvement.

Operating Plan for 2007–2008

Each ICANN Operating Plan is a one-year action plan targeted at accomplishing the objectives set out in the three-year Strategic Plan containing specific projects to be initiated, continued or closed during a fiscal year. ICANN is currently operating under the 2007–2008 Operating Plan and budget approved in June 2007.

As with the Strategic Plan, the Operating Plan is the product of extensive community consultation. An initial draft Operating Plan was produced in March 2007 and reviewed through community consultation at the ICANN Lisbon meeting and through online and other fora. A draft budget was produced in May and reviewed both online and through telephone consultations. As a final step, the Operating Plan and Budget were reviewed and approved at ICANN's San Juan meeting in June 2007.

The Operating Plan describes all ICANN work and is posted at <http://www.icann.org/planning/>. It describes the measurable work objectives set out for the fiscal year. Several of these goals or groupings are of prime importance to ICANN's mission and many constituency groups. Highlights of this plan include:

- **Contractual Compliance.** The Operating Plan and Budget provide resources for ICANN to significantly augment contractual compliance actions, including the system for auditing registry and registrar performance for compliance by all parties to such agreements. ICANN's compliance program is at <http://www.icann.org/compliance/>.
- **Accountability and Transparency.** ICANN aspires to be a global leader in accountability and transparency. Initial draft Management Operating Principles for accountability and transparency have been developed, with implementation planned in 2008. Further, this Operating Plan calls for fully staffing the communications function at ICANN and improvements to communications tools, including the ICANN website.
- **Translation.** Translation of important documents and meeting proceedings is an important aspect of ICANN communications and transparency initiatives. Translation efforts support many or most of the project and operating plan initiatives described in the Strategic and Operating plans. The current Operating Plan and Budget call for translation expenditures of \$469,000, a substantial increase over prior years. The increase allows for significantly broader participation but also calls for careful cost-benefit analysis to ensure these increased expenditures provide meaningful return.

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- **Automate IANA Execution.** IANA is in the process of automating many of its administrative functions, including submission and processing of requests for root zone changes, protocol and parameter requests, and reporting of performance metrics. This is an ongoing process with several key milestones already completed.
- **New gTLD Process.** The development of a process and policy for the introduction of new gTLDs (central to fostering choice and competition in the provision of domain registration services, and as such, critical to the promotion of ICANN's core values) is moving to a new phase of execution. Significant activities and resources are planned in the current Operating Plan and Budget with a goal that the process to accept applications for new gTLDs could be ready early in the next fiscal year.
- **Deployment of Internationalized Domain Names.** The IDN Program plan is composed of several projects that are moving into a new phase of execution during this Operating Plan year, including technical tests, completion of technical guidelines, expected completion of the protocol, and significant policy development work within the context of the new gTLD program and by the ccNSO for ccTLDs associated with the ISO 3166-1 two-letter codes.

Management of Operating Plan Objectives

ICANN has a goal to ensure, as much as possible, the completion of plan objectives through the use of best management practices.

ICANN uses two primary methodologies for monitoring progress towards accomplishment of plan objectives. First, for more complex or longer-term efforts, ICANN employs a tried-and-true project management process. This process was implemented during fiscal year 2006–2007, and has matured over the past 18 months. ICANN has implemented in economical form a project office with documented processes and management practices. Examples of projects managed with this approach include the IDN program and the new gTLD program.

Other Operating Plan deliverables that are less complex (for example, having a shorter term, or fewer interdependencies) are managed with an explicit goal setting/performance monitoring approach. Three times each year, ICANN identifies the business initiatives or goals to be accomplished during the coming period. A standard management process is used to monitor progress towards plan, bring additional focus or resources to areas needing help, and assessing actual accomplishments at the end of a period. The purpose of this process is to ensure that all Operating Plan items are executed during the plan year.

Internationalized Domain Names

Internationalized domain names are the most significant change to the Internet since its inception. The gateway to multilingual, global access and content, IDNs have been a major project at ICANN. Several preliminary goals were achieved in 2006 and 2007, including successful laboratory testing of IDNs and reaching the last stages of finalization of the revisions to the protocol standard, known as IDNA, used by TLD registries and application developers when implementing support for IDNs.

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 has been launched in the form of IDNwikis. Users can experiment with fully localized URLs and internationalized emails in various applications. The English gateway to the wiki is available at <http://idn.icann.org> and IDN TLDs in other languages can be reached from there.

The laboratory test on IDNs that was completed successfully this year will be replicated for the IDN TLDs that are live in the root zone now. This testing will aid in the determination that IDN TLDs are considered stable for production from a technical standpoint.

Other efforts undertaken to ensure the technical stability of IDNs include:

IDNA Protocol Revision. This standard will provide a set of rules for determining which languages will be available for IDNs while ensuring stable DNS operation. This effort is expected to be completed in 2007.

SSAC IDN Study. Also in 2007, the SSAC launched a study to identify DNS security issues associated with the potential deployment of IDN TLDs. The study focuses on the question “What impact will the introduction of IDN TLDs have on the security and stability of the Domain Name System?”

IDN Policy Development

On the policy front the community has been very focused on the topic of IDNs throughout the year. Several activities have been completed and significant efforts to launch IDN TLDs have begun. These efforts, detailed in the policy development work done by the supporting organizations and advisory committees with the aid of ICANN policy support staff, include:

- GNSO IDN Working Group Report
<http://www.gnso.icann.org/drafts/idn-wg-fr-22mar07.htm>
- GNSO Reserved Names Working Group Report
<http://www.gnso.icann.org/drafts/rn-wg-fr19mar07.pdf>
- ccNSO-GAC Joint Issues Paper on IDNs
<http://www.icann.org/topics/idn/ccnso-gac-issues-report-on-idn-09jul07/pdf>
- ccNSO-GAC IDN Working Group formation
- ALAC IDN study

A campaign to raise awareness of IDNs included videos posted on YouTube describing how IDNs work and how to participate in the “example.test” evaluations in 11 languages.



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Extensive communication efforts that raised IDN awareness across the Internet community will continue to be expanded in the next calendar year. A large number of meetings and events were focused on IDNs. A selection of these follows (also see <http://www.icann.org/topics/idn/meetings.htm>).

- The APTLD meeting in Dubai in October 2007 conducted a full-day session on IDNs including nontechnical IDN training.
- ICANN conducted a two-day media tour of New York and Boston, resulting in global coverage of IDNs, including a front page (business section) story in the *Wall Street Journal*, and a podcast on the NPR-BBC show *The World*.
- Taking part in the Arabic Domain Names Working Group meetings held under the auspices of the League of Arab States and attended by government representatives and ccTLD managers in the Arab region.
- Jointly with TWNIC, organizing the event in Taipei on 19–21 October 2007 titled *Toward the New Era of Internet*. The event contained full-day sessions on IDN topics including the .test IDNwiki, IDN protocol revisions, ICANN policy development efforts, and security matters for users.

Staff is conducting outreach in many different fora: participating in IDN related events, recommending agenda and speakers to IDN-related events, providing financial support, communicating through day-to-day e-mail and phone correspondence, coordinating technical and policy recommendations, and providing general information and network sharing. Face-to-face meetings have been held with many interested parties within the community including governments and ccTLD registry operator representatives in Bahrain, Belgium, Brazil, Canada, China, Czech Republic, Denmark, Egypt, Estonia, Finland, Germany, Greece, Indonesia, Jordan, Latvia, Morocco, Netherlands, New Zealand, Portugal, Spain, Sweden, Switzerland, Thailand, United Arab Emirates, United States, and others.

IDN Program Status reports are provided regularly. These reports and other IDN notifications and announcements can be found at <http://icann.org/topics/idn>.

gTLD Registry Liaison

The gTLD project team has been developing a draft implementation plan in parallel with the policy development work of the Generic Names Supporting Organization (GNSO). In September, the GNSO approved a set of policy recommendations to guide the deployment of new gTLDs and the ICANN Board considered the recommendations following the annual meeting in October 2007. The implementation of new gTLDs is anticipated to commence in 2008.

A draft Registry Failover Plan and Best Practices Guidelines was presented for public discussion at the annual meeting in Los Angeles. The plan is intended to provide for a process to protect gTLD registrants in the event of registry failure. It is expected that the Best Practices Guidelines will be incorporated to the base agreement for new gTLDs.

The process for considering new registry services, also known as the funnel, has been operational for one full year. Since inception of the process, nine requests have been submitted and of those seven were approved, one was not approved and one is pending Board review. The process will soon undergo an operational review to assess how it has met the needs of gTLD registries and the Internet community.

The .name and .coop registry agreements were renewed in 2007. The .aero and .museum renewal agreements are currently in negotiations and are expected to be complete and renewed by the end of the year. Negotiations with the Universal Postal Union for the .post sponsorship agreement commenced in August.

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Regional Registry/Registrar gatherings were conducted in North America and Asia with a third event was held in December 2007 in Europe. The 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 challenging but productive for the registrar liaison team. The registrar marketplace has grown and diversified while ICANN has continued its efforts to protect registrants and to improve registrar compliance with consensus policies and the Registrar Accreditation Agreement (RAA).

While not growing at the same pace as the previous year, accreditations passed the 900 mark with the addition of 50 accredited registrars. Geographic diversity has grown, with registrars applying from Africa, Central and South America, Eastern Europe and Southeast Asia. This growth has brought an increase in day-to-day processing of changes in ownership, addresses, and contact persons, with more than 100 such requests processed last year. The introduction of new gTLDs and expansion of registrar business models has resulted in over 500 requests to add appendices for additional top-level domains.

Much of this change has been facilitated by the introduction of a new online interface for registrars known as RADAR (Registrar Application and Database Access Resource). All registrars now have access to the initial version of this tool, which permits updates to contact information, requests for additional TLDs, and access to information for other registrars that can be used to facilitate domain name transfers and communication among registrars. An updated version of this interface software will be introduced soon containing enhancements that will facilitate online new and renewal applications as well as access to registrar compliance and billing data.

Outreach efforts continued during the report period, including an historic open house for North American registrars at ICANN's Marina del Rey office. Similar events were also hosted or attended in Beijing, Hong Kong, Los Angeles, Miami, Seattle, Seoul and Tokyo. A European event took place December 2007 in Prague, Czech Republic.

These outreach events and greater communication efforts have improved relations between the liaison staff and registrars, with active participation by registrars in joint efforts to introduce a Data Escrow program and to amend the Registrar Accreditation Agreement to provide for greater protection of registrants. Registrars approved the budget fee structure in record time this year, thus permitting ICANN to avoid retroactive fee changes and at the same time lowering costs to registrars. The period was not without its challenges, including the very visible and painful collapse of one large registrar. Within the framework of tools and approaches available to address this critical issue, ICANN's efforts, in collaboration with registry operators, registrars, and others, to protect the affected registrants have been widely recognized as successful. It will also be important to position the entire ICANN stakeholder community to improve responses to registrar failures in the future. Lessons learned from this experience are now guiding efforts to enhance compliance and to augment terms in the RAA.

In addition, registrar liaison staff redoubled efforts to implement the Data Escrow program, which commenced operation nearly a year ahead of schedule in December of 2007. ICANN has concluded negotiations and entered into an agreement with Iron Mountain Intellectual Property Management, Inc. to provide escrow services under ICANN's Registrar Data Escrow (RDE) program. ICANN selected Iron Mountain through a competitive request for proposals process concluded earlier in 2007.

ICANN plans to have all accredited registrars enrolled in the RDE program within the next six months. Registrars will begin enrolling in the data escrow program shortly.

SERVICES

Contractual Compliance

In 2007, ICANN's Contractual Compliance Department updated and published a comprehensive contractual compliance program that includes a philosophy statement, a vision statement, and an operating plan (see <http://www.icann.org/compliance>). In support of ICANN's mission, the contractual compliance program ensures compliance by all ICANN accredited registrars and registries with ICANN agreements.

The Contractual Compliance Department also made significant improvements to the InterNIC public information site (see <http://www.internic.net/>) in 2007. Enhanced navigational tools were added to make it user friendly and valuable information was made available to assist consumers in resolving their domain name related problems and disputes. In addition, the site now provides useful information regarding other resources that consumers should consider when problems related to their domain names or disputes fall outside ICANN's mission.

Also in 2007, the department developed and implemented internal procedures for consistent handling of escalated compliance matters. These procedures have provided clarity for ICANN staff and certainty that all noncompliant parties will be treated in a uniform and predictable manner.

A major departmental responsibility is to respond to consumer complaints; therefore, to assist the community and ICANN management in understanding the number and types of complaints received each year the department published complaint statistics in 2007 (see <http://www.icann.org/compliance/pie-problem-reports-2006.html>).

In addition, ICANN continues to provide the community with useful information about compliance matters. In 2007 ICANN published its fourth annual report on the Whois Data Problem Reports System (see <http://www.icann.org/whois/whois-data-accuracy-program-27apr07.pdf>). This report provides statistics regarding registrar compliance with obligations to investigate reports of inaccurate Whois data.

Another report, the fourth annual report on registrar compliance with the Whois Data Reminder Policy, was published in November 2007. The Contractual Compliance Department also conducted several contract audits to assess and encourage registrar and registry compliance with ICANN's agreements. The results of these audits were published in October 2007.

Studies to assess Whois accuracy and availability got under way in 2007. A complete description of the audit processes can be found at <http://www.icann.org/whois/whois-data-accuracy-program-27apr07.pdf>.

ICANN has made staffing and resources to accomplish the objectives of the Contractual Compliance Program a priority. Accordingly, an audit manager, a data analyst, and possibly other staff will be added to the Contractual Compliance Department to enhance contractual compliance efforts before the end of 2007.

INTERNET ASSIGNED NUMBERS AUTHORITY

Services and Responsiveness

ICANN's management of the IANA function continues to strive for excellence in performance. The improvements to services and responsiveness over the past year have been uniformly recognized and acknowledged by stakeholders relying on IANA, and IANA is no longer perceived as a source of significant delay in the processing of requests. This achievement has been recognized by renewal of the contract with the U.S. Department of Commerce. This contract, signed 15 August 2006, is a sole-source contract with a period of one year plus four renewal periods of the new Joint Project Agreement between ICANN and the Department of Commerce. The first renewal period was exercised in the third quarter of 2007.

Staffing

IANA staffing has not changed significantly in the past year, and now consists of 11-1/2 full time staff members, including contractors. In September 2007, David Conrad was promoted to the newly created position of Vice President of Research and IANA Strategy. In this role, he retains strategic responsibility for the IANA functions within ICANN, and the relationships with major stakeholders, including the contractual relationship with the U.S. Department of Commerce.

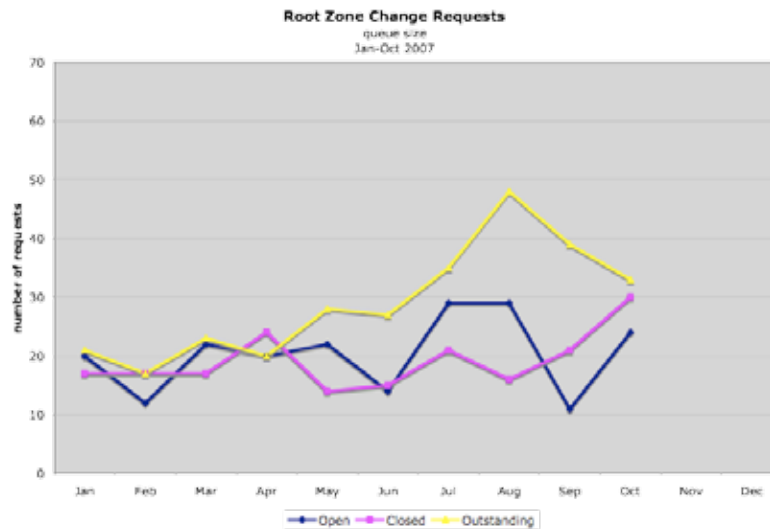
At the same time, Barbara Roseman was named General Operations Manager of IANA, continuing day-to-day management of the IANA functions. Key IANA team members will continue in their roles as relations managers with IANA's stakeholders. These are Kim Davies, Manager, Root Zone Services; Leo Vegoda, Manager, Number Resources; and Michelle Cotton, Manager, IETF Relations. Simon Raveh leads software and tools development as IANA's Development Manager. Pearl Liang, Naela Sarras and Amanda Baber round out the full-time staff.

Two full-time staff members perform root management and other domain related issues, including management of .int. Four and a half full time staff members are devoted to IETF-related request processing.

IANA currently has one additional position open for an operations person and a new position has been created for an IANA Software Developer. Recruiting for these new positions is ongoing.

New Request Tracking System

IANA's Root Zone Management (RZM) automated system has taken longer than desired to deploy; however, a beta version is now being tested and a full version will be in operation during early 2008. The RZM tool (formerly e-IANA) allows for automated processing of much of the root zone change request process and should accelerate processing of routine requests.

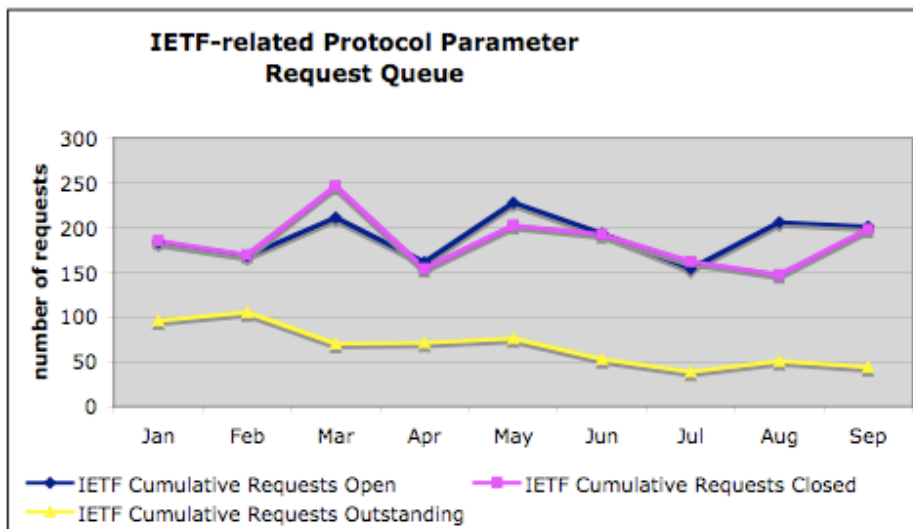


IANA is handling increasingly complex root zone change requests, including addition of IDN TLDs to the root zone.

INTERNET ASSIGNED NUMBERS AUTHORITY

IANA also continues with the ongoing project of automating statistics collection and presentation. Reliable tools for reporting IETF-related request statistics were deployed in early 2007 and continue to provide useful data for our monthly reports to the IETF community. Similar tools were developed for root zone change requests and were deployed in late 2007.

IANA has completed the development of a more highly automated system to accept and process resource requests, particularly those in which the number of requests is highest (e.g., private enterprise numbers). The new automated PEN application tool has brought average processing times for these requests down by more than 50 percent.



IANA has maintained a steady-state level of request processing keeping the queue of outstanding requests from growing over time.

Request Processing

IANA continues to improve efficiency and productivity in request processing. IANA has handled approximately 2,700 requests, not including requests complaining about abuse such as spam coming from address space listed as "Reserved by IANA," since 1 January 2007.

Root zone management is a critical, high-visibility portion of the IANA function. IANA processes requests from TLD managers for changes in their root zone information, primarily their DNS, and IANA verifies the requests and forwards them to the U.S. Department of Commerce and VeriSign for inclusion in the published root zone. IANA typically fulfils these requests within 14 days.

Some requests, such as redelegations or changing shared name servers for several TLDs involve significantly more coordination with the requesters. These requests may take many weeks to prepare. IANA is seeing a growing number of such complex requests and this is reflected in an occasionally growing queue of outstanding requests. When a cohort of shared requests is completed, the queue size returns to a more steady-state number of approximately 20 root zone change requests per month.

FINANCE

The major activities in ICANN's Finance area include improved financial controls, improved reporting of financial results, and improved processing of accounting and financial activities. A new Chief Financial Officer was hired. The fiscal year end 30 June 2007 audited financials were completed with an unqualified clean opinion from the auditors.

Financial controls improvements included an update to the accounting policies and procedures manual, the release of a staff travel expense policy, and the strengthening of disbursement and accounting control procedures. The auditors successfully delivered an unqualified clean opinion on the fairness of the financial statements to the Audit Committee of the Board of Directors.

ICANN's financial reporting improvements included the development and disbursement of monthly reports for department heads and Board members, a financial calendar including reporting deadlines, budget and other financial statistics presented in graphical and spreadsheet formats, and improved capturing of financial data (revenue and expenses) in a manner most meaningful to management. Budget to actual variances by department and by activity are regularly reported as well as the results of specific projects.

The processing of accounting and financial activity improvements included a reduction in the accounts payable invoice cycle, improved clarity on internal approvals, the adoption of an Investment Policy for ICANN, the establishment of a formalized collections policy, and a streamlined month-end close cycle.

Human Resources

The major activities in ICANN's Human Resources have involved staffing, improved compensation systems and procedures, and improved learning and development programs.

Staffing activities during 2006–2007 were extensive and resulted in the addition of a new Chief Financial Officer, new Director of Human Resources, new Information Technology Director and a Chief Operating Officer. A total of 25 new hires and replacements were added to staff. ICANN also identified new methods of sourcing candidates and online background checks to improve efficiency and lower costs.

A comprehensive analysis of compensation was reviewed with the Board, and salaries were adjusted to competitive market positions. A formal incentive plan was implemented based on achievement of goals, objectives, and milestone.

Finally, training programs were launched to improve staff goal setting skills and presentation skills, and programs on office skills (i.e., Microsoft Office), the domain name system, and Internationalized Domain Names continued to be offered to staff. In addition, the entire staff received training to raise awareness of sexual harassment issues in the workplace.

GLOBAL AND STRATEGIC PARTNERSHIPS

Overview

The Global Partnerships network was formed in 2006 as part of ICANN's continued efforts to improve engagement with all stakeholders globally. The team is led by the Vice President for Global and Strategic Partnerships, and consists of managers of regional relations, a deputy manager and appropriate administrative support. Additional managers of regional relations are being recruited to complete the team and to cover the remaining subregions. Global Partnerships retained the annual establishment of individually defined business plans tailored to each region that reflect and incorporate ICANN's Strategic and Operating plans.

Team members also developed a departmental communications strategy and have assisted ICANN staff by gathering input from the local communities with which they work. This reporting mechanism will be further refined during the coming year as ICANN works to standardize and coordinate reporting mechanisms.

Stakeholder Support

Global Partnerships participated in, partnered with and supported the organization of workshops, seminars and outreach events at multiple levels, enlarging the ICANN platform of participating stakeholders and educating them 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 the first MENOG meetings, sessions at the AKMS in Doha Qatar, the Club of Rome, the RANS meeting in Russia, the Caribbean Ministerial gathering in Anguilla, meetings of LACNIC, APTLD, LACTLD, AFTLD, and the Universal Postal Union. It also includes partnering with organization's such as ISOC, Diplofoundation, ITU, UNECA and UNESCO when opportunities arise.

Team members also partnered with ISOC to conduct ccTLD trainings and capacity building exercises. The team members' involvement in ccTLD workshops in San Juan 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. This process culminated just six months later in San Juan 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.



GLOBAL AND STRATEGIC PARTNERSHIPS

From July 2006 through 2007, the team instrumentally supported the negotiations and signing of 29 accountability frameworks or exchanges of letters with ccTLD operators, with many more in the pipeline. A list of accountability frameworks and letters follows.

Accountability Frameworks			
Date	ccTDL	Country	Operator
June 28, 2007	.nl	Netherlands	Stichting Internet Domeinregistratie Nederland
June 26, 2007	.fj	Fiji	University of the South Pacific
June 26, 2007	.pr	Puerto Rico	The Gauss Research Laboratory Inc.
June 4, 2007	.sv	El Salvador	Asociación SVNet
May 30, 2007	.mn	Mongolia	Datacom Ltd
February 27, 2007	.ly	Libya	General Post and Telecommunication Company
December 4, 2006	.pa	Panama	Universidad Tecnológica de Panamá
November 29, 2006	.cz	Czech Republic	CA.NIC,z.s.p.o.
November 29, 2006	.kz	Kazakhstan	Association of IT Companies of Kazakhstan
September 28, 2006	.ni	Nicaragua	Universidad Nacional de Ingeniería (NIC NI)
September 5, 2006	.gt	Guatemala	Universidad del Valle de Guatemala
August 14, 2006	.pe	Peru	Red Científica Peruana (PE NIC)
July 20, 2006	.hn	Honduras	Red de Desarrollo Sostenible Hondura (RDS-HN)

Exchange of Letters			
Date	ccTDL	Country	Operator
October 31, 2007	.it	Italy	Istituto di Informatica e Telematica of CNR (ITT-CNR)
October 30, 2007	.sb	Solomon Islands	Solomon Telekom Company Ltd.
October 29, 2007	.nz	New Zealand	InternetNZ
October 29, 2007	.rs	Serbia	Serbian National Register of Internet Domain Names (RNIDS)
October 24, 2007	.fm	Micronesia	Federated States of Micronesia, FSM Telecommunications Corporation (FSMTC)
October 2, 2007	.ck	Cook Islands	Telecom Cook Islands Ltd (TCIL)
September 18, 2007	.se	Sweden	The Internet Infrastructure Foundation of Sweden
May 10, 2007	.br	Brazil	Brazilian Internet Steering Committee
April 30, 2007	.sn	Senegal	NIC Sénégal
April 12, 2007	.am	Armenia	Internet society (Armenia)
March 25, 2007	.ru	Russian Federation	Coordination Center for TLD RU
March 25, 2007	.ci	Côte d'Ivoire	NIC Côte d'Ivoire
December 21, 2006	.be	Belgium	Department of Computer Sciences, University of Leuven
December 4, 2006	.fi	Finland	Finnish Communications Regulatory Authority (FICORA)
August 10, 2006	.hu	Hungary	Council of Hungarian Internet Providers (ISZT)
July 17, 2006	.no	Norway	Uninett Norid AS (Norid)

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

GLOBAL AND STRATEGIC PARTNERSHIPS

Memorandums of Understanding		
Date	Organization	MOU Can Be Found At
Apr 18, 2007	Pacific Islands Telecommunications Association (PITA)	http://icann.org/announcements/announcement-2-10may07.htm
Jun 18, 2007	U.N. Economic and Social Commission for Western Asia (UNESCWA)	http://icann.org/announcements/announcement-22aug07.htm
Nov 6, 2007	Commonwealth Telecommunications Organization (CTO)	A copy of the signed MOU will be posted soon at: http://www.icann.org/
Nov 13, 2007	African Telecommunications Organization (ATU)	http://icann.org/announcements/announcement-14nov07.htm
Nov 14, 2007	Inter-American Telecommunication Commission of the Organization of American States (CITEL)	A copy of the signed MOU will be posted soon at: http://www.icann.org/

Supporting Other Departments

The department's responsibilities included supporting all departments as needed and consistent with the operational plan. Examples of this include supporting the IDN project with global outreach and support of the launch of the test bed. Team members supported the program through outreach and presentations and assisted with recruitment of hosts for the language wikis. Global Partnerships also participated in registry or registrar-related events in Asia and Europe. The entire team works closely with IANA and Corporate Affairs to provide relevant technical and political information on the various regions to identify regional priorities and how those priorities and ICANN's initiatives interact.

The department is also engaged in outreach and awareness of issues such as the new gTLD process, and worked with respective departments within ICANN to respond to specific issues arising from community interest.

International Fora

The Global Partnerships team continues to engage in international and regional discussions relating to 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. 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, and participated in the technical community for the OECD Ministerial for 2008.

Fellowships

ICANN announced the first round of its global fellowships program in May 2007. The purpose of the program, as outlined in the 2006–2007 ICANN Operating Plan, is to create a program to encourage and fund 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 the meeting is taking place, participants from adjacent regions, and overseas participants, in that order. This increases the number of fellows by keeping travel distances shorter and costs down.

A graphic illustration of the fellowship program applications and attendees by sector and region for the San Juan meeting appears below. First round applications were from Argentina, Benin, Botswana, Brazil, Colombia, Fiji, Grenada, Guyana, Haiti, Jamaica, Malawi, Mauritius, Mexico, Moldova, Montserrat, Nepal, Solomon Islands, St. Lucia, St. Vincent and The Grenadines, Tajikistan, Trinidad And Tobago, Tunisia, Tuvalu, and Venezuela.

GLOBAL AND STRATEGIC PARTNERSHIPS

Pilot Program Applications and Attendees – San Juan Meeting			
Number of applications received	125*	ccTLD community	8
Number of applications accepted	40	Government	9
Number of fellows attending San Juan meeting	31	Civil society	7
Number of fellows deferred to Los Angeles meeting	9	Private sector	6
*68% of applicants and 65% of the Fellows had never attended an ICANN meeting		Academia	1
San Juan meeting fellows came from 15 from the Caribbean, 7 from Latin America, 5 from Africa, 4 from Asia/Pacific, 1 from Europe, and 1 from CIS countries.			

A graphic illustration of the fellowship program applications and attendees by sector and region for the Los Angeles meeting appears below. Los Angeles meeting applications were from Azerbaijan, Botswana, Costa Rica, Guatemala, Guinea, Guyana, Haiti, Iran, Jordan, Marshall Islands, Micronesia, Moldova, Montserrat, Mozambique, Nicaragua, Panama, Paraguay, Tajikistan, Tunisia, Samoa, Serbia, and Yemen.

Los Angeles Meeting Applications and Attendees			
Number of applications received	167*	ccTLD community	8
Number of applications accepted	34	Government	5
Number of fellows attending Los Angeles meeting	23	Civil society, and private sector	6
Number of fellows deferred to Delhi meeting	10	Academia	4
*In addition to 9 fellows deferred from San Juan meeting round. Additional characteristics of the attendees: seven of the fellows are alumni from the trial program launched in San Juan last June; four fellows are deferrals from the San Juan meeting, eight fellows are first-time attendees to an ICANN meeting and four have attended past meetings, but are first time fellows. Meeting fellows were 4 from Africa, 3 from the Middle East, 5 from CIS countries, 8 from Latin America and the Caribbean, and 3 from Australasia-Pacific Islands.			

To encourage ongoing participation and deepen the connection to the ICANN processes, fellows are encouraged to reapply and a certain small percentage receives a fellowship for subsequent meetings. These fellows give presentations on their activities since the last 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 who were present at the meeting under other programs returned and participated in the daily meetings and helped to 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. Based on the success of the San Juan and Los Angeles sessions, we expect the fellowship program to be run at each ICANN meeting.

CORPORATE AFFAIRS

Corporate Affairs' areas of responsibility within the organization include meetings organization, media relations, public participation, website development, information coordination, development of support materials and corporate documentation.

Transparency and accountability have been a focus for Corporate Affairs over the period of this annual report.

The changes that have been introduced include:

- New and better reporting of Board minutes including a more comprehensive account of discussions and a faster turn around time to the community (within 72 hours of the meeting taking place).
- A new public comment webpage (http://www.icann.org/public_comment/) where all past and present issues that are out for public review are clearly and logically laid out in a single place.
- The creation of a number of online surveys to improve and simplify information gathering and to register perspectives on different policy issues.
- A series of fact sheets covering important and timely topics in an easily understandable and readily digestible format including IPv6 and distributed denial of service attacks.
- A monthly ICANN magazine that provides the latest news and developments within the organization, made available by email and on a dedicated webpage (<http://icann.org/magazine>).
- An intersessional work newsletter covering both policy and organizational issues in depth with simple links to more extensive resources.
- Regular postings and extensive discussion on the ICANN blog (<http://blog.icann.org>) between ICANN staff and the community.
- The expansion of a Public Participation site where registered members can discuss post material and discuss information openly.
- Dedicated ICANN meeting websites offering extensive online participation tools including blogs, chatrooms, and forums to anyone that registers.
- Daily meeting newsletters while meetings are in progress, made available electronically and in paper format.
- The creation of new consultation and translation frameworks to guide future ICANN work.
- An ongoing overhaul of ICANN translation policy to provide more information on ICANN's processes in languages other than English.
- Appointment of a general manager for public participation, a position defined in the bylaws. This role is responsible for coordinating the various aspects of public participation in ICANN, including the website and various other means of communicating with and receiving input from the general community of Internet users.

CORPORATE AFFAIRS

- A draft set of Frameworks and Principles for Transparency and Accountability consulted upon by the community.
- Report by the One World Trust organization.
- New website that is more easily navigable and with more features including a Processes button on the main site to allow observers to determine what progress is being made on the range of policy issues. Further improvements are proceeding.

Corporate Affairs' focus in the coming year will be in supporting the organization to communicate its mission and the work it is undertaking whilst encouraging participation from the global community.

OFFICE OF THE 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

Fulfilment of Bylaws

In 2007, the ICANN Board convened three regular and 14 special meetings, including the annual meeting in Los Angeles. 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.

Litigation Support

The General Counsel's actions in support of ICANN included defending the organization against a variety of lawsuits and frivolous lawsuits. ICANN also took action against a registrar that was harming registrants and acted to revoke the registration and gain a permanent injunction in United States Federal District Court against RegisterFly, Inc.

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 implementation of new reporting and reviewing mechanisms. The office is hiring two full-time attorney positions to enhance the current five-person department.

OFFICE OF THE OMBUDSMAN

2006–2007 was a busy year for the Office of the Ombudsman. 375 complaints or community contacts for assistance were handled. Two major reports were prepared and delivered to the Board and the community. Hundreds of RegisterFly consumers turned to my office seeking assistance. My office lacked jurisdiction over many of the concerns raised about RegisterFly, but I provided the most current self help information to assist consumers with their complaints.

The profession of ombudsman continues to expand across the corporate, agency, and state systems. It is seen a low-cost, high-impact method of resolving citizen, consumer, employee, or client complaints. In recent years ombudsman offices have been established to deal with everything from human rights violations in the former Soviet republics, to financial services ombudsmen in the developing world.

Online dispute resolution (ODR) is also gaining popularity in resolving disputes, especially in consumer to business, or business-to-business transactions. In June 2008, I will have the pleasure of Chairing the International Forum on Online Dispute Resolution in collaboration with the United Nations Economic and Social Commission for the Asia Pacific (UNSCEAP). The ICANN Ombudsman remains a unique combination of ODR and ombudsmanship.

The 2006–2007 Ombudsman Annual Report is posted at www.icannombudsman.org/

OFFICE OF TECHNOLOGY

As one of ICANN's key projects and in line with its ongoing efforts to improve the resiliency and performance of the L-root servers, in October new, additional systems were brought online in Florida. With these new systems, which are a copy of the original large cluster operating in Los Angeles, the L-root's capacity doubles. In addition to providing increased capacity, the Florida location brings opportunity for direct peering with many Internet service providers in the Latin America and Caribbean regions, thereby directly improving service to those regions.

Operating from two separate locations also means that we now use the Anycast technology that is also used by many other root server operators. Anycast technology enables DNS server operators to distribute query loads, and hence aids in managing distributed denial of service attacks.

This newly formed Office of Technology also initiated research and background work in several areas important to ICANN. These included further investigation into the possible scale and barriers to scale of new TLDs, IPv6 landscape and progress, DNSSEC analysis and plans, and understanding the technical limitations of new TLD strings.

APPENDIXES

AUDIT REPORT FOR FISCAL 2006–2007

<http://icann.org/financials/financial-report-fye-30jun07.pdf>



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MOSS-ADAMS LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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, 2007 and 2006, 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, 2007 and 2006, 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 3, 2007

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30,	2007	2006
<i>Amounts are rounded to the nearest thousand</i>		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 31,031,000	\$ 11,790,000
Accounts receivable, net	14,970,000	13,516,000
Prepaid expenses	270,000	221,000
Other assets	97,000	55,000
Property and equipment, net	582,000	260,000
Total assets	<u>\$ 46,950,000</u>	<u>\$ 25,842,000</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,270,000	\$ 2,482,000
Deferred revenue	7,444,000	4,954,000
Total liabilities	<u>11,714,000</u>	<u>7,436,000</u>
Unrestricted net assets	<u>35,236,000</u>	<u>18,406,000</u>
Total liabilities and net assets	<u>\$ 46,950,000</u>	<u>\$ 25,842,000</u>

See accompanying notes to financial statements.

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APPENDIXES

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30,	2007	2006
<i>Amounts are rounded to the nearest thousand</i>		
Support and revenue		
Domain name registry and registrar fees	\$ 38,348,000	\$ 26,145,000
Address registry fees	823,000	823,000
Accreditation fees	3,597,000	1,965,000
Application fees	270,000	780,000
Interest income and other income	433,000	108,000
Total support and revenue	<u>43,471,000</u>	<u>29,821,000</u>
Expenses		
Personnel	13,784,000	7,382,000
ICANN meetings	3,814,000	2,022,000
Other meetings and travel	2,389,000	1,777,000
Professional services	5,864,000	4,233,000
Administration	3,219,000	2,207,000
Bad debt (recovery) expense	(2,429,000)	7,026,000
Total expenses	<u>26,641,000</u>	<u>19,647,000</u>
Change in net assets	<u>16,830,000</u>	<u>10,174,000</u>
Unrestricted net assets		
Beginning of year	18,406,000	8,232,000
End of year	<u>\$ 35,236,000</u>	<u>\$ 18,406,000</u>

See accompanying notes to financial statements.

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INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30,	2007	2006
<i>Amounts are rounded to the nearest thousand</i>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 16,830,000	\$ 10,174,000
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation expenses	139,000	145,000
Bad debt (recoveries) expenses	(2,429,000)	2,026,000
Changes in operating assets and liabilities:		
Accounts receivable	975,000	(6,170,000)
Prepaid expenses	(48,000)	(209,000)
Other assets	(42,000)	(39,000)
Accounts payable and accrued liabilities	1,788,000	775,000
Deferred revenue	2,490,000	3,232,000
Net cash provided by operating activities	<u>19,703,000</u>	<u>9,934,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(462,000)	(54,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>19,241,000</u>	<u>9,880,000</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>11,790,000</u>	<u>1,910,000</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 31,031,000</u>	<u>\$ 11,790,000</u>

See accompanying notes to financial statements.

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APPENDIXES

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

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 .au, .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.

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INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

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.
- **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, 2007 and 2006, 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. The Organization considers all cash and financial instruments with maturities of three months or less when purchased by ICANN to be cash and cash equivalents.

Accounts Receivable - The Organization carries its accounts receivable at invoiced amounts less allowances for doubtful accounts. The Organization does not accrue interest on its receivables. On a periodic basis, the Organization evaluates its accounts receivable and establishes allowances based on overdue accounts and a history of past write-offs. The Organization had one major customer totaling approximately \$14,394,000 of net revenue in 2007 and \$6,616,000 in 2006. In the fiscal years ended June 30, 2007 and 2006, this customer provided 32% and 22% of net revenues, respectively. The Organization had an accounts receivable amount totaling approximately \$2,150,000 and \$1,664,000 due from this major customer at June 30, 2007 and 2006, respectively. ICANN recorded approximately \$2,429,000 of bad debt recovery and \$2,026,000 of bad debt expense during fiscal years ending 2007 and 2006, respectively.

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APPENDIXES

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 five 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 cost - Advertising cost are expensed in the period incurred. Advertising expense amounted to approximately \$16,000 and \$72,000, for the years ended June 30, 2007 and 2006, 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.

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:

	2007	2006
Program services	\$ 19,300,000	\$ 12,633,000
Support services: Management and General	<u>7,341,000</u>	<u>7,014,000</u>
Total	<u>\$ 26,641,000</u>	<u>\$ 19,647,000</u>

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of credit risk - Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Organization 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 customers comprising the Organization's customer base.

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 2006 amounts have been reclassified in the financial statements to conform to the 2007 presentation. These reclassifications have no impact on net assets.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable is comprised of approximately the following constituencies for various registry, registrar and accreditation fees at June 30:

	2007	2006
gTLD registries and registrars	\$ 13,875,000	\$ 14,351,000
IP address registries	2,172,000	2,615,000
ccTLDs	232,000	572,000
Other	<u>12,000</u>	<u>1,000</u>
	16,291,000	17,539,000
Less allowance for doubtful accounts	<u>(1,321,000)</u>	<u>(4,023,000)</u>
	<u>\$ 14,970,000</u>	<u>\$ 13,516,000</u>

APPENDIXES

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists approximately of the following at June 30:

	2007	2006
Computer equipment	\$ 752,000	\$ 646,000
Computer software	20,000	20,000
Furniture and fixtures	194,000	141,000
Leasehold improvements	130,000	129,000
	1,096,000	936,000
Less accumulated depreciation	(514,000)	(676,000)
	<u>\$ 582,000</u>	<u>\$ 260,000</u>

NOTE 5 - 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 the Organization. Accordingly, the accompanying financial statements do not include a provision for any losses that may result from the Organization's current involvement in legal matters.

NOTE 6 - 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, 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 (airfare and travel, telecommunications, information technology supplies and support, and office supplies). Total payments made to Argo Pacific for the years ended June 30, 2007 and 2006, were approximately \$967,000, and \$626,000, respectively.

The significant difference between the total payments made in the fiscal years ending June 30, 2007 and 2006 resulted in part from the payment of bonuses and foreign exchange corrections for prior years 2003 through 2006. These specific corrections were approved by ICANN's Board of Directors and paid out during the year ended June 30, 2007.

Included in accounts payable and accrued liabilities for Argo Pacific as of June 30, 2007 and 2006, are approximately \$145,000 and \$208,000, respectively.

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INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - 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 \$535,000 and \$510,000 for the years ended June 30, 2007 and 2006, respectively. Minimum payments under the cancelable operating leases for the future years ending June 30 are approximately:

2008	\$ 582,000
2009	27,000
2010	1,000
Total	<u>\$ 610,000</u>

NOTE 8 - 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 the Company, and offers a similar program to its Brussels staff. The Organization contributes 5% of employee's salary to the plan regardless of employee contributions. The Organization furthermore matches employee contributions up to 10% of the employee's annual salary. Employer contributions for the years ended June 30, 2007 and 2006 amounted to approximately \$709,000 and \$490,000, respectively.

10

GLOSSARY OF TERMS

A

AFRALO	African Regional At-Large Organization
AFTLD	Africa Top Level Domains Organization
AGP	Add Grace Period
ALAC	At-Large Advisory Committee
ALS	At-Large Structure
APTLD	Asia Pacific Top Level Domain Association
APWG	Anti-Phishing Working Group
APRALO	Asia-Australia-Pacific Regional At-Large Organization
ASO	Address Supporting Organization
ASO AC	Address Supporting Organization Advisory Council

C

ccNSO	Country-Code Names Supporting Organization
ccTLD	country code top level domain
CITEL	Inter-American Telecommunication commission of the Organization of American States
CTO	Commonwealth Telecommunications Organization

D

DDoS	distributed denial of service (attacks on DNSO)
DNS	domain name system. The DNS makes using the Internet easier by allowing a familiar string of letters (the “domain”) to be used instead of the arcane IP address. So instead of typing 207.151.159.3, you can type www.interNIC.net, which is much easier to remember.
DNSSEC	DNS security authentication protocol

E

ENISA	European Network and Information Security Agency
EURALO	European Regional At-Large Organization

G

GAC	Governmental Advisory Committee
GNSO	Generic Names Supporting Organization
gTLD	generic top level domain

GLOSSARY OF TERMS

I

IAB	Internet Architecture Board
IANA	Internet Assigned Numbers Authority
ICANN	Internet Corporation for Assigned Names and Numbers
IDN	Internationalized Domain Name. IDNs are domain names represented by local language characters. Such domain names could contain letters with diacritics as required by many European languages, or could be made up of non-Latin scripts (for example, Arabic or Chinese).
IETF	Internet Engineering Task Force
IGO	International Governmental Organization
IP	Internet Protocol
IESG	Internet Engineering Steering Group
ISOC	The Internet Society
ITU	International Telecommunication Union

J

JPA	Joint Project Agreement (succeeds MOU with DoC)
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L

LACNIC	Latin American and Caribbean Internet Address Registry
LAC RALO	Latin America-Caribbean Regional At-Large Organization
LACTLD	Latin American and Caribbean Top Level Domains Organization

M

MOPs	Management Operating Principles
MENOG	Middle East Network Operators Group

N

NARALO	North American Regional At-Large Organization
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O

OECD	Organisation for Economic Co-operation and Development
OPoC	Operational Point of Control

P

PDP	policy development process
PITA	Pacific Islands Telecommunications Association

GLOSSARY OF TERMS

R

RAA	Registrar Accreditation Agreement
RADAR	Registrar Application and Database Access Resource
RALO	Regional At-Large Organization
RDE	Registrar Data Escrow
RFC	request for comment (sent to the IETF)
RIPE NCC	RIPE Network Coordination Centre – regional Internet registry for Europe, parts of Asia, and the Middle East
RIR	regional Internet registry
RSEP	Registry Services Evaluation Policy
RSSAC	Root Server System Advisory Committee
RT	Request Tracker
NRO	Number Resource Organization
RRA	registry-registrar agreement
RZM	Root Zone Management

S

SSAC	Security and Stability Advisory Committee
sTLD	sponsored top-level domain

T

TLD	top-level domain
TLG	Technical Liaison Group

U

UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNESCWA	United Nations Economic and Social Commission for Western Asia
UNSCEAP	United Nations Economic and Social Commission for the Asia Pacific

W

Whois	Database listing information about domain name registrants
WIPO	World Intellectual Property Organization
WSIS	World Summit on the Information Society



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