To: Board of Trustees
Date: 6 September, 2012
Subject: 2013-2015 Business Plan High-Level Overview

The Internet Society's Board Work Plan for 2012 calls for the 2013-2015 Business Plan and 2013 Budget to be approved at the Board meeting scheduled for 20-21 October, 2012. The final Business Plan and Budget is due to the Board of Trustees on 1 October as part of the Board Package.

As part of our annual Business Planning process, ISOC's Senior Management Team met in conjunction with the Regional Bureau Directors from 28-31 August to discuss and align draft plans for departmental, regional, and cross-cutting organizational programme areas and priorities for 2013.

Further to the 10 July memo to Trustees regarding Business Plan considerations and the subsequent guidance provided in the materials for the 4-5 August Board of Trustees meeting, I am pleased to provide the following high-level overview for the 2013-2015 Business Plan. This high-level overview represents the current thinking of staff on programmatic and investment priorities for 2013. We welcome comment and input from the Board of Trustees as we complete our 2013-2015 plans.

__Continuity with our 2012-2014 Business Plan Framework__

In order to achieve our mission, ISOC must be an organisation of global influence and action. As such, we intend to focus on key impacts that will make a substantial difference globally and for which ISOC is strongly positioned to advance. For the 2012-2014 planning cycle, we organized our business plan around four strategic, cross-organizational objectives, and established 2-3 key impacts with supporting annual goals for each. They are:

    A. Fostering an open, innovative, and trusted Internet worldwide.
    B. Advancing policies and strategies that strengthen the Internet's growth and evolution.
    C. Enabling a vibrant organisation and vital global community to advance the Internet's future.
    D. Empowering people to achieve human potential through unencumbered Internet use.

(For reference, Appendix I provides the high-level framework for our 2012 Business Plan and our four Strategic Objectives in more detail.)

Overall, Senior Staff (including the Bureaus) believe that our four cross-organizational objectives have served ISOC well in framing the high-level, ongoing areas of emphasis for the Society. For the 2013-2015 Business Plan, we intend to continue with the same high-level framework, under which we will advance and update our 2013 annual programmatic objectives and focal areas.

__High-Level 2013 Programmatic Overview and Enhanced Investment Areas__

In 2013, we currently anticipate an incremental level of investment growth over a number of key project and programme areas from 2012 to 2013, with targeted internal programmatic adjustments to reflect the evolution of issues and the work required to produce impact. Examples of impact areas continuing from 2012 that we anticipate will be enhanced through strategic incremental investment and internal programmatic updates include:

- <u>Accelerating the deployment of key Internet technologies and IETF standards</u> – Chiefly through deepening implementation of the Deploy360 programme, in addition to targeted engagement in advancing technologies such as DNSSEC.

- Advancing implementation of solutions that enhance Internet infrastructure and data security while working to preserve the open, global Internet – Including through an increased focus in 2013 on routing security issues.

- Spearheading advocacy for the fundamental principles of the Internet Model and Internet Ecosystem - Our work in public policy, including on issues of Internet Governance and engagement in international and regional fora such as the ITU, APEC, CITEL, and the OECD (among others) is a cornerstone of the work and mission of the Internet Society. Over the past few years, we have invested heavily in building out our public policy expertise, and our capacity to engage and communicate to diverse audiences (including the media) across a range of critical issues facing the Internet, in addition to supporting our regional bureaus in their ability to engage locally. In 2012, we invested in a number of key hires directly in our Public Policy department, as well as additional project and programme support in direct policy areas and in supporting functions such as communications. In 2013, our plan is to leverage to add strategic incremental investments to our current resourcing in order to extend our impact in current activities, as well as deepen more recent engagements in issues such as the Internet and Human Rights.

- Building a global cadre of future Internet leaders who can skillfully advance complex issues at the intersection of policy, technology and business. We will continue our various fellowship programs and are evaluating ways to extend our programmatic reach.

At the same time, we have also identified a number of key areas we believe require increased focus from ISOC given the magnitude of their implications on an open, global and user-centric Internet. ISOC has a unique role to play in advocating for and advancing positive outcomes in this area. We believe additional investment is required to enhance key organizational capacities.   Chief among these include:

1. *Online Collection and Correlation of Identifying Data* – The collection and use of identifying data is one of the fastest growing sectors of the Internet economy. As storage becomes cheaper and data processing and transmission gets faster and easier, more and more user information is being preserved and used for marketing purposes and user profiling. Every time we log-in we leave a digital footprint. In order to preserve privacy and unhindered access to content and services users must have the ability to evaluate and make choices based on an understanding of the terms offered. Further, policy makers, regulators and implementers must all be fully aware of the consequences for end users and take these into consideration when crafting solutions for data handling. In 2013, we believe the Internet Society should take a stronger leadership role in educating and empowering users to make informed choices about the use of their identifying data, raising substantive ethical questions in technical and policy forums, and engaging industry and developers on the consequences of implementation choices.

    As such, in 2013 we currently propose to increase our focus in this area, strengthening our successful work in the trust and identity technology research, development, and deployment spheres, while broadening our engagement in policy and most importantly in end-user awareness campaigns.

2. *Digital Content* – The Internet's open architecture and generative nature have encouraged new forms of content creation by a greatly expanded range of actors. However, the manner in which ongoing tensions are resolved between digital content business models, intellectual property rights, technical solutions, and users' rights and the ability to access content will have a fundamental impact on the future of the Internet. Across the business, policy and technical spheres, we are still far from solutions that reconcile the Internet's fundamental character and its empowerment of new forms of user creativity with the desire of content creators to reasonably manage rights associated with their creations. Our objectives in this area would be to shift the debate from enforcing intellectual property rights to promoting innovative business

models or approaches adapted to the realities of the Internet and to advance national policy approaches and international regimes that support users' rights and recognize the borderless Internet environment. We also would seek to spearhead multi-stakeholder dialogue in the debate on digital content and intellectual property rights.

In addition to this being a critical issue for the Internet and its users, a range of industry, government, and technology leaders at the 2012 GlobalINET (where a panel on these issues was conducted) strongly encouraged ISOC to take a leadership position in this area, given our unique ability to neutrally convene and speak to a range of stakeholders that influence this space.

3. *Traffic /Bandwidth Management* – The best-effort, end-to-end delivery of content and services is facing new threats as bandwidth-intensive user offerings heighten both the tension and confluence between access and content industries. There is renewed pressure from some access providers to monetize offerings based on the control of services their users are accessing. Policymakers increasingly have pressure put on them by proponents of "sender pays" and circuit-like Quality of Service (QoS) models, who argue they would be an improvement over the current Internet model. These ideas have the potential to move us away from an open and permission-free Internet. Furthermore, "bandwidth management" arguments are fueling potentially damaging contributions and policy recommendations in international fora, including the ITU. In 2013, the Internet Society has an opportunity to engage the wider Internet community to discuss these issues and provide clarity to the conversation.

4. *Deepening our Regionalization Strategy* – The purpose of our regionalization strategy is to extend ISOC's reach, influence, and reputation as a truly global organization by building our local relevance, legitimacy, and credibility, while strengthening our impact at the local level. We have been highly successful in our regionalization approach, including our ability to more effectively engage chapters and members in the regions. However, there is a need to deepen our reach, issue coverage, and impact regionally. As such, we propose to add additional staff and project resources to our regional bureaus. Further, in 2013, one of our key aims would be to advance engagement in the Middle East/North Africa region.   We propose to do this by hiring a Senior Advisor to work with regional stakeholders to determine how best to engage with them as well as advance ISOC's mission in the region. This would provide us additional capacity and insight to deepen our engagement immediately, while building the relationships and strategy that will allow us to launch a more robust and dedicated effort by mid- 2013 / early 2014.

5. *Internet Development in Emerging Regions* – Emerging and developing economies are key to the future of the Internet. While many of these countries are experiencing double-digit increases in Internet penetration rates year on year, much remains to be done to ensure a ubiquitous, reliable and sustainable Internet in developing regions. Building on our 20 year history of assistance to developing regions, ISOC has had significant success in recent years helping to positively impact the Internet landscape, including through human capacity building, multi-year programmes such as our interconnection, traffic exchange, and IXP efforts, influential reports and papers, policy outreach through our regional bureaus, and collaboration with regional partners. Furthermore, as evidenced by our recent award from the African Union (AXIS project) to assist with IXP capacity building, these efforts are well positioned to attract grants and sponsorship that will help us advance our mission further. In 2013, our aim is to deepen our investment in Internet development, including through grant-funded programmes such as AXIS, building additional multi-year programmes (such as ccTLD capacity building, including in DNSSEC), engaging developing countries in forums such as ITU-D (among others), advancing studies, research, and reports on key Internet Development topics, as well as deepening our policy support through our regional bureaus in order to better address Internet development topics of regions concern.

Scoping Potential 2013 Staff Additions

Given our key role as a "thought leader" and "influencer," (this is, in fact, our major product offering) our human resources are to a very large degree also the major cost component of our programs. As such, we are working to identify our "personnel program support " costs as part of our total staff costs. This work is underway. Total staff costs account for approximately 50% of ISOC's expense budget and we estimate that the cost of ISOC's staff will increase approximately $2 million, including the annualized impact of staff hired throughout 2012.

We expect to add more modestly to staff in 2013 as compared to recent years. However, some staff additions are needed to build critical mass ad increase our impact in mission-critical areas. Additionally, some staff additions will help support and accelerate projects and programmes with current or prospective grant and sponsorship opportunities.

*The following positions are still being evaluated and prioritized by the Senior Team for **potential** inclusion in the 2013-2015 Budget*, however we wish to share the scope of these potential positions with the Board for input.

Position	Department	Overview
Senior Program Manager – Europe	Europe Bureau	Support and expansion of European programmes, including a greater focus on CEE and CIS.
Programs Coordinator – Asia	Asia Bureau	Support and expansion of Asia Pacific programmes
Senior Advisor – Middle East/North Africa	Global Services/Regional Bureaus	Advancing engagement in the MENA region
Development Specialist	Grants, Foundations, and Endowment	Supporting and advancing our grant efforts, donor programs and the Open Internet Endowment
Systems Developer	IT	Supporting IT services, database management, and related systems
Network/Systems Administrator	IT	Supporting IT networking services
Trust and Identity Project Manager	Trust and Identity	Advancing current and increased 2013 focus on trust / digital identity work (replacing current contractors)
Senior Economist	Strat Dev / Public Policy	Advancing economic analysis and support for issues across the organization (including policy, development, and technology), strengthening ISOC's ability to produce influential reports and quantitative analysis to advance key topics, including the potential "This is our Internet" flagship report
Marketing Manager	Communications	Build out additional marketing support programs necessary to meet revenue targets, membership goals, messaging and new Regional outreach programs
Strategic Product Manager	COO	Advancing ISOC's outreach and driving campaigns focused on end-users for key issues, particularly increased emphasis on trust and identity, privacy and digital content, and other priority issues.

Non-Recurring PIR Fund Distribution and Possible Opportunities

As previously discussed with the Board, in 2013 ISOC has the potential to draw upon a possible transfer of as much as $10 million in built-up PIR reserves. ISOC management has recommended that such non-recurring resources be prioritized between strategic initiatives (either as non-recurring strategic investments, seed funds, or towards the additional 6 month requirement for continuity of operations reserve funding.

Below we outline for the Board potential strategic projects and investment areas for the use of a portion of the PIR non-recurring funds.

1. Strategic Planning and Board Governance Support

The Internet Society is set to advance a broad-based long-term strategic planning process aimed at addressing the broad and challenging issues, opportunities, and strategic alternatives ISOC needs to consider in order to maximize our impact in the future. This work is obviously strategic, occurs only periodically, and we believe supporting this work is an appropriate use of the non-recurring PIR funds. As indicated in a separate memo to the board, we have revised our program plan on the basis of the Phase 0 work done to date (greater alignment than expected) and are working to get the cost of this work down considerably. In addition, the Board of Trustees has also signaled its desire to secure additional consulting resources to support its own Board governance activities, which is certainly strategic and critical to the future of the organisation. As such, we would propose that the funding for both board governance support (at a resourcing level to be advised by the board) and the strategic planning work be resourced through the non-recurring PIR funds. Very few opportunities will be more strategic than these for ISOC's long-term development.

2. *"This is Our Internet" Report*

Many non-profit organisations and think tanks are highly successful in garnering global attention to their cause by issuing annual or bi-annual reports that present data and related analysis on key issues they seek to address with stakeholders.   Examples include the World Economic Forum's "Global Competitiveness Report," Transparency International's "Corruption Perception Index," and the World Wildlife Fund's "Living Planet Report," among many others. Such reports provide focal points to advance key messages, reinforce their leadership, and leverage their advocacy impact by placing powerful information into the hands of a broad range of influencers. They also serve as a vehicle for funding and membership engagement.

In 2013, our objective would be to launch the development of such a report as a flagship asset of the Internet Society. We would seek to position the *"This is Our Internet"* Report (working title) as the world's leading analytical report on the health and openness of the Internet, with the target of releasing the inaugural report prior to the 2014 GlobalINET. In order to provide a strong basis for the report as "world leading" we anticipate that 2013 activities would include identifying the quantitative and qualitative issues that would be covered in the report, identifying the data needed for the report and building the quantitative models to express the data, developing data collection tools if unique data sets are required, determining the format and visual display of the report (including print and on-line considerations), collecting initial data, and developing the inaugural report.

As this would be a significant and strategic undertaking for ISOC, we believe that set-up of the inaugural report would be appropriate for the use of non-recurring funds. While we are still working on the exact resourcing requirements, we are currently estimating a 2013 cost of $475k, plus a portion of the costs of a proposed additional senior economist position (see the "*Scoping Potential 2013 Staff Additions"* section above).

3. *Middle East/North Africa Engagement*

As discussed above, in 2013, we propose that one of our aims would be to advance engagement in the Middle East/North Africa region. This work represents a key investment in ISOC's regionalization and organizational strategy. While subsequent years of support for the region would be funded through operational resources, the 2013 set-up work for launching a robust and sustainable engagement in the region. As such, we would recommend to the board that the funding for the 2013 set up costs (including securing a Senior Advisor and related engagement expenses) be supported by the non-recurring PIR funds. We estimate $300k in 2013 for this purpose.   This is a different approach than used in other regions, but the Middle East is a complex region and we need to position this appropriately with stakeholders, including other Internet organizations, in the region.

4. *Operating Continuity Reserves*

At the August 2012 Board of Trustees meeting, the Board amended its policy on the level of reserves to be held by ISOC in case of a future financial downturn. The new level of reserves will require ISOC to increase its current level of reserves by approximately $11 million over a number of years. In addition, ISOC will need to increase its reserves each year as its overall budget grows. While staff is currently working with the Finance Committee to determine the rate of implementation for the new policy, we believe a portion of the non-recurring PIR funds (at a level to be determined) could be used to seed progress in 2013 towards the new reserve levels.

The items outlined above (excluding *Operating Continuity Reserves)* are expected to account for approximately $1.5M USD of the $10M USD available.

2013 Business Plan Financial Envelope Overview

ISOC staff continue to work with the Finance Committee to review expectations for our overall 2013 Budget envelope, but we are pleased to share current summary contours with the Board at this time.

Revenues and Major Expenses

I.   *PIR Contributions to ISOC*

In its 2012-2014 Plan, PIR projected an increase in its annual contribution to ISOC from $26.5 million in 2012 to $28 million in 2013. Formal approval of the PIR 2013 budget is scheduled for 12 October. Until additional guidance is provided though PIR's 2013 budget approval, we are relying on the previously forecasted $28 million contribution from PIR in our own 2013 budget planning process.

In 2010, PIR contributed $2 million in restricted funds for use in support of the IETF. In 2012, ISOC's plan includes use of those funds for special programmes in support of the IETF, such as IETF fellows and outreach efforts. We anticipate the 2013 budget will included a similar allocation of these directed funds.

For our current 2013 planning purposes, we *have not* included any allocation of funds from the potential PIR Non-Recurring contributions until we receive further advice from the Board. At present the proposed projects and related costs covered in the section "*Non-Recurring PIR Fund Distribution and Possible Opportunities"* are not currently included in this 2013 Financial Envelope.

II.   ISOC-Generated Revenues

Preliminarily, we are anticipating a growth to $8.2 - $8.4 million in ISOC-generated revenue in 2013, up from $7.2 million in the recent 2012 forecast and $5.3 million in 2011. The table and

graph below outlines our preliminary expectations for 2013 revenue against 2011 actuals and 2012 budget and forecast.

ISOC-Generated Revenues in $000's 2011 Actual – 2013 Preliminary Forecast					
	IETF Sponsors	IETF Reg'n	Org/Ind Memb	Spons/Grants	Other
2011	$1,053	$2,278	$1,321	$572	$95
2012 Budget	966	2,297	1,790	2,020	390
2012 Frcst	1,124	2,432	1,780	1,760	152
2013 Prelim	**1,032**	**2,291**	**2,420**	**2,447**	**120**

ISOC-Generated Revenues in $000's 2011 Actual – 2013 Preliminary Forecast
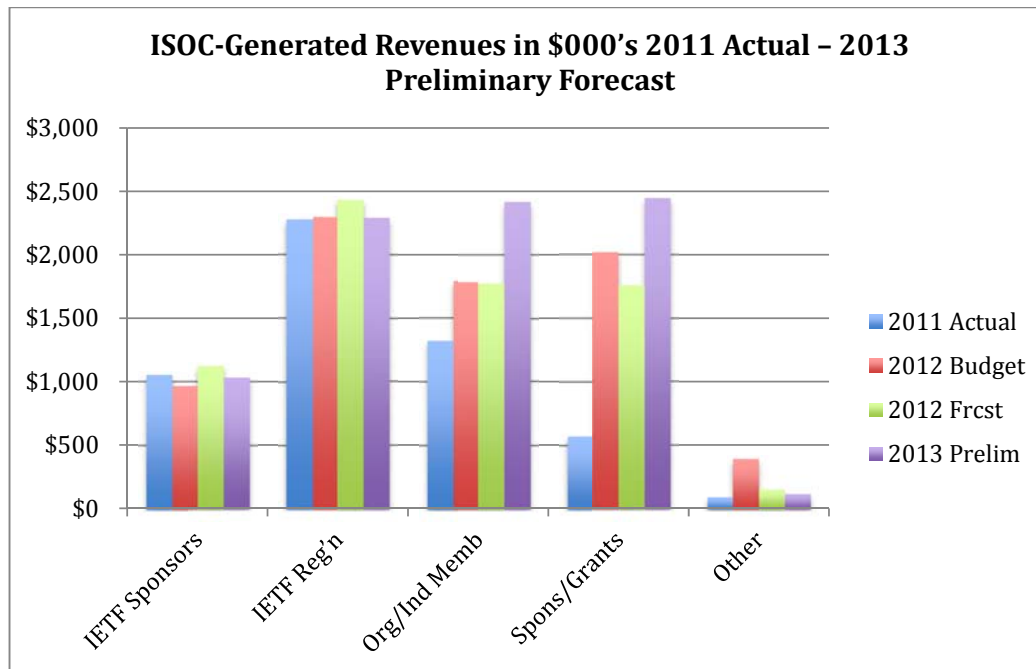
III.   Staff and Personnel

We currently are estimating that the cost of ISOC staff will increase approximately $2 million over 2012 levels, including the full impact of staff hired in 2012 and a staggered hire of the staff positions outlined in the "*Scoping Potential 2013 Staff Additions*" above. We reiterate that those *positions are still be evaluated and prioritized by the Senior Team*; however for planning purposes, we include them to inform our 2013 financial envelope forecasting.

IV.   Programme Expenditures

The 2012 Budget includes $7.8 Million in external costs, including costs for the GlobalINET. These programme costs encompass a wide variety of efforts across the organization, grouped by functional area. Preliminary programme budget proposals from our Senior Management Team and Bureaus have totaled some $9 million in requested core programme budgets (including the cost of delivering grant-funded programmes); however, we continue to work to prioritize project requests, including working to leverage cross-organization resources and external partnerships to deliver programmatic impact while controlling costs.

V.   ISOC Contributions to the IETF

For preliminary budgeting purposes, we expect the request for ISOC funding to the IETF will be about $2 million.

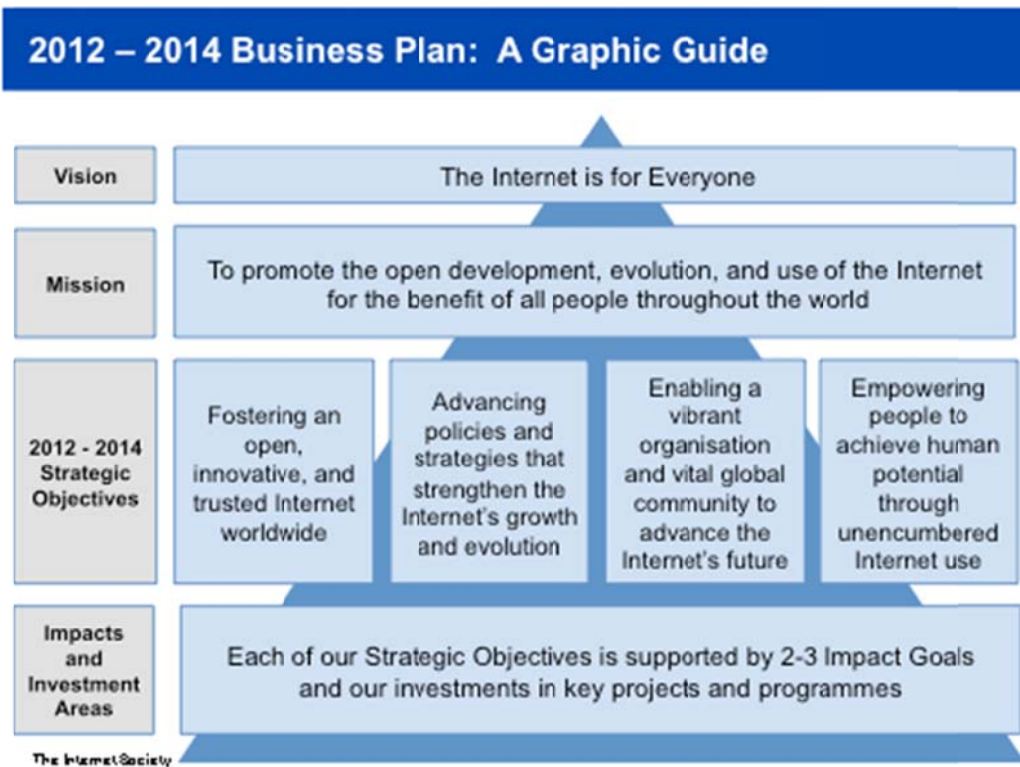*Current summary 2013 Business Plan Financial Envelope*

As such, our summary financial envelope for 2013 (not including projects that may be funded through PIR non-recurring funds) is currently as follows:

ISOC-Generated Revenue (incl. IETF)	$8.5
PIR Contribution	28.0
PIR Restricted Funds – 2010	1.0
Total Revenues	$37.5
IETF Expenditures	$5.3
ISOC Internal & External	31.5
Total Expenses	$37.0
(Note: Figures exclude Interest Income/Earnings and potential funding of programs through non-recurring PIR contribution).	

Summary

We continue to evaluate all our programs and budget requests and are driving further iterations across all departments. We expect to have a draft final business plan and budget to the Finance Committee later this month, in order to incorporate their financial guidance into the final plan to be presented to the Board in early October. Having said that, the more strategic items or new investment areas are highlighted here and we look forward to your comments and questions.

APPENDIX I: 2012 – 2014 Business Plan High level Outline

2012 – 2014 Business Plan: A Graphic Guide

Vision	The Internet is for Everyone
Mission	To promote the open development, evolution, and use of the Internet for the benefit of all people throughout the world
2012 - 2014 Strategic Objectives	Fostering an open, innovative, and trusted Internet worldwide / Advancing policies and strategies that strengthen the Internet's growth and evolution / Enabling a vibrant organisation and vital global community to advance the Internet's future / Empowering people to achieve human potential through unencumbered Internet use
Impacts and Investment Areas	Each of our Strategic Objectives is supported by 2-3 Impact Goals and our investments in key projects and programmes

The Internet Society

Overview of Four Strategic Objectives (above)

In order to achieve our mission, ISOC must be an organisation of global influence and action. As such, we intend to deliver on key impacts that will make a substantial and measurable difference.

For the 2012-2014 planning cycle, ISOC organized its business plan around four strategic, cross-organizational objectives. They are:

A. Fostering an open, innovative, and trusted Internet worldwide. We are committed to advancing the underlying open and interoperable architecture of the Internet, and its distributed and collaborative means of management and development, as these principles are essential for fostering a stable, open, and trusted Internet upon which innovation can flourish.

B. Advancing policies and strategies that strengthen the Internet's growth and evolution. We aim to influence policy makers, civil society, industry, and others to advance Internet policies and strategies that uphold the critical principles of openness, user-centricity, and stakeholder participation.

C. Enabling a vibrant organisation and vital global community to advance the Internet's future. We aim to further engage our members and the public towards positive action, as well as helping a new generation of Internet leaders, contributors, and innovators to emerge.

D. Empowering people to achieve human potential through unencumbered Internet use. We will aim to advance the access and use of the Internet on an open, nondiscriminatory basis, to empower individuals and communities, including the vulnerable and underserved, to maximize the transformative opportunities the Internet enables.