

**.au Domain Administration Limited
Annual General Meeting 2016**

Monday 28 November 2016, 11:00am

Seminar Room, Level 4, Australian Technology Park, 13 Garden Street, Eveleigh, Sydney

Chair: Stuart Benjamin
Secretary: Di Parker
Returning Officers: Catherine Noonan and Vithiyasagar Sritharan (Ashurst)

Present: Cameron Boardman, Erhan Karabardak, George Pongas, Grant Wiltshire, Joe Manariti, Michaela Richards, Leonie Walsh, Kartic Srinivasan, Tony Staley, Simon Johnson

Apologies: Nil

Member/Public

Attendees: Alister Paterson, Helen Hollins, Cheryl Langdon-Orr, Annaliese Williams, Rodrigo Dalenogori, Narelle Clark, Paul Johnson, Ken Wright (Auditor), Derek Whitehead, Ned O'Meara, Keith Besgrove, Holly Raiche, Teresa Mitchell, Jonathon Horne, Raymond Zylstra, Angelo Giuffrida, Sean Fogarty, Lion Global Representative, Kevin Karp, Shane Moore, Jessica Moore, David Whittle, David Goldstein, Bobby Khanna, Luke Summers, Tim Connell

Introduction and welcome by the Chair.

Motion (moved J Manariti, seconded S Johnson): The Notice of AGM is to be taken as read. **Carried.**

Quorum (26 members) present. Meeting declared open.

The Chair advised that 150 proxies were received: 30 Supply Class, 120 Demand Class.

1. 2015 Minutes

Motion (moved E Karabardak, seconded S Johnson): Approve the minutes of the 30 November 2015 AGM. **Carried.**

2. Report from the CEO on auDA Activities and Progress

The CEO advised the meeting that he has spent the three months he has been in the role getting to know the business, the Members, the industry and the community. The CEO outlined that he is undertaking a period of organisational reform focusing on:

- A better and more transparent organization;
- greater benefit of what auDA does to Members and stakeholders;

- leaders in security; and
- positioning ourselves to the digital community as thought leaders.

He outlined that we have recently updated the communications crisis plan, are re-engineering staff roles and responsibilities and have implemented a Board and Management Delegations Manual supported by a number of recently introduced operational policies, including:

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

The CEO outlined some of the current threats facing the organisation:

- Internet of Things
- Emerging Tech
- Smart City Partnerships
- New Products and Platforms

To be true to our manta of .au being a safe, trusted, stable and secure platform, we need to find a way of improving our services and competing more effectively with emerging technologies.

The CEO outlined the international landscape and drew particular attention to the 2009 Government initiated report into Nominet's operations which outlined several alarming findings which unfortunately were not addressed by Nominet and resulted last year in Lord Lyon's producing one of the most comprehensive reports into a ccTLD. The CEO encouraged all Members and stakeholders to read the report. As a result of the report, Nominet have transformed themselves into an organisation that now has better accountability, better relationships with Government and a better way of servicing its Members. The CEO advised that we have the opportunity to follow Nominet's lead in transforming our organisation with a particular focus on security.

The CEO advised that we have recently undertaken a membership survey (all Members have now been contacted) over the past month which asked 6 questions:

- How long have you been a Member and what motivated you to join?
- How would you describe the level of satisfaction with the operations and services to Members provided by us?
- Are there areas where you think we need to improve upon regarding Member services?
- Do you have any comments regarding our current policy settings?
- The Board has resolved to examine a process to implement direct registrations for .au, do you have any comments in this regard- are you supportive/against? Are there any specific policy or operational reforms you would like to see?
- Are there any other comments you would like to make?

The results of the survey will be presented to the Board at the Strategic Review planned for early next year and will inform the strategic discussion around the future growth of Membership.

The CEO advised that the majority of Members are in favour of direct registrations subject to fairness, equity and member consultation. The CEO reiterated that the Board resolved in April 2016 to implement direct registrations based on the considerations found in the Names Policy Panel in 2015. The CEO stated that in implementing direct registrations he will consider all the economic and regulatory impacts, looking at where policy settings need to be and ensuring that all interested stakeholder considerations are evaluated and engaging with all stakeholders to develop a best placed model.

The CEO shared some of the feedback that he received from the Membership survey and stated that feedback received was very constructive.

The CEO concluded that his strategy is to reposition auDA to NURTURE, GALVANISE & ORCHESTRATE Australia's digital community. He advised that a strategic review is planned for January/February 2017 with plans to develop strategy around three key strategic drivers:

- Cyber security
- Service delivery- core function
- Digital community engagement

The CEO advised that he wanted to finish with a quote from the former Nokia CEO that was given at their last AGM:

"We didn't do anything wrong, but somehow, we lost".

Nokia has gone from an organisation with 17,000 employees and billions of dollars of revenue to effectively non-existent.

The CEO advised that unless we recognise the changing environment, unless we improve our governance and administration, unless we are being transparent and responsive to stakeholder needs, unless we are thinking about where auDA really has a place internationally, he doesn't want to be giving a similar send off in 12 months' time.

The CEO advised that he is excited to be working for auDA at this time of change and opportunity and is looking forward to positioning auDA at the top of the digital pyramid.

3. 2015-2016 Audited Accounts

The Chair called for questions from the audience.

C Langdon-Orr:

- Why have Director Remuneration increased?
- Why have Director Travel and Expenses increased?
- Why have external consultants increased?
- Why have legal costs increased?

The CEO advised that a number of additional Board meetings were held during 2015-16 to deal with some specific policy areas which has resulted in an increase in Director remuneration (who are paid a sitting fee) and travel and expenses.

The CEO advised legal fees and consultants have increased as the organisation has been receiving significant advice on some policy matters as well as some confidential HR matters.

N O'Meara:

- Why did auDA pay for registry enhancements and what were they for?

The CEO advised that the amount for registry enhancements included in the annual accounts was for the costs associated with the rollout of the ISS project and this could have been better defined in the annual accounts. The ISS project is complete and we are now in the process of evaluating the project and bringing the ongoing operation of the project in-house.

- Why did Communication expenses decrease almost \$500,000?

The former CEO embarked on a communications strategy in 2014/15 which was an extensive of the "Do You .au?" campaign. The CEO advised that he has introduced a more stringent and robust evaluation process for future procurement activities, including communications campaigns.

Motion (moved E Karabardak, seconded N Clark): Accept the 2015-2016 audited accounts. **Carried.**

4. Appointment of Auditor

Motion (moved E Karabardak, seconded S Johnson): Re-appointment of Meagher Howard & Wright as Auditors. **Carried.**

5. Fixing of Auditor's Remuneration

Motion (moved E Karabardak, seconded S Johnson): Fixing of Auditor's remuneration. **Carried.**

The CEO advised that our Auditor, Ken Wright, was in attendance and thanked him for his time in attending.

6. Special Resolution- Clause 18.2(d) Constitution of the Board to increase the number of Independent Directors

The Chair advised that earlier this year auDA commissioned one of Australia's leading governance experts, Phil Khoury, MD of Cameron Ralph Navigators, to conduct a review of the Board to ensure that our practices are keeping pace with contemporary best practice. The report made a number of recommendations about the size and make-up of the Board, and other aspects of governance. It recommended increasing the overall number of Independent Directors to four, which would give auDA access to additional skills and expertise.

The Chair introduced the Returning Officers, Catherine Noonan and Vithiyasagar Sritharan from Ashurst, to explain the process for conducting the voting on the special resolution. V Sritharan informed the audience that only current financial Members of auDA who have been Members for more than 3 months or non-Member attendees who have been nominated as proxies are eligible to vote. If you are a Member as an individual and are also the nominated representative of a Member organisation, then you are entitled to vote for both memberships. All attendees have ballot forms for the special resolution on the table in front of them. All eligible Members/Proxies can complete the ballot forms and the Returning Officers will collect the ballot forms and collate the votes. Any audience members who have had proxies assigned to them will have their vote

applied to the Member/(s) they have been nominated as proxy unless the proxy has otherwise specified their voting preference (i.e. there is no need to fill in a separate form for each proxy they have received).

V Sritharan informed the meeting that under the rules of the auDA Constitution, more than 75% of votes in each class of Membership is required for the resolution to be carried.

The Chair received a question from the audience.

C Landon-Orr:

- How is it possible for a currently elected Independent Director to have previously been elected by the Membership as a Demand Class Director?

E Karabardak, Deputy Chair responded to this question as it directly related to a matter involving the Chair. The Deputy Chair informed the audience that the Board commissioned Phil Khoury, former Executive Director of ASIC and a prominent governance expert, to conduct a review of the governance and Board of auDA. The review was conducted over a period of 12 months. One of the recommendations out of the review was that the Chair of auDA be an Independent Director. The Board agreed that it was in the best interests of the organisation during this period of change and reform to have consistency and stability in the Chair position and unanimously elected Benjamin Stuart as an Independent Director. Under the Constitution an Independent Director cannot currently hold in posts or association with auDA and Benjamin Stuart resigned both his membership and Directorship prior to be electing as an Independent Director which satisfied the provisions of the Constitution.

Votes (by proxy and in person)

Supply Class: For – 33
Against – 2
Total % in favour – 94%

Demand Class: For – 88
Against – 49
Total % in favour – 64%

The special resolution did not secure more than 75% of votes in both classes of membership and was **not carried**.

4. Resignation from Board of Retiring Directors.

Simon Johnson (Demand), Joe Manariti (Supply) and Erhan Karabardak (Supply) resigned from the Board.

The Chair thanked the retiring Directors for their active participation and significant service on the Board over the past 2 years.

5. Election of new Directors to the Board.

V Sritharan reiterated that the same process for the casting of votes as applied with the special resolution will be used. Members/Proxies only vote in the election for the class for which you are a Member/Proxy. If you are a Member/Proxy in more than one class, then ballot forms for both classes should be completed. You can vote for up to two candidates in each class.

a. Supply Class (2 positions)

Nominees: Angelo Giuffrida, Erhan Karabardak and Joe Manariti.

Votes (by proxy and in person)

Angelo Giuffrida – 3 votes

Erhan Karabardak – 34 votes

Joe Manariti – 32 votes

Elected: Erhan Karabardak and Joe Manariti

b. Demand Class (2 positions)

Nominees: Christopher Burgess, Tim Connell, Simon Johnson, Teresa Mitchell, Shane Moore, Nicole Murdoch, John Nugent, Jim Stewart and Peter Tonoli.

Votes (by proxy and in person)

Christopher Burgess – 8 votes

Tim Connell – 52 votes

Simon Johnson – 66 votes

Teresa Mitchell – 10 votes

Shane Moore – 48 votes

Nicole Murdoch – 16 votes

John Nugent – 0 votes

Jim Stewart – 12 votes

Peter Tonoli – 5 votes

Elected: Simon Johnson and Tim Connell

The Board thanked and encouraged those nominees who were unsuccessful at this time to consider re-standing for the Board in the future.

6. Other Business

The Chair opened the meeting to questions from the audience.

N O'Meara:

- Has had major concerns regarding lack of communication over the past year- not publishing Board minutes on the website within the 30 days etc. Is this an area that will improve over the next year? CEO: auDA has had a clunky information management system which has caused some impediment of information flow to Members. This is an area that we will be enhancing and improving.

T Connell:

- Is electronic voting going to be considered for future AGMs? CEO: Yes- digitising elections as well as other functions will definitely be investigated.

N O'Meara:

- The Cameron Ralph report states that auDA is not a 'membership organisation' per se; Members do not 'own' the organisation, nor is it established for the benefit of its members. This is contrary to my understanding so can you please clarify this?

CEO: Although the Constitution states that we are a membership organization, this is open to interpretation. Members do not own any assets in auDA nor are they able to wind the organisation up; that power is exclusively the Commonwealth's. When the organisation was established 16 years ago, it was decided by the Commonwealth that it would be in the best interests of the public and auDA to be established as a membership organisation with representation from supply and demand classes of the community.

There are a number of strategic issues that we need to investigate in regards to membership.

- What does the Cameron Ralph report mean by auDA staff should continue to work to ensure the membership base is resistant to criticism, including establishing a 'fit and proper' criteria, a stronger vetting process for new member applications and cleaning up the existing database of members where members do not meet the expected standard? Are there currently members that do not meet the expected standard?

CEO: Yes there are. This is something we recently discovered during our recent policy delete in regards to one particular registrar (member) and we are seeking legal advice over the matter.

- Why did the Board not agree to Recommendation 8 of the Cameron Ralph report- auDA staff should continue to work to expand and broaden the membership base?

CEO: Further details need to be investigated and decided prior to embarking on this- what class do we want to broaden? What criteria should be applied? We need to undertake a more strategic analysis first, including looking at what is done overseas.

H Raiche:

- How does auDA plan to involve stakeholders/members in the policy development around direct registrations?

CEO: I welcome involvement of any members that want to be involved not only in direct registrations but any other policy development. He will be developing a proposal for the Board to consider regarding the process for developing the policy for direct registrations.

L Summers:

- How much is there going to be an appetite for regulation reduction in existing .com.au extensions?

Chair: .au is one of the most regulated domain platforms but is also one of the most secure which goes hand in hand.

CEO: There is scope to improve the efficiency and communication of regulations with Registrars. There is also no intent from the Board or any auDA staff to devalue the .com.au asset.

K Karp:

- Administration of .edu.au is very cumbersome and expensive. Is there going to be a review of .edu.au?

CEO: We will undertake to come back to you directly on this.

S Fogarty:

- .au is a piece of critical infrastructure. Are candidates for the Board running for the Board to look out for vested interests or the best interests of the public?

Chair: Once elected to the Board, Directors are governed by the Corporations Act and required to act in the best interests of the organisation and its stakeholders.

CEO: Currently discussing with Government and other stakeholders around defining the role of .au as a piece of critical infrastructure.

N O'Meara:

- Once the business case study for the implementation of the direct registrations has been completed, if it comes back with issues, what would be the possible next steps?

CEO: The resolution of the Board as it stands is to implement direct registrations. The business case study of the implementation of direct registrations and an implementation plan with recommendations will be presented to the Board for their consideration.

- Will there be an implementation working group and further consultations with the public as agreed at the Names Policy Panel?

CEO: There will be a working group with representation from the community. I will be presenting a project timeline to the December Board Meeting which will then be made public.

- Will the implementation of direct registrations impact on the timeframe of the Registry contract tender? Will direct registrations need to be implemented before the tender?

CEO: We would need clarity on the policy settings for direct registrations first.

- When will direct registrations be implemented?

CEO: The resolution of the Board was for a 1st July 2017 implementation. This is an ambitious target and I will be presenting a project timeline to the December Board Meeting which will also consider the proposal that we have received from Neustar for the continuation of the Registry contract.

S Fogarty:

- What would legally need to occur for the introduction of direct registrations to be reconsidered by the Board and further consultation and research undertaken?

Chair: The Board under Corporations Law can reconsider Board resolutions. auDA also has an opportunity to learn from the experiences of other jurisdictions that have implemented direct registrations.

CEO: Section 183 of Corporations Act makes it very clear that Directors have an obligation to act in the best interests of the organisation. The April 2016 resolution of the Board is a standing resolution and I have been instructed to prepare a project implementation timeline which will consider all factors. The Board will then make a decision how to proceed.

- What date is the Registry tender being released?

CEO: A project timeline will be presented to the December Board Meeting for consideration with a view of having the exercise completed by end of 2017.

- Will the tender be an open tender or a selected tender?

CEO: The Board resolution is that it will be an expression of interest exercise and I am in the process of identifying suitable organisations to contact.

- Does the transfer of ownership of AusRegistry to Neustar pose any security risk to our name space?

CEO: Risk analysis was undertaken and the Commonwealth signed off on the agreement.

There was further discussion on the benefits and risks of the introduction of direct registrations.

7. Close of Business

The meeting was closed at 12:30pm.

The Chair invited Members to stay for lunch and a tour of the Data61 Centre.