

Internet Society Board of Trustees

Meeting #148 PIR Q&A

Saturday November 23 2019 – Singapore

(transcript corrected for coherence)

Gonzalo Camarillo

So, as I said, we had a press release to the community. And then we have been getting questions on different mailing lists, different venues, while we were here in the IETF, when some trustees were in ICANN. I'm sure that you will get some questions next week in the IGF. So we decided to basically put together a Q&A. So we went out, especially to the chapter community, because they had a lot of questions, and we decided to ask openly, Hey, guys, send us a list of questions, and we will address them here during the board meeting. Andrew has done, I think, a really good job actually being very responsive, answering tons of email. And so, many of the questions that were asked have been already answered on the list, but we thought that it was good to restate the answer so that everybody's on the same page, and everybody understands now what's going on, and we clear some doubts. Having said that, before I give the floor to Andrew, there's been a few questions that were not really for ISOC to answer. Some of them were about ICANN policies, specifically about price caps, which we didn't have anything to do with. Others were for ISOC to answer, but not related to the PIR deal, specifically the governance model, for example, that we were discussing with Eduardo briefly today. So, for trustees that are elected by chapters, for example, that was one of the questions and that doesn't change, or it's not influenced in any way. Those questions, we can clarify them a bit, but they are not directly related to the PIR deal. Sometimes, kind of everything gets in the same email. I think it's useful to think of a taxonomy when things are different, and they can be addressed in different ways. We don't mix them up, because then everything gets confused. So I'm going to give the floor to Andrew so that he addresses the questions that we had. And then you know, after that, maybe we can we can expand on anything that any of us thinks needs some clarity. Yes, Mike,

Mike Godwin

Are we recording this? This part of the..

Gonzalo Camarillo

Yeah, yeah, Of course

Mike Godwin

All right.

Gonzalo Camarillo

Everything in the board meeting that is open to the public, the observer sessions, they are on YouTube later, so people can go there and watch it there.

Mike Godwin

I just wanted to confirm that. Thank you.

Gonzalo Camarillo

That's a very good point, because we acknowledge that, with the time difference, it was very difficult for people to join. That was the reason why instead of an open forum, where we could get questions directly, we thought it was better to answer asynchronously so that people can post their questions, and they don't have to be up until four o'clock in the morning just to see this. So without further delay, Andrew, please. Could you please?

Andrew Sullivan

Sure. So the first pair of questions came from Dave Burstein. And the first question. This is assuming that there is a corpus of money that comes in which we're calling the endowment. So that Sandy doesn't, you know, slap my hands again, strictly speaking, this is not an endowment because it's the proceeds of a sale. And so it's not encumbered the way the endowment normally is. I am not a tax lawyer or an accountant and I cannot play one on TV. But we've been calling it an endowment, and I believe that the board has been treating it as though it were encumbered in that way. That has been the conceptual model that people have been working with. So the question then is: What will be the rules of the endowment? In particular, will it generally disperse endowment income more or less? I believe that the policy of this board is that this is going to specify a drawdown over a five year rolling average, or maybe some other number of years rolling average, and that drawdown would in theory be below the return that we would like the endowment to return. The idea of being here, of course, that the endowment can grow over time. And that would cover the risks of inflation and so on. So that is the sort of standard, and advice that one gets for operating endowments. And I believe that this board is intending to pursue that policy. That is certainly what I have been telling people.

Gonzalo Camarillo

And just to confirm that. We haven't passed any resolutions regarding that, but that's exactly the plan we have been discussing. We will probably now have some of these rules in the bylaws because this is not something that needs to be changed. So the idea is basically to protect this corpus of money as if it was an endowment. The actual rules, whether if it's a moving average of 10 years, 5 years, 5%, 7%, -- those are details that we are obviously working with professional advisors. We are not playing amateur lawyers or investment professionals, or anything like that. We are getting professional advice and we will do something that makes sense to protect that, and to make sure that we can continue the operations and everything. So that's indeed the plan.

Andrew Sullivan

The nice thing about that is that you've just answered the second question: Who will manage the finances of the foundation? The fundamental plan here, as I understand it, is that there is a supporting organization, that's where the money lives, and there are professional money managers probably hired on contract. We currently deal with Goldman Sachs. They have been our investment advisors, on the

reserves and so on of the Internet Society, and also were our advisors on the structure of this transaction. We've been happy with them, but whether that will just continue, or whether we would go and put out an RFP for the whole thing, or something like that, I think has been undecided so far. And that's one of the things that the board needs to tackle urgently in the next quarter.

Gonzalo Camarillo

When you said foundation is the new entity, just to make it clear, we have been creating supporting organizations lately. We have created the IETF LLC, we created the Foundation, and we already had PIR. The idea would be to have yet another organization that they will now take care of that. It's maybe good to clarify that this is not completely new for us. We have reserves, and we have actually professional people managing the reserves. We are not now just making random board decisions on where to invest. We have professional advisers, and it has always been like that. This is not completely new code that we have to run. Of course the magnitude is different, but it's basically similar.

Andrew Sullivan

The next questions came from Richard Hill. The first question from him is: Why did the board agree to a nondisclosure agreement with Ethos Capital that prevented ISOC from 1) consulting its constituencies, including the chapters, regarding the principle of selling PIR to a for profit entity, and 2) consulting its constituencies after the deal was negotiated in private, but before it was closed? I believe the answers to this are things that I have already said, which amounts to the Internet Society is not governed as a member organization under the meaning of that in US law. That is, you don't consult with people. Essentially it's a representative body, and we have people who are appointed to the board by different constituencies, but then they come here with that sort of picture of the world, but they come as a board, they're not here as elected representatives of the constituency. The effect of that is that we were operating under standard commercial rules, because when you negotiate with people over large dollar transactions, generally speaking, people are only willing to do that with you if you're willing to do it in secret. And so we proceeded that in that way. And that extends to the continuing period before this deal closes, that we are bound by the terms of the non disclosure agreement, because that's what the buyer was willing to do. My understanding, and I would appreciate to have it confirmed, is that everybody agreed that this was in fact advantageous to the Internet Society, that it was better this way then to try to run it as a public auction. Because. if you tried to run it as a public auction, it will be highly disruptive to the business of PIR, and potentially fatally disruptive to staff morale there. And it was by no means obvious at the beginning of this effort, that the transaction would go ahead at all. Because it was possible that the number was just never going to happen. So that that was my understanding of the situation.

Gonzalo Camarillo

Exactly. And as we said several times, we have been trying to disclose as much as possible. So to answer the question: Yes. We wanted to keep the community as informed as possible. But we have the duty of loyalty towards ISOC, so we had to make sure that operations were ongoing, that employee morale, didn't fall. And there's certain laws that we cannot break, so we were bound to them.

(unknown)

(unintelligible)

Gonzalo Camarillo

We weren't intending to open the floor. Just to keep things more manageable. Is that okay?

(unknown)

(unintelligible) verify that all the board members (unintelligible)

Gonzalo Camarillo

I was going to talk about that. Regarding what Andrew was saying about the different trustees and the governance. We have trustees coming from the three different communities, and all of us come from different backgrounds. Everybody was in the loop except Glenn. He's recused from PIR discussions. Everyone else was familiar with this. We were discussing and, in this case, making all decisions unanimously. We were quite confident that we were doing the right thing. To close the loop on the last point regarding governance. This was what I was referring to at the beginning. People thinking that is unclear whether we are a member based organization or cause driven. It's very clear that we are a cause driven organization. This was discussed actually before my time on the board. It was explicitly discussed. And the governance was changed, indeed. As I said this morning, the chapters got more weight in the governance of ISOC. So, as you may remember, before there were six members chosen by the organizations, and then it was moved to 4-4-4, which is now the current way. It's not that we have never discussed this. People are free to disagree, or agree, with the current structure, and we could decide at some point to change it, but the current structure is quite clear. We have this type of governance,. We have Chapter people here, people selected by the IETF, and people elected by organizations as well. That hasn't changed in the last few years, and it's not changing because of this deal at all. As I said, I'm very happy to have these discussions separately -- the governance. But this is not in any way tied to this deal, just to make it very clear.

I think that that answers the next question that Richard had, which was: What measures will the board put into place to ensure that all important decisions are presented to the ISOC constituencies, including the chapters, for comment before they are taken? I think what you have just said is that is neither a requirement nor in fact desirable, because of the governance structure that the organization has.

Gonzalo Camarillo

Right. As everybody knows, we have been trying to improve our transparency over the last five years. I saw some comments on the list regarding board meetings, and everything. This, and any other board meeting, is actually on YouTube. So everything in all the open observer sessions, is not only broadcast in real time, but they are also stored and available on YouTube. People can go there, watch them. The minutes are public and we are trying to be as transparent as possible. Those are the rules that we have. As I said, we are open to discussing them at any point, if we can improve on any front,. But again, they are not directly related to to this deal in particular, they are just generic governance question.

Andrew Sullivan

Thank you. The next question came from Christian, but I don't know what last name, and it was hidden because of course this is on the mailing list. So it's just Christian via chapter delegates. It asks: Is the action plan available in draft form? Or is the intention to draw up draft plans at the board meeting and put it out for consultation to chapters and others, to provide structured feedback following organizing local comments? I believe the answer to this is that it has never been done that way. But instead, normally the action plan is presented to the Board as an annual plan, that you approve as part of the budget process. This year, however, we did, in fact, develop this action plan in consultation with the community. That is the feedback that I provided to this individual already, because I thought it was a staff question, but I wanted to make sure that you were in agreement.

Gonzalo Camarillo

Absolutely. We've always been working on transparency, and in terms of community engagement. This was one of the guidelines that we gave Andrew, when he joined, that we wanted more global engagement from our community when we develop the action plan. I think this year is a great example of seeing how, you know, we have been reaching out to the different communities, asking for topics asking for feedback. I think it's clearly been done in a way that, by the time the action plan is presented to the Board today, all the community have seen it, they have provided feedback. We are taking many steps in the direction that was suggested by the people on the mailing list.

Andrew Sullivan

The next question came from Andrea Ramaoli Garcia. And it asks: Does the internet Society propose any strategy, especially to educate users about monetizing their data. We do not currently have a specific strategy around that for next year in the staff plans.

Gonzalo Camarillo

Is this related to this particular transaction?

Andrew Sullivan

It is not. It's just one of the questions that I got.

Gonzalo Camarillo

Okay. I see. Well, you just answered. We haven't talked about this. I'm not going to provide a random answer. We will discuss it at some point. So thanks for the feedback. And let's focus on answering the questions on topic.

Andrew Sullivan

The next question, which I just got, is from Alexander Blom, who claims to be writing on behalf of the Netherlands ISOC chapter. I don't know whether that means this is somebody who is writing on behalf of like, there was a vote or not, but I just want to disclose that. So the question is: Does the Board acknowledge that the PIR sale is causing substantial harm to the reputation of the Internet Society? Has the blowback re: the PIR sale from the community surprise the board? And there are some URLs that are quoted. Does this cause them to reconsider their position? I think it would be inappropriate for me to comment on that.

Gonzalo Camarillo

Just to reiterate. We were discussing all the potential implications of this sale, and we thought about all the questions that we have seen on the list. The community can rest assured that we analyzed this thoroughly. All the points that have been brought up, we discussed them, we took a lot from different perspectives, and we decided that all in all, again, we have a duty of loyalty to the organization, this was the best move. We all would like to take decisions that are all maximizing or minimizing something, those are easy, right? More or something or less of something is better. There are trade offs. We are aware that for any decision like this one, there are trade offs. But, all in all, we decided that this was actually quite positive for the Internet Society. We are meeting goals in terms of revenue diversification that we have been working on for many, many years. We think that the deal is positive. We thought about those things. I haven't seen arguments on the list in the last few days that I would have said we didn't consider. I didn't see any big surprises. Which is good because, as I said, we did a thorough analysis, but you can always miss something. I don't think it's been the case so far. So I guess this answers the question.

Andrew Sullivan

The final question that is here: When did the Board become aware of former ICANN CEO Fadi Chehadé being involved in Ethos Capital and would this have influenced their view on the PIR sale? Just to be clear, as a point of information, but it's not contained in this question, Fadi Chehadé is not strictly speaking involved in Ethos Capital, he has been working for them as an advisor, and not actually as one of the principles. But with that said, I don't know whether you want to tackle this question.

Gonzalo Camarillo

We talked to several people and, as you have seen, some of the founding fathers of the Internet. They were also quoted in our press release, expressing their support. I think we consulted with everyone we had to consult. Given the legal constraints, as I said before, and again, the duty of loyalty, I don't think it would be sensible for us to censor certain individuals because of any opinion you may have positive or negative on them, if it is not material to the deal. So, having Fadi being an advisor, I don't think it's a reason for not going ahead with a deal. I think that answers the question.

Andrew Sullivan

Those are all the questions that I received.

Gonzalo Camarillo

Okay. As I said, we will continue answering questions. I hope that the answers were clear because this type of channel provides a bit more bandwidth than just answering emails. I think we we covered everything. Eduardo was asking this morning about governance. We dealt with that. Another common theme also was the price caps, the removal of the price caps. Again, this was not our decision. This is not anything we asked for. As far as I can tell, it's kind of widely applicable to anyone. It's not directly related to this deal, and we cannot comment on that. We will continue receiving comments, discussion on the list, and you know how to reach us. We have been trying to have Andrew be the focal point of this so that there's no confusion. But, just to clarify, in case if it wasn't clear, Andrew has our full support from the Board. The Board is obviously involved in these decisions, and so far we have been making all

decisions regarding to this deal unanimously, which shows that we are on the same page. At least the Trustees.