

ICANN Staff Remuneration Practices – FY2012 (1 July 2011 through 30 June 2012)

As of 1 June 2012

The overarching objective of ICANN's remuneration framework is to ensure remuneration provided is competitive globally and that it provides staff with appropriate motivation for high performance toward agreed objectives. The remuneration philosophy aims to:

- Attract and retain high caliber staff
- Ensure it is competitive
- Ensure it is transparent

Role of the Board of Directors in Overseeing Remuneration for ICANN Staff

The Board of Directors of ICANN provides the overarching compensation philosophy for ICANN management and staff. The Board Compensation Committee provides approved direction for the compensation of officers, the Ombudsman, and the President and CEO in conjunction with the full Board of Directors. The Compensation Committee meets regularly.

Remuneration Components

ICANN is a global organization and remuneration for staff is designed to be consistent with local practices where staff members are located. As such, not all components listed below apply to all staff members:

- Base salary
- At risk (bonus) eligibility based on position and achievement of goals and objectives
- Time off benefits (vacation, holiday, sick time, bereavement, jury service, and the like)
- Health and welfare benefits (medical, dental, vision, life insurance, accidental and dismemberment, and the like)
- Retirement benefits
- Housing allowance

Philosophy and History

The goal of the ICANN remuneration program is to pay salaries that are competitive for comparable positions at organizations similar to ICANN in activities, scope, complexity and responsibility for the purpose of attracting and retaining the necessary talents and skills to execute ICANN's mission.

In 2011, the compensation consulting firm of Towers Watson was retained to evaluate the existing framework in place for ICANN's compensation program. Based on a thorough review of ICANN's position descriptions, analysis of ICANN's work, and meetings with both ICANN staff and the Board Compensation Committee, Towers Watson recommended that the ICANN framework be updated to reflect the following – continue to target compensation between the 50th and 75th percentile based on the benchmarking of positions, with the benchmarking of positions based on a blend of data obtained from high-technology, not-for-profit, and general industry data. Blending of data is done for each position and is based on a number of factors including where ICANN staff would source candidates to fill

positions as well as where staff go when they leave ICANN. The Board formally approved an updated compensation framework provided by Towers Watson in May 2012.

Base Salary

In deciding to remunerate at between the median and 75th percentile of the distribution of salaries paid by the blend of not-for-profit, for-profit general industry, and high technology organizations, the Board sought to that ensure that ICANN is competitive for labor when recruiting to its needs.

ICANN does not meet the remuneration levels offered by more than 25 percent of the employers with whom it directly competes for talent. The Board also recognizes that considering the potential future exigencies facing the organization, some flexibility to the principles may be necessary in certain circumstances.

Further, it is recognized that the organization may have to pay outside of these arrangements in the rare circumstances where “the specialized nature of the role, the risk to the organization, the driving market forces or other supportable logic present significant issues to [ICANN’s] on-going performance.”

Each year, the Board reviews compensation for the President and all corporate officers. Remuneration of staff is reviewed each year by executive management consistent with the directives from the Board of Directors.

This annual compensation review is conducted under the framework established by the Board. ICANN uses a global expert compensation consulting firm to provide comprehensive market data for benchmarking (currently Towers Watson). The market study is conducted each year before the salary review process. Estimates of potential compensation adjustments are made during the budgeting process based on the current market data. The budget is then ratified as part of ICANN’s overall budget planning process.

At-Risk Component

ICANN’s at-risk (bonus) compensation program is designed to provide incentives to staff for the accomplishment of specific goals and objectives throughout the year that have been identified as being of significant importance or adding value to the overall ICANN effort.

Most staff members participate in the at risk compensation program. Participation, and level of participation, is determined by senior management. The Board has approved a framework whereby certain staff members are eligible for 10 percent of base compensation as at-risk payment, 20 percent for managers and specialists and 30 percent for executives. The more senior a staff member is the more of her/his compensation is allocated to the at-risk component. It is fair and reasonable to expect employees (especially managers and executives) to deliver on their responsibilities, and where they fail to deliver, not to enjoy the financial benefits.

The annual available at-risk compensation is calculated at the level of participation (expressed as a percent) times the base annual salary at the beginning of the measurement period. Officers’ annual basis percentage was set by the Board of Directors. The remaining staff at-risk compensation levels are set by the CEO. The CEO’s at-risk compensation by contractual agreement is reviewed once each year by the Board of Directors.

Most participants have an opportunity to earn a portion of their annual at risk compensation three times each year. The plan is built around the milestone management trimester system that is part of the Performance Management Program. Once the level of participation is determined, the at risk

compensation for any given trimester period can be determined. The at-risk compensation for a trimester is prorated to the length of the trimester. For example, if an individual is eligible for up to a 10 percent of base pay in at risk compensation, and the annual base pay for the individual is \$50,000 at the beginning of the trimester, the following would apply:

If a trimester is 124 days long, or 124/365ths of a year equal to 34 percent of the annual bonus opportunity, the at risk compensation available during this period for the individual referenced above would be \$50,000 (annual base salary) times 10 percent (the level of participation) times 34 percent (the length of the trimester) - $\$50,000 \times 10 \text{ percent} = \$5,000 \times 34 \text{ percent} = \$1,700$.

An individual cannot earn more than at risk compensation available for the period. Actual at-risk compensation earned and paid is based on the recommendation of the manager. In most cases the recommendation reasonably reflects the score achieved for the trimester in the milestone management process.

At risk compensation is typically paid within 45 days of the end of the trimester. Staff must be working for ICANN on the date the payment is made in order to receive the payment. Individuals whose working relationship with ICANN has ended before the payment date are generally not eligible for payment. Either the COO or the CEO approves recommendations for at-risk compensation payments; in the case of the CEO, the Board of Directors establishes the at-risk payment amount. Participants must work at least 35 percent of the trimester period to be eligible for an at-risk payment, including those who are on leave for any portion of a trimester. Any at risk payment recommended is prorated for the length of the trimester period worked.

Time Off Benefits

Time off benefits include vacation time, public holidays, sick time, bereavement leave, jury service pay, and any other paid time off required by law. Payments for these benefits are made in lieu of base pay for the benefit day(s) and are reported as part of base compensation.

Health and Welfare Benefits

Health and welfare benefits include health insurance programs (such as medical, dental or vision plans), life insurance, accidental death and dismemberment insurance, travel accident and other relevant insurances as appropriate. The types and levels of programs provided are based on competitive and regional practices as well as local law. Every effort is made to treat staff equitably based on competitive practices. This includes providing certain staff with benefit compensation in lieu of buying benefits directly for that staff member when such purchases are not practical or available to ICANN.

Retirement Benefits

Retirement benefits are provided to staff based on competitive and regional practices as well as local law. Every effort is made to treat staff equitably based on competitive practices. This includes providing certain staff with compensation directly in lieu of contributing to a retirement scheme where such contributions are not practical or available to ICANN. Where ICANN contributes to a retirement program all contributions are made during the term of the staff member's employment. ICANN does not accrue any liability for retirement benefits to be paid at a staff member's retirement.

Housing Allowance

In some instances, housing allowances may be provided to key staff members when the staff member is asked to work in a location that makes commuting from the staff member's permanent home

impractical, or where a staff member is relocated at ICANN's request. The housing allowance is negotiated and is not intended to cover the full cost of maintaining two households. Any housing allowance provided is reported as taxable compensation as appropriate.

Reporting

Compensation is reported as required for staff members to the appropriate applicable jurisdiction(s). ICANN is guided in the preparation of its United States annual tax return on Form 990 (the 990).

Additional Information

The following individuals are officers of the corporation. Accordingly, their remuneration for FY2011 is explained in detail here.

President and Chief Executive Officer

Rod Beckstrom was appointed ICANN's President and Chief Executive Officer, as well as a member of the Board of Directors, effective 1 July 2009.

Mr. Beckstrom entered into an employment agreement with ICANN effective 1 July 2009 for a term of three years. Under the terms of the agreement Mr. Beckstrom is to be paid a base salary of \$750,000 per year, is eligible for additional at-risk compensation of up to \$195,000 per year, and is provided reasonable coverage under vacation, health and welfare plans including medical, dental, vision, life insurance and a 401(k) retirement plan that ICANN makes available to all its U.S. based employees.

Chief Operating Officer

Mr. Akram Atallah was appointed as Chief Operating Officer effective 20 September 2010. Mr. Atallah's compensation at the beginning of the fiscal year consisted of a base salary of US\$350,000 per year which has been increased to US\$462,875.00 per year effective 1 June 2012, additional at-risk compensation of up to 30 percent of base per year, and reasonable coverage under vacation, health and welfare plans including medical, dental, vision, life insurance and a 401(k) retirement plan that ICANN makes available to all its U.S. based employees.

General Counsel and Secretary

Mr. John Jeffrey was appointed as General Counsel and Secretary on 2 September 2003. Mr. Jeffrey's compensation at the beginning of the fiscal year consisted of a base salary of US\$304,175 per year which has been increased to US\$402,271.43 per year effective 1 June 2012, additional at-risk compensation of up to 30 percent of base pay per year, and reasonable coverage under vacation, health and welfare plans including medical, dental, vision, life insurance and a 401(k) retirement plan that ICANN makes available to all of its U.S. based employees.

Senior Vice President, Stakeholder Relations

Mr. Kurt Pritz was appointed as Vice President, Business Operations on 2 September 2003. Mr. Pritz was appointed Senior Vice President, Services on 13 December 2006, which later changed to Senior Vice President, Stakeholder Relations. Mr. Pritz' compensation at the beginning of the fiscal year consisted of a base salary of US\$295,837.50 per year which was increased to US\$324,012.50 per year effective 1 July 2011, additional at-risk compensation of up to 30 percent of base pay per year, and reasonable coverage under vacation, health and welfare plans including medical, dental, vision, life insurance and a 401(k) retirement plan that ICANN makes available to all of its U.S. based employees.

Chief Financial Officer

Mr. Atallah served as interim Chief Financial Officer from 1 July 2011 through 8 September 2011, but was not provided any additional compensation for performing these services in addition to his services as Chief Operating Officer.

Mr. Xavier Calvez was hired 8 September 2011, and was formally appointed by the Board as Chief Financial Officer on 17 September 2011. Mr. Calvez' compensation consists of a base salary of US\$250,000 per year, additional at-risk compensation of up to 30 percent of base per year, and reasonable coverage under vacation, health and welfare plans including medical, dental, vision, life insurance and a 401(k) retirement plan that ICANN makes available to all its U.S. based employees.