

ICANN Staff Remuneration Practices – FY2014 (1 July 2013 through 30 June 2014)

As of 1 July 2013

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
- Discretionary 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 consulting firm of Towers Watson was retained to evaluate the existing framework for ICANN’s remuneration 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 remuneration framework provided by Towers Watson in May 2012.

Base Salary

In deciding to generally compensate 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 ensure that ICANN is competitive for labor when recruiting to its needs.

ICANN does not meet the compensation 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.”

Periodically the Board reviews compensation for the President and all corporate officers. Executive management generally annually reviews staff compensation levels consistent with the overall remuneration framework.

ICANN uses a global expert consulting firm to provide comprehensive benchmarking market data (currently Towers Watson). The market study is conducted before the salary review process. Estimates of potential compensation adjustments typically are made during the budgeting process based on current market data. The budget is then approved as part of ICANN’s overall budget planning process.

Discretionary At-Risk Component

ICANN’s at-risk (bonus) program (also referred to as the “bonus program” or the “milestone management 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, as well as the way the individual goes about accomplishing those goals (the “behaviors”). The amount of at-risk pay an individual can earn is based on a combination of both the achievement of goals as well as the behaviors exhibited in achieving those goals. Whether or not to pay a staff member all or any portion of the potential at-risk compensation is at the full discretion of ICANN management.

Most staff members participate in the at risk compensation program. Senior management determines which staff members will be eligible to participate, and the level of that participation. The Board has approved a framework whereby certain staff members are eligible for 10 percent of base compensation as at-risk payment, managers and specialists are generally eligible for 20 percent, and senior executives are generally eligible for 30 percent. 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 available at-risk compensation is calculated at the level of participation (expressed as a percent) times the base annual salary in place at the beginning of the measurement period. The Board of Directors, with the assistance of input from independent expert compensation consultants, sets Officers’ at-risk compensation levels. The President and CEO, along with executives, set the non-officer at-risk

compensation levels. The Board of Directors establishes via contract, and periodically reviews, the President and CEO's at-risk compensation.

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 potential 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 100% of the at-risk compensation available for the period. Actual at-risk compensation earned and paid is based on the recommendation of the manager and at the sole discretion of ICANN. In most cases the recommendation reasonably reflects the score achieved for the trimester in the milestone management process.

The discretionary at-risk compensation amount is typically paid within 60 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 payment of the at-risk compensation amounts; in the case of the President and CEO, the Board of Directors approves payment of the at-risk payment amount. Participants must work at least 35 percent of the trimester period to be eligible for an at-risk payment. Participants who are on leave for any portion of a trimester will not get service credit toward the 35 percent of the trimester period for the portion of the period they are on leave. 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 FY2014 is explained in detail here.

President and Chief Executive Officer

Fadi Chehadé was appointed ICANN's President and Chief Executive Officer, as well as a member of the Board of Directors, effective 14 September 2012. Mr. Chehadé entered into an employment agreement with ICANN effective 14 September 2012 ending 30 June 2015. Under the terms of the agreement Mr. Chehadé is to be paid a base salary of US\$560,000 per year, is eligible for additional at-risk compensation of up to \$240,000 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.

President, Generic Domains Division

Mr. Akram Atallah was appointed as Chief Operating Officer effective 20 September 2010, he also served as President and Chief Executive Officer from 1 July 2012 through 14 September 2012, and was appointed as President, Generic Domains Division in June 2013. Since 1 June 2012, Mr. Atallah's compensation has consisted of a base salary of US\$462,875.00 per year, eligibility for 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. Since 1 June 2012, Mr. Jeffrey's compensation has consisted of a base salary of US\$402,271.43 per year, eligibility for 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 Operating Officer

Ms. Susanna Bennett was appointed as Chief Operating Officer effective 1 July 2013. Since 1 July 2013, Ms. Bennett's compensation has consisted of a base salary of US\$328,222.80 per year, eligibility for

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. Ms. Bennett received a sign-on payment of US\$60,000 which will be considered earned after twelve (12) months of employment, otherwise it must be repaid on a pro-rata basis.

Chief Financial Officer

Mr. Xavier Calvez was hired on 8 September 2011, and was formally appointed by the Board as Chief Financial Officer on 17 September 2011. Since 1 September 2012, Mr. Calvez's compensation has consisted of a base salary of US\$287,500.00, eligibility for 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.

Vice President, Policy Development Support

Mr. David Olive was hired on 15 February 2010 and was appointed as an Officer on 28 February 2013. Since 1 July 2012 Mr. Olive's compensation has consisted of a base salary of US\$247,200 per year which has been effective since 1 July 2012, eligibility for 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 401(k) retirement plan that ICANN makes available to all its U.S. based employees.