Mozilla Foundation Board Meeting

October 5, 2023

2023 board workflow

Q4	**Q1**	**Q2**	**Q3**	**Q4**
MoFo Programs Budget *(M)*	Ventures + AI Plans *(N)*	Board Elections For Subs *(N)*	Mozilla Next Retreat *(N)*	Mozilla Next *(N)*
	Governance Topics *(M)*			MoFo Programs *(M)*
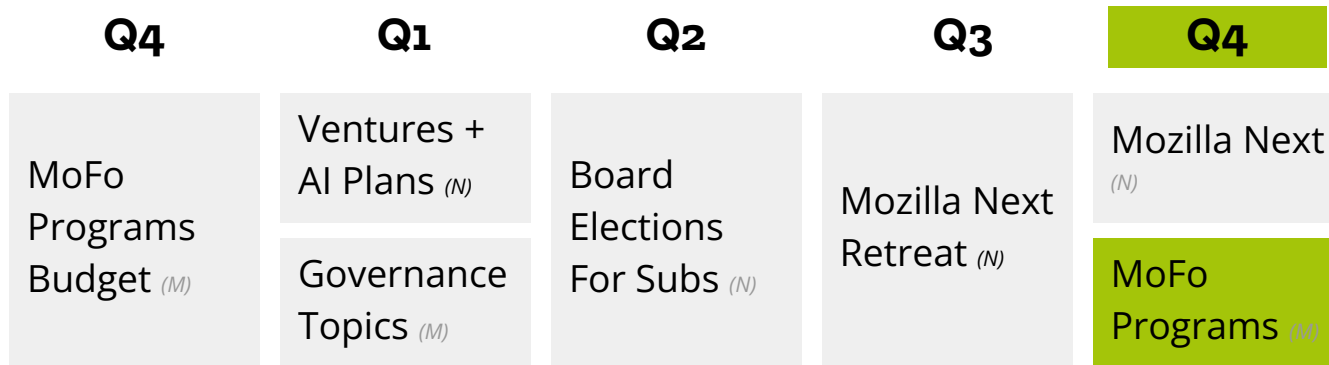
M = MoFo Board only, N = Mozilla Next Joint Board Meeting

Agenda

1. Board Business *(Mark)*

2. Board Expansion *(Mark)*

3. Program Board *(Helen)*

4. 2024+ Pan Mozilla Funding *(Mark)*

5. Executive session

Board Business

Board business

1. Approve minutes from July and August board meetings

2. Executive Director recruitment update *(see board book)*

3. MoFo Board Handbook *(coming soon)*

4. Any other business?

Big
Picture

Big Big Picture

Over the last two years, we've made significant **progress with our effort to retool Mozilla** (fka Mozilla Next), teeing us up to have more impact in the coming years.
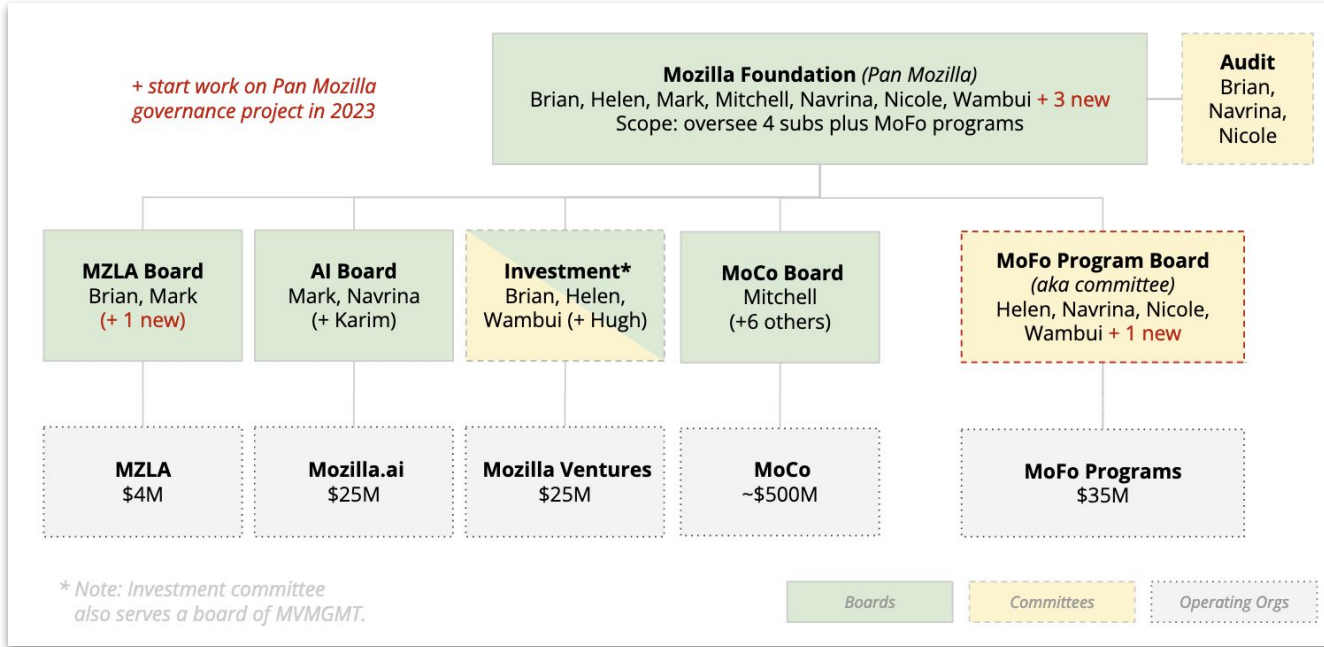
Our nascent **AI + Ventures** arms have us focused in new, promising areas. And the board / exec team on the product side is reshaping **MoCo as a multiproduct org**.

We **need to set up our Pan Mozilla (fka Apex) and MoFo Programs orgs equally well** to contribute to Mozilla's next chapter. This is a next step.

Key things *this group* needs to do to enable this: 1. expand MoFo Board; 2. set up Program Board (+ hire good ED); 3. give Pan Mozilla org funding runway to mature.

What we sketched out in January …

+ start work on Pan Mozilla governance project in 2023

Mozilla Foundation *(Pan Mozilla)*
Brian, Helen, Mark, Mitchell, Navrina, Nicole, Wambui + 3 new
Scope: oversee 4 subs plus MoFo programs

Audit
Brian, Navrina, Nicole

MZLA Board
Brian, Mark
(+ 1 new)

AI Board
Mark, Navrina
(+ Karim)

Investment*
Brian, Helen, Wambui (+ Hugh)

MoCo Board
Mitchell
(+6 others)

MoFo Program Board
(aka committee)
Helen, Navrina, Nicole, Wambui + 1 new

MZLA
$4M

Mozilla.ai
$25M

Mozilla Ventures
$25M

MoCo
~$500M

MoFo Programs
$35M

* Note: Investment committee also serves a board of MVMGMT.

Boards   Committees   Operating Orgs

In January, we laid out a number of the key moves we need to make. ***Today, we are ready to make these moves****.*

Board Expansion

Big Picture: MoFo Board

Our **work as a Board has changed**. We've stepped more fully into our **parent / holding company role**, working closely with the MoCo Board to grow Mozilla's scope and ambition.

The current challenge: we **need more people — and a wider set of skills — on this Board** as we move into the next phase of this work. We agreed to grow the Board back in January.

The Board recruitment process has surfaced great candidates. Also, looking back, it hasn't always been clear how many people we're trying to recruit.

Today we need to decide: 1. **how big do we want this Board to be?** 2. who do we want to add? 3. how do we integrate new directors?

Looking Back: Recruiting Timeline

At our January 2023 meeting, Mohamed resigned, leaving us with 7 directors.

At that same meeting, we passed a motion to **recruit up to 3 new independent directors over the next 18 months, creating space for up to 10 directors**.

In February, Navrina and Wambui informed us they would not stand for reelection, leaving us with 5 directors. We appointed Amy in March, bring us back up to 6 directors.

The Recruiting Committee continued to search for 2 more directors without returning to the topic of Board size. We signalled in July that we'd like to increase the number to 3.

In September, the Committee proposed that we appoint 4 new directors.

What do we need to decide?

The decisions we need to make today are: how big do we want this Board to be; and who do we want to add?

Proposal from the Recruitment Committee: **increase the current overall MoFo Board size to 10**.

Finally, we should ask: what can we learn from this process? One basic thing: always be explicit / minute both the number of people we're recruiting plus the final Board size.

Board Member Onboarding

Top notch onboarding will be important, especially if we decide to add 4 directors.

Basics: written onboarding package in October, plus a **face to face briefing / bootcamp for new Board members**. First Board meeting in November or December?

Also, we'd like to create a **buddy system**. Each new director will be buddied with one independent director and one Mozilla exec.

Program
Board

Program Board: Big Picture

We're in the process of **dividing MoFo into two parts**: one focused on movement building and the other on supporting and connecting all of the orgs in Mozilla's portfolio.

The program org already has a well developed set of charitable programs. Its **movement building + trustworthy AI focus is a valuable part of Mozilla's next chapter story.**

The **next step is to grow the impact, revenue and profile** of the program org. We need a new leader and updated governance focused on these goals.

The task today: **review and approve the MoFo Program Board pre-charter**, including a funding model that sets the new Executive Director up for success.

Program Board: Timeline

In January 2023 decided to **merge MoFo program, diversity and finance committees into a single 'program board'**.

Helen was appointed in March to work with the current Program Committee and MoFo senior staff to develop a charter to guide this new approach.

During May and June, Helen gathered input from committee members, execs and directors. She developed a proposed charter based on this input.

The Program Committee refined the proposal at its July in person meeting. They asked Helen to meet with Brian and Mitchell to get a final round of input.

Program Board: Scope and Role

Our aim is to **set MoFo Programs up to function *like* a division or subsidiary** (while still legally being a part of MoFo). The proposed scope of the Program Board includes:

- Long term roadmaps, annual OKRS and evaluation reports
- Annual budgets and outgoing grants (over $50k)
- Diversity, equity, inclusion and belonging plans
- Executive Director goals and performance reviews

The idea is that **the MoFo Program Board serves as the primary governing body of this work**. It will be made of up MoFo Board members.

Program Board: Funding and Budget

We also need to **provide the resources necessary to run effective programs and to fundraise**, both of which are needed to maintain our 501c3 status.

We've developed a simple formula over the past 15 years: allocate a portion of product revenue to programs, leverage that to attract outside funds. We should continue this.

Proposal: the MoFo Board will **provide a rolling three year funding allocation for use by MoFo Programs**.

We want the new Executive Director to **grow the impact of MoFo Programs — and to double its fundraising revenue**. This funding structure will help make that possible.

Program Board: What's Next?

Decision today: refine and **approve the MoFo Program Board Pre-Charter**. *(in board book)*

Next, we will develop a Program Board charter based on what we approve. As we are not (yet) creating a new entity, the Program Board will legally be a MoFo committee.

Our aim is to have this in place by the end of October. This will **set the new Program Board up to approve a 2024 budget and OKRs** for our movement building work.

We will also engage with staff throughout 2024 to introduce them to members of the MoFo Program Board and to socialize this new structure.

Pan Mozilla Org 2024+

(funding options)

Big Picture: Pan Mozilla Org

We're two years into **prototyping a Pan Mozilla Org** (fka Apex), which is aimed at increasing the speed, scale and likelihood of Mozilla having an impact in the world (1+1=3).

So far, it's played a key role in **retooling Mozilla for our next chapter**: setting up new AI and venture arms; refreshing our brand and story; and being more ambitious on public policy.

Next, we want to **lean into 1+1=3 across our portfolio** by: being bolder on AI; growing assets to invest in impact; and building a cadre of leaders to carry Mozilla's ethos forward.

We **need a mechanism to fund this work / org in 2024+**. Today: seeking your guidance on funding options (e.g. continue to spend from reserves vs. increase trademark royalty).

Current Pan Mozilla Org Funding

In 2022, we allocated funding to Mozilla Next to cover 2022/23 Pan Mozilla Org start up costs. This **initial funding was drawn from MoCo (85%) and MoFo (15%) reserves.**

The 2023 Pan Mozilla Org budget main costs include salaries (mostly Mark, part time), consultants (in lieu of dedicated team), Mozilla 25, policy, board recruiting.

Next year's budget (coming in November) will be similar, or slightly higher. It will fund a small, permanent management team plus further collaboration on AI, brand, policy etc.

The next slide presents **three options for funding this work going forward — reserves, trademark royalties and service agreements**.

2024+ Pan Mozilla Funding Options

	Option 1: **Reserves**	Option 2: **Trademark Royalty**	Option 3: **Service Agreement**
Description	Continue to draw from reserves, primarily via MoCo dividend.	Increase trademark fees charged to MoCo, MZLA and Mozilla.ai.*	Chargeback for services that Pan Mozilla Org offers to portfolio.
Time frame	One more year?	Going forward.	In future.

* MoCo + MZLA trademark agreements are up for review soon, Mozilla.ai agreement not in place yet.
We could (re)negotiate all of these at once, put in place for 2024.

2024+ Pan Mozilla Funding Options

	Option 1: **Reserves**	Option 2: **Trademark Royalty**	Option 3: **Service Agreement**
Pros	Can easily scale to what is needed. Draws from where we have funds.	Scales fairly across the portfolio over time. Tax efficient (esp for subs).	Direct exchange of funding for services, clear value.
Cons	Dividends are not tax efficient, paid post-tax. Have to do each year.	MoFo pays tax on part of royalty, not search. Some reclassification risk.	Pan Mozilla Org not currently offering services to portfolio.

2024+ Pan Mozilla Org Funding

Situation: we know that **we want a Pan Mozilla Org supporting the overall portfolio**, but we're still prototyping, refining its role. We need a way to (stably) pay for it as it matures.

Guidance needed from this group: **how should this work be funded going forward?**

> *Recommendation: increase trademark royalties across the board, providing funding we need now / getting all subs to contribute fairly over time.*

Immediate next steps: based on guidance from this group, Mark will begin 2024+ funding discussions with MoCo (if reserves) or all subs (if trademark). This will tie into a 2024 budget.

A thing to note: there are still discussions ahead on org structure, funding criteria for future investments from reserves, etc. This needn't hold us up on 2024 Pan Mozilla Org funding.

Appendix

Board Best Practices

Nonprofit board size
An overview

Average size of nonprofit boards from Board Source[1]

15 Nonprofit organizations **overall**

17.5 Nonprofit organizations with a **budget over $10M**

13.1 Nonprofit organizations with a **budget under $1M**

While averages reflect the reality, it does not mean it is what is best for your organizations. Doing the work to identify gaps to maximize effectiveness and impact of the board is essential.

Selected RRA examples[2]

| Benchmark metrics | Average | Mozilla Foundation | Corporate Foundations | | | | Private Foundations | | | | |
			Airbnb.org	Change.org Foundation	IDEO.org	IKEA Foundation	Obama Foundation	Tides Foundation	Medic	Wikimedia Foundation	Candid
Annual revenue *(year)*	$189.4M	$30.7M (2021)	$40.2M (2021)	$114.6M (2021)	$9.9M (2021)	~$300M (2021)	$309.3M (2022)	$863.5M (2021)	$5.9M (2021)	$167.9M (2022)	$51.8 (2022)
# of Board Directors	10.3	6	7	6	9	5	16	17	8 (+4 emeritus)	10 (+2 emeritus)	19

Russell Reynolds ASSOCIATES

Investing in your board onboarding program

A strong onboarding program will pay dividends in the quality of the contributions the board offers the company. It can also help the board to focus its collective thoughts and build stronger relationships. When executed well, a strong onboarding program will ultimately lead to the company creating greater value for its shareholders. Boards can improve the effectiveness of new directors by:

1 **Personalizing the process and experience** by investing in modular onboarding content that they assemble in different ways to meet the varying needs of new members over an extended period of time.

2 **Creating a board-led process** by elevating the onboarding process to more senior levels, with greater involvement from tenured independent directors.

3 **Broadening the pool of people new directors meet** to include all key leaders at the board and management levels.

4 **Considering a board mentoring program** along with coordinated welcoming efforts by all directors to effectively integrate new board members.

5 **Improving director feedback** by scheduling one-on-one review sessions around six to 12 months after a director has been appointed.

Russell
Reynolds
ASSOCIATES

Mozilla Foundation Board Meeting

October 5, 2023