

Hedera Council Meeting Minutes**Date:** August 9, 2023**Time:** 9:00 am EST**Location:** Zoom**Council Members****abrdn plc:** Duncan Moir**Avery Dennison:** Pradeep Iyer**Boeing:** Brian Jeffords**COFRA:** Anil Nashier, Jheroen Muste**Dell:** David Fraturra, Steve Todd**Dentons:** Yi Jing Teo**Deutsche Telekom:** Dirk Thatmann**DLA Piper:** Andy Gastwirth, Kristi Swartz, Scott Thiel**FIS/Worldpay:** Saiprasad Raut**Google:** Simon Baksys, Rich Widmann**IBM:** Shyam Nagarajan, Bhargav Venkata Ramana,

Venkatachalam Vairavan, Sumabala Nair

LGE: Tony Jang, Paulo Lee**LSE:** Carsten Sorensen, Thamim Ahmed**Magazine Luiza:** Simon Olson**Nomura/Laser Digital:** Akira Iwisaki, Yu Ori, Chikanori

Hayashi, Toshinori Ishibashi (Laser Digital)

Service Now: Tasker Generes, Shuchi Rana**Shinhan Bank:** Daseob Lee, Minju Kim**Standard Bank:** Ian Putter**Swirls, Inc.:** Dr. Leemon Baird, Mance Harmon, Bill

Miller, Arlan Harris, Natalie Furman

UCL: Nikhil Vadgama, Paolo Tasca**Zain:** Richard MacNamara**Hedera Staff**

Brett McDowell, Chair & President

Andrew Aitken, Chief Open Source Officer

Betsabe Botaitis, Chief Financial Officer

Sam Brylski, Chief Regulatory Officer

Alex Popowycz, Chief Information Officer

Nilmini Rubin, Chief Policy Officer

Tom Sylvester, General Counsel & Secretary

Ian Utile, Chief of Staff

Kate Ball, Dir. of Legal Operations & Senior Counsel

Mike Cave, Director of Technical Programs

Gregory Schneider, Deputy General Counsel

Vanessa Valentine, Mgr. of Committee Operations

Brad Wells, Director of Compliance Operations

Service Providers

Jason Brett, Key Bridge Advisors, LLC

Young Cho, Swirls Labs

Lionel Chocron, Swirls Labs

Zenobia Godschalk, Swirls Labs

Christian Hasker, Swirls Labs

Atul Mahamuni, Swirls Labs

Cate Papez, Swirls Labs

Eric Piscini, Swirls Labs

Independent Board Member

Monique Morrow

Members Not Present

Chainlink

DBS

EDF

Eftpos

IIT (Madras)

TATA Communications

Ubisoft

Wipro

Summary of actions taken at meeting:

- **Minutes:** The Council members approved the July 12, 2023 meeting minutes.
- **Committee Policy:** The Council members approved changes to the Committee Policy regarding financial oversight and directed the Secretary to update the Committee Policy and Committee charters accordingly.

Actions taken or ratified by the Hedera Council by written consent (July 12, 2023 - August 9, 2023)

- **Minutes:** The Council members approved the May 20-21 and June 14 meeting minutes. (July 25, 2023)
- **Director Participation Requirements.** The Council members approved revised participation requirements for Hedera Directors to be incorporated into the Hedera Contributor Reward Plan. (July 25, 2023)
- **Committee Policy Revisions.** The Council members approved administrative revisions to the Hedera Committee Policy. (July 25, 2023)

Call to Order & Introductions

Brett M. called the meeting to order and the agenda was adopted.

Brett McDowell
Chair & President

Approval of Meeting Minutes

Tom S. reviewed the minutes from the July 12, 2023 Council meeting and, after being moved and seconded, the Council members **APPROVED** the minutes.

Tom Sylvester
General Counsel &
Secretary

Open Source Outreach Introduction

Hedera's newly-hired Chief Open Source Officer, Andrew Aitken, introduced himself and described his background in open source technology. Andrew expressed his vision for a vibrant open source community.

Andrew Aitken
Chief Open Source
Officer

Staking Task Force, CoinCom & Related Staking Updates

Brett discussed the status of the updated staking reward rate algorithm, which the Council members approved on June 14, 2023 and is scheduled to be implemented in August 2023.

The updated code provides for a dynamic staking reward rate based on the balance of hbars in 0.0.800 and three parameters set by CoinCom:

- (1) Maximum Reward Rate, which is the maximum reward rate payable if the balance of coins in Account 0.0.800 is above the Balance Threshold and the total number of hbars staked for rewards is less than the maximum reward cap;
- (2) Account 0.0.800 Balance Threshold, which is the minimum balance of hbars below which the reward rate dynamically adjusts; and
- (3) Maximum Stake Rewarded, which is the maximum percentage of coins staked that are eligible for the Maximum Reward Rate (if more coins than the Maximum Stake Rewarded are staked for rewards, the effective staking reward rate will be reduced on a pro rata basis).

After the Council Members approved the updated algorithm, the Proof-of-Stake Task Force recommended and CoinCom approved the following staking parameters:

- Maximum Reward Rate: 2.5% (effective as of August 11, 2023),
- Balance Threshold: 85 million hbars, and
- Maximum Stake Rewarded: 13% of total hbar supply.

Hedera announced these changes in a [blog post](#) on August 4, 2023. These changes were informed by discussions that occurred during twelve meetings spanning several months of the Proof-of-Stake Task Force, which included participation from a dozen Council Members, key ecosystem partners, and third-party industry experts.

Brett then introduced a proposal from The HBAR Foundation, the Hashgraph Association, and the DLT Science Foundation to change the current allocation of transaction fees.

In December 2022, the Council members voted to allocate transaction fees as follows: 80% to the Council Operations Account (0.0.98), 10% to the Staking Rewards Account (0.0.800), and 10% to a Node Rewards Account (0.0.801). However, as account 0.0.801 was not yet structured to receive fees, that 10% was allocated to Council operations, such that 90% of fees go to account 0.0.98 and 10% to account 0.0.800.

The independent foundations asked the Council members to consider allocating 60% of

transaction fees to the Staking Rewards Account for a period of two years.

Council members discussed the pros and cons of the proposal. It was noted that annual transaction fees are currently estimated to be approximately 70 million hbar, such that a 60% allocation to staking rewards has material financial implications. Council members commented that they would like additional data and time to consider the proposal. Board members also noted that they would like time to review it, given the Board's role in budget planning. As such, the Council members determined to reconsider the proposal further at a later meeting.

Proposed Update to Committee Policy (Financial Decision-Making)

Tom Sylvester
*General Counsel &
Secretary*

Tom S. noted that Council members recently voted (via e-ballot) to update the Committee Policy. He then presented an additional Board-requested change to the Committee Policy, which would require that committee decisions that involve spending Hedera funds also require Board approval, on the rationale that the Board is responsible for Hedera budgets. Council members discussed the implications of this change, its impact on specific categories of decisions, and the need to balance decentralized decision-making with prudent stewardship of Hedera funds.

After being moved and seconded, Council members **APPROVED** the presented changes to the Committee Policy and authorized and directed the Secretary to update the Committee Policy and Committee charters accordingly.

Governance Proposal: Board Oversight Committee

Tom Sylvester
*General Counsel &
Secretary*

Tom S. presented a proposal to create a committee of Council members authorized to decide on matters that involve director compensation. He explained that the Council members as a group have voted on such matters in the past, but that it may be more efficient to have a committee focused on such issues.

Council members discussed the proposal, as well as how to strengthen Hedera's conflict of interest policies more broadly, including Hedera's Related Party Transactions Policy, in the context of Hedera's increasingly decentralized ecosystem.

Council members agreed on the ultimate goal of operating under industry-leading governance policies and procedures, including those designed to minimize any potential conflicts of interest. They requested more formal materials (e.g., a draft charter) and agreed to revisit the topic at a future meeting.

Any Other Business & Adjournment

Tom Sylvester
*General Counsel &
Secretary*

Tom S. previewed potential changes to the Council's operating agreement, including the development of a "Good Standing Policy" for Council members.

The meeting was adjourned.