

Aug 29, 2024

Dear AADAO Contributors,

The Oversight Committee, composed of the Financial Controller and the elected member (myself), wish to issue a statement for the record addressing critical concerns regarding the proposed individual performance assessment for bonus distribution. Upon thorough examination of the 2023 and 2024 compensation structure and bonus allocation methodology, we're unable to endorse the implementation of the complete bonus policy and system in its current form.

Our conclusions are in part informed by a spreadsheet the GM shared with the Financial Controller, which the Financial Controller subsequently shared with me. We will be sharing this document to help illustrate the basis for the following concerns while preserving discretion to the extent possible.

The issues we have identified raise significant questions about the transparency, equity, and alignment of the proposed bonus structure with both AADAO's stated objectives and general best practices in compensation management. We believe these concerns warrant more consideration and potentially substantial revisions to the proposed policy before implementation.

Misuse of the term "bonus":

The proposed structure demonstrates a misapplication of the term "bonus," utilizing it inappropriately to substantially augment under-market base salaries. This approach lacks the requisite transparency and may potentially mislead stakeholders regarding the true nature of compensation within the organization.

Monthly distribution of performance bonuses:

The monthly distribution of performance bonuses is incongruous with the nature of work at AADAO. It is the Committee's position that both individual and team bonuses should be subject to monthly evaluations using various methodologies eventually approved, and subject to a final allocation analysis at year end. This allows for a more comprehensive and accurate evaluation of individual performance over time.

The Committee views the proposed monthly distribution of bonuses with significant concern. We are particularly troubled by the suggestion that this approach was chosen, in part, to reduce visibility into how these bonuses are being utilized. Such reasoning, as communicated to the Controller, represents a direct breach of community trust.

Parity and consistency issues:

Moreover, the Committee has identified significant issues of parity and consistency with individual performance bonuses. Inconsistencies in maximum eligibility across various roles may engender perceptions of inequity within the team.

Of particular concern is the manner in which the proposed bonus structure affects potential total compensation for certain roles, especially when considering fluctuations in ATOM prices. The

Committee finds the policy indefensible due to the potential for extreme disparities in total compensation, raising questions about equity and the responsible use of public funds.

Additionally, while clear and objective performance metrics for the allocation of individual bonuses have shown progress, the lack of transparency and consistency regarding these metrics across all committees complicates the issue. This opacity may lead to perceptions of favoritism or unfairness as to how the bonus pool is being utilized, especially given that the bonus pool disproportionately rewards more senior roles where retention bonuses are already awarded -- this risk of misperception exists both internally and externally.

Conclusion:

In light of these concerns, the Oversight Committee withholds authorization for the implementation of the individual bonus performance based methodology policy, and its immediate application via disbursements effective September 1, 2024. The Committee strongly recommends that these issues be addressed transparently with Strategy Committee members at the earliest possible juncture, preferably during the upcoming StratComm meeting tomorrow. It is imperative that these concerns be openly discussed, with the aim of developing a total compensation structure that is equitable, transparent, and aligned with AADAO's mission and responsibilities as a steward of public funds.

The Oversight Committee reaffirms its commitment to ensuring good governance and maintaining the trust of our community.

Respectfully submitted,

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