

# Appointment of DOT Directors

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## Overview

The Polkadot Community Foundation (“PCF”) is currently going through a governance challenge due to the absence of appointed DOT Directors and the recent failure of two proposals,<sup>1</sup> creating oversight gaps and limiting the Foundation’s ability to maintain stakeholder confidence. This situation arises primarily from the Polkadot community’s concerns and uncertainties regarding the requirements, procedures, and transparency of the election process.<sup>2</sup> DOT Directors, which are appointed exclusively by Tokenholders through vote, serve as the direct link between the decentralized community and the centralized management of the PCF. Currently, Tokenholders do not have presence on the Board, which affects their direct influence over decision-making.

## Purpose

This brief provides a comprehensive but non-exhaustive overview of the appointment, powers, duties, and responsibilities of DOT Directors within the PCF according to the PCF’s Memorandum of Association (“**Memo**”), Articles of Association (“**AOA**”) and Bylaws (jointly, the “**PCF Legal Instruments**”). It aims to inform and guide the Tokenholders about the Directors’ legal, operational, fiduciary, financial, and compliance obligations, including their role in implementing Tokenholder-approved Proposals, managing conflicts of interest, and maintaining transparency and accountability.

## DOT Directors

### What is the composition of the PCF Directors?

There is no limit on the number of appointed Directors for the PCF, however it is mandatory to have at least one.<sup>3</sup> Tokenholders have the authority, through a Tokenholders Vote,<sup>4</sup> to only

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<sup>1</sup> See The White Rabbit, Referendum #1737, ‘Polkadot Community Foundation - Community Directors Election and Removal Process’, (Polkadot OpenGov, 1 September 2025) <<https://polkadot.subsquare.io/referenda/1737?tab=timeline>> accessed 15 October 2025 and Autonomous Projects, Referendum #1749, ‘Referendum #1749 - Polkadot Community Foundation Election and Appointment of 2 x DOT Directors’, (Polkadot OpenGov, 10 September 2025) <<https://polkadot.subsquare.io/referenda/1749?tab=timeline>> accessed 15 October 2025.

<sup>2</sup> See *ibid.* “Comments”.

<sup>3</sup> See s.10 AOA: (“The Foundation Company shall at all times have at least one director.”).

<sup>4</sup> See s.1 AOA for the definitions of “Tokenholders” y “Tokenholders Vote”: (““Tokenholders’ means the holders of the Tokens from time to time as evidenced by the Polkadot blockchain. ‘Tokenholder Vote’ means a vote of the Tokenholders validly proposed and executed in accordance with the Bylaws or such procedures as designated by the directors.”).

appoint and replace two DOT Directors on the Board for the oversight and representation in the governance of the Foundation.<sup>5</sup> Currently, the PCF has only three non-DOT Directors.

## What powers / rights do PCF Directors hold?

### Appointment and Removal of Directors

Directors have the power to appoint or remove other directors by giving formal notice.<sup>6</sup> However, when it comes to removing a DOT Director, this power can only be exercised for cause and must be approved by a Super Majority of the Directors through a formal resolution.<sup>7</sup>

*“For cause”* includes situations where a DOT Director fails to act in the best interests of the PCF, breaches fiduciary duties, fails to properly disclose a potential conflict of interest, or engages in any other acts or omissions that the Directors, at their discretion and by Super Majority, determine to justify removal.<sup>8</sup>

### Implementation of Treasury Proposals

Also, Directors have the power to carry out activities necessary or appropriate to achieve the Foundation’s objectives and to implement Proposals approved by the Tokenholders, acting at their reasonable discretion. This power is limited by the requirement that all actions must remain consistent with the approved Proposals, the Bylaws, and the AOA.<sup>9</sup>

### Amendment Authority

Moreover, Directors have the power to amend the Bylaws when they reasonably believe that such changes would enhance their ability to fulfill their obligations. However, this power cannot be exercised to the detriment of Tokenholders’ rights. Directors must act in good faith and exercise this authority through the Polkadot Community Governance Process, except in

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5 s.14 AOA: (“14. The Tokenholders have the power, exercisable by Tokenholders Vote, to: (a) appoint two (2) directors to the board (each a “DOT Director”) and to replace the DOT Directors if a DOT Director is removed in accordance with these articles or if a DOT Director resigns; and (b) remove directors.”).

6 s.12 AOA: (“12. Subject to Article 13, the Directors have the power, exercisable by notice to the Foundation Company, to appoint or remove directors.”).

7 See s.1 AOA for the definition of “Super Majority”: (““Super Majority” means at least two-thirds of the votes cast by all Directors.”).

8 s.13 AOA: (“13. The directors have the power, exercisable by notice to the Foundation Company, to remove a DOT Director at any time for cause, provided that, the directors have passed a resolution in favour of removing a DOT Director with approval by a Super Majority of the directors. For the purposes of this Article 13, “for cause” shall mean a failure by a DOT Director to act within the best interest of the Foundation Company, a breach by a DOT Director of any of its fiduciary duties, a failure by a DOT Director to properly disclose a potential conflict of interest relating to the Foundation Company to the board of the Foundation Company, and/or any other acts or omissions of a DOT Director that the directors may specify, in each case as determined by a Super Majority of the directors in their discretion.”).

9 s.3(b)(i) Bylaws: (“(b) The Foundation Director(s) have the authority to engage in the following activities: (i) activities necessary or convenient to carry out the objects of the Foundation pursuant to the Foundation Articles and implement any Proposal approved by the Tokenholders in accordance with these Bylaws, at their reasonable discretion, so long as such activities do not contradict the terms set forth in any Proposal approved by Tokenholders, these Bylaws, or the Foundation Articles;[...]”).

cases where amendments must be made at an Emergency Meeting as provided in the Bylaws.<sup>10</sup>

### Coordination of Emergency Meetings

Furthermore, Directors have the power to coordinate emergency operations on behalf of the Foundation and to call and hold Emergency Meetings when an imminent security threat arises. These meetings allow the Directors to respond swiftly and effectively to protect the Foundation, and they are governed by the same procedural rules that apply to meetings held under the Foundation Articles (*i.e.* Memo and AOA).<sup>11</sup>

### Veto/Rejection of Proposals

Additionally, Directors have the power to reject Tokenholder-approved Proposals within sixty days if they determine, acting reasonably and in the Foundation's best interests, that implementation would breach their fiduciary duties, violate the Bylaws, governing documents, or applicable laws, harm the Foundation, or cause contractual breaches. They may also reject Proposals that are insufficiently detailed or lack adequate funding for execution. Proposals not rejected within this period are deemed approved, and those fully implemented are marked as complete.<sup>12</sup>

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10 s.3(b)(ii) Bylaws: ("(b) The Foundation Director(s) have the authority to engage in the following activities: [...] (ii) make changes to these Bylaws if the Foundation Directors believe such changes would improve the Foundation Directors' ability to fulfill their obligations (the "Amendment Authority"); provided that, the Foundation Directors may not make changes to these Bylaws if such changes would adversely impact the rights of the Tokenholders hereunder. Directors agree in good faith to exercise such Amendment Authority pursuant to the Polkadot Community Governance Process unless such Amendment Authority must be exercised at an Emergency Meeting as described in Section 3(b)(iii) below[...]").

11 s.3(b)(ii) Bylaws: ("(b) The Foundation Director(s) have the authority to engage in the following activities: [...] (iii) coordinate emergency operations on behalf of the Foundation and call and hold emergency meetings ("Emergency Meetings") to enable the Foundation Directors to rapidly respond to an imminent security threat to the Foundation, and the same rules that apply to Foundation Directors meeting in accordance with the Foundation Articles will apply to Emergency Meetings[...]").

12 s.4(d)(ii) Bylaws: ("(ii) Foundation Director Approval: If, following the approval of a Proposal by the Tokenholders in accordance with the Polkadot Community Governance Process, a majority of the Foundation Director(s) acting in the best interests of the Foundation reasonably determine that such Proposal, if implemented, would: (A) compromise the Foundation Director(s)' fiduciary duties as they are owed to the Foundation; (B) be in violation of these Bylaws, the Foundation Articles, the Polkadot Community Governance Process, any statutory requirements of Cayman Islands Laws or the laws or regulations of any other applicable jurisdiction; (C) cause harm (including reputational harm) to the Foundation (as determined in the Foundation Director(s)' sole discretion); and/or (D) cause the Foundation to be in breach of any contracts, agreements or any other arrangements, then the Foundation Director(s) may reject the Proposal within sixty days (60) days following the date upon which Tokenholders have approved such Proposal in accordance with the Polkadot Community Governance Process ("Stake Period"). Furthermore, a majority of Foundation Director(s) may reject a Proposal that has been approved by Tokenholders if the implementation of such Proposal is not sufficiently specified and detailed in a way that would enable the Foundation Directors to carry out the Proposal and/or would require the Foundation Director(s) to exercise broad discretion. Furthermore, a majority of Foundation Director(s) may reject a Proposal that has been approved by Tokenholders if Tokenholders through Polkadot Community Governance Process do not provide sufficient funding to the Foundation for purposes of carrying out the activities contained in such Proposal. (iii) Approved: Proposals that are approved by Tokenholders and which are not rejected by a majority of the Foundation Directors during the Stake Period will be tagged as "approved"(iv) Complete: Proposals that are approved by Tokenholders, which are not rejected by a majority of the Foundation Directors during the Stake Period and are fully implemented will be tagged as "complete".").

## Appointment of Auditors

Likewise, Directors have the authority to appoint or replace auditors at any time through formal resolution. They also hold the power to determine and fix the auditors' remuneration, giving them control over both the selection and the compensation of the auditors.<sup>13</sup> At the moment, there is no publicly or available information regarding the appointment of a PCF auditor.

## Appointment of Non-Voting Observers

On top, Directors have the authority, through formal resolution, to appoint or remove non-voting observers to the Board. Once appointed, Observers may attend all board meetings and receive the same materials as Directors. However, the Directors retain discretion to withhold information or exclude an Observer from any meeting if disclosure could compromise attorney-client privilege, trade secrets, or create a conflict of interest. Observers must also maintain confidentiality regarding all information they receive.<sup>14</sup>

## Wind-Up of the Foundation

It is also worth noting that Directors generally do not have the authority to wind up the Foundation Company or apply to the Court for its liquidation. Their power to do so is strictly limited to specific circumstances: (a) if the Foundation becomes insolvent, (b) to carry out a good faith reorganization that allows the Foundation to fulfill its objectives more efficiently, or (c) if there are no current Tokenholders.<sup>15</sup>

## Court Application

In addition, Directors have both the duty and power to address governance breakdowns in the Foundation, such as a shortage or inaction of directors or supervisors. If the constitution does not resolve the issue, Directors must apply to the Court, which may then appoint or remove directors, alter constitutional provisions regarding appointments, or take other

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13 s.65 AOA: ("65. The Foundation Company may by directors' resolution at any time appoint or replace an auditor or auditors of the Foundation Company. The remuneration of an auditor shall be fixed by the directors.").

14 s.60 AOA: ("60. The directors have the power, exercisable by directors' resolution, to appoint or remove any person as a non-voting observer (the "Observer"). The Foundation Company shall invite any Observer appointed in accordance with this Article 60 to attend all meetings of the Board of Directors in a non-voting observer capacity and, in this respect, the Foundation Company shall give the Observer copies of all notices, minutes, consents, and other materials that it provides to its directors at the same time and in the same manner as provided to such directors; provided, however, that the Observer shall agree to hold in confidence all information so provided; and provided further, that the Foundation Company reserves the right to withhold any information and to exclude the Observer from any meeting or portion thereof if access to such information or attendance at such meeting could adversely affect the attorney-client privilege between the Foundation Company and its counsel or result in disclosure of trade secrets or a conflict of interest.").

15 s.70 AOA: ("69. Members, directors and supervisor(s) as such have no power or authority to wind-up the Foundation Company or petition the Court to wind-up the Foundation Company, except: (a) in the case of insolvency; (b) for the purposes of a bona fide reorganisation intended to enable the Foundation Company to carry out its objects more efficiently; or (c) where the Foundation Company has no present Tokenholders.").

corrective measures. This ensures that the Foundation remains properly managed and able to fulfill its objectives.<sup>16</sup>

## Remuneration

As another point, Directors have the right to receive remuneration for their services, which must be determined by the Tokenholders through a Tokenholder Vote or through an ordinary resolution of the Foundation.<sup>17</sup> The current remuneration for Directors is set at USD 35,000.00.<sup>18</sup>

## Indemnity

At the same time, Directors, supervisors, the secretary, and other officers of the PCF are indemnified from personal liability for actions, costs, losses, or damages incurred in the performance of their duties, except in cases of dishonesty, willful default, or fraud. This indemnification is covered by the assets of the Foundation and D&O insurance.<sup>19</sup>

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16 s.19 FCA: (“19. (1) This section applies if — (a) a foundation company — (i) ceases to have, or to have enough, directors, for it to be managed under its constitution, or its directors are not dealing with its business (a “directorship difficulty”); or (ii) ceases to have members, supervisors or interested persons, or enough of them to perform their roles under the constitution, or they have not been doing so (a “supervisory difficulty”); and (b) either — (i) there is no power under the constitution to resolve the directorship or supervisory difficulty by altering the constitution, or otherwise; or (ii) such a power exists but has not been exercised. (2) Any of the following may apply to the Court for it to resolve either difficulty — (a) a member, supervisor, director, officer or interested person of the foundation company; (b) subject to any contrary provision in the constitution, its secretary; or (c) anyone else authorised under the constitution. (3) Further, the directors and officers have a duty to make such an application for a directorship difficulty. (4) The Court may decide the application by making a winding-up order for the foundation company or by making any or all of the following orders — (a) for the directorship difficulty — (i) appointing or removing directors; or (ii) altering the provisions of the constitution about appointing or removing directors; (b) for the supervisory difficulty — (i) appointing or removing supervisors; or (ii) altering the provisions of the constitution about appointing or removing supervisors or about the powers, duties and other terms of appointment of supervisors; (c) for either difficulty, making an alternative order to winding-up that may be made under section 95 of the Companies Act applicable to foundation companies.”).

17 s.26 AOA: (“26. Directors' remuneration shall be at such rates and on such terms as may be agreed by the Tokenholders by Tokenholder Vote.”); See s72 AOA: (“72. Bylaws may relate to any aspect of the business or affairs of the Foundation Company, or any of the duties or powers of the directors or their delegates, or others who have duties or powers under these articles including the manner of achieving the Foundation Company's objects, the investment, management and protection of the Foundation Company's assets, the remuneration of directors and their delegates, the delegation of the directors' duties and powers, the supervision of the management of the Foundation Company, and the appointment of advisers and other service-providers.”); See also s.5.10 Sch. 2 FCA.

18 Autonomous Projects, Referendum #1591 | Treasury Spend #157, 'Polkadot Community Foundation (PCF) - Proposal for Renewed Funding for One Year' (Polkadot OpenGov, 4 June 2025), <<https://polkadot.subsquare.io/referenda/1591>> accessed 15 October 2025.

19 s.70 AOA: (“The directors, supervisor(s), secretary and other officers of the Foundation Company shall not be liable for and shall be indemnified out of the assets of the Foundation Company from and against all actions, proceedings, costs, charges, losses, damages and expenses which they or any of them would otherwise be liable for or shall or may incur or sustain by reason of any act done or omitted in or about the execution of their duties in their respective offices, except such as they shall incur or sustain by or through their dishonesty, willful default or fraud.”); See also Sch. 2, s.16 FCA; On insurance of D&O of the PCF see Autonomous Projects, Referendum #1591 | Treasury Spend #157, 'Polkadot Community Foundation (PCF) - Proposal for Renewed Funding for One Year' (Polkadot OpenGov, 4 June 2025), <<https://polkadot.subsquare.io/referenda/1591>> accessed 15 October 2025.

## What are the duties of PCF Directors?

### Management and Control

Directors are responsible for managing and overseeing the business and affairs of the PCF. They may exercise all the powers of the company, except for those that the Articles or the Bylaws expressly reserve to the Tokenholders (through a Tokenholder Vote), the Supervisor(s), or any other designated persons or bodies.<sup>20</sup>

### Fiduciary

All the more so, Directors are required to comply with the PCF Legal Instruments and must always act in the best interests of the PCF and its purposes. This means that their decisions and actions should promote the company's goals rather than serve personal or external interests. Directors' duties are owed exclusively to the PCF. Fiduciary and statutory duties of the directors exist solely toward the PCF as a legal entity, and not toward individual participants or beneficiaries of the structure.<sup>21</sup>

### Financial and Accountability

Moreover, Directors have financial and accountability duties toward the PCF and its Supervisors. They must maintain accurate books of account reflecting all funds received, spent, or distributed, as well as the company's assets and liabilities, ensuring a true and fair view of its financial position.<sup>22</sup> These records must be kept at the registered office<sup>23</sup> and remain open to inspection by Supervisors, or any person granted access under the AOA.<sup>24</sup>

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20 s.16 AOA: ("16. Subject to these articles and the Bylaws (if any), the business and affairs of the Foundation Company shall be managed by or under the control of the directors, who may exercise all the powers of the Foundation Company other than those that are required by these articles or the Bylaws to be exercised by the Tokenholders by Tokenholder Vote, the supervisor(s) or others."); See management and control activities at ss. 17-22 AOA PCF.

21 ss.23 and 25 AOA: ("23. The directors shall observe these articles and the Bylaws, and shall at all times act in the interests of the Foundation Company and its objects."); ("25. The duties of the directors are owed to the Foundation Company only."); See also ss.3, 4(a) and 5.9 FCA: ("(3) Powers given by the constitution may be given for the benefit of the foundation company, for the benefit of the donee, or for any other purpose, and may be subject to any condition"); ("(4) Except as otherwise expressly provided by the constitution — (a) duties under the constitution are owed to the foundation company only; [...]"); ("5.9 The duties of the directors are owed to the foundation company only.");

22 s.24 AOA: ("24. The directors shall give to the supervisor(s) (or the persons who have the right to attend the general meeting) such reports, accounts, information and explanations concerning the business and affairs of the Foundation Company, and the discharge of the directors' duties and the exercise of their powers, as may be required by: (a) notice from the supervisor(s); or (b) an Ordinary Resolution of the Foundation Company.");

23 According to s.3 of the MOA, the registered office of the Foundation is situated at the offices of Crestbridge Cayman Limited of 3rd Floor, One Nexus Way, Camana Bay, PO Box 31243, Grand Cayman, KY1-1205, Cayman Islands.

24 ss.61 AOA: ("61. The directors shall cause proper books of account to be kept for: (a) all funds received, expended or distributed by the Foundation Company and the matters in respect of which the receipt or expenditure takes place; and (b) the assets and liabilities of the Foundation Company, and proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the Foundation Company's affairs and to explain its transactions. Such books shall be kept at the registered office or such other place as may be determined by the directors of the Foundation Company."); See also Sch. 2, s.13.1 FCA.



Additionally, Directors are required to provide reports, accounts, and explanations regarding the company's business, finances, and the performance of their duties whenever requested by the Supervisors or by the PCF.<sup>25</sup>

## Transparency

Furthermore, Directors have a duty of transparency and disclosure, requiring them to periodically publish public reports on the Foundation's activities. These reports must include transactions from the Foundation's multisignature account, the status of proposals, and the progress of approved initiatives, ensuring accountability and openness in the Foundation's operations.<sup>26</sup> According to Ref. 1591, the PCF will develop a centralized information hub that will serve as a repository for all proposals processed and successfully completed under PCF oversight, aimed at improving transparency.<sup>27</sup>

## Conflicts of Interest

What's more, Directors have a duty to disclose any direct or indirect interest in contracts or arrangements with the Foundation Company. They may provide a general notice covering potential future interests, and may generally vote on and be counted in the quorum for such matters. Directors may also hold other offices or professional roles with the Foundation, and contracts in which they have an interest are not automatically voidable, nor are they liable to account for profits arising from such contracts, provided their actions comply with the Bylaws and fiduciary duties.<sup>28</sup>

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25 ss.63 AOA: ("63. By notice to the Foundation Company, a supervisor may call for such reports, accounts, information and explanations from the directors as to the administration of the Foundation Company as are described in the notice."); See also Sch. 2, s.13.3 FCA: ("13.3 By notice to the foundation company the founder or a supervisor may call for such reports, accounts, information and explanations from the directors as to the administration of the foundation company as are described in the notice.").

26 s.6(g) Bylaws: ("(g) The Foundation will, at a cadence reasonably determined by the Foundation Directors, make publicly available transparency reports detailing the Foundation's activities including but not limited to transactions out of the Foundation Multisig, any status of Proposals, and ongoing efforts of the Foundation to effectuate approved Proposals.").

27 Autonomous Projects, Referendum #1591 | Treasury Spend #157, 'Polkadot Community Foundation (PCF) - Proposal for Renewed Funding for One Year' (Polkadot OpenGov, 4 June 2025), <<https://polkadot.subsquare.io/referenda/1591>> accessed 15 October 2025.

28 s.27-29 AOA: ("27. Subject to the Bylaws (if any): (a) a director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Foundation Company shall declare the nature of his interest at a meeting of the directors; (b) a general notice given to the directors by any director to the effect that he is to be regarded as interested in any contract or other arrangement which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made; and (c) a director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration. 28. A director may hold any other office or place of profit under the Foundation Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the directors may determine and no director or intending director shall be disqualified by his office from contracting with the Foundation Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Foundation Company in which any director is



Directors must identify, disclose, and manage potential conflicts arising from their own, family members', or controlled entities' transactions. They must recuse themselves or issue a Conflict Notice when a potential conflict exists. Non-conflicted Directors evaluate the notice, vote on whether a conflict exists, and, if approved, ensure the transaction is fair and in the Foundation's best interests, documenting all deliberations. Directors must also quarterly disclose net trading activity and long-term positions in Tokens or digital assets to prevent trading on non-public information.<sup>29</sup>

### Legal and Regulatory Compliance

Notably, Directors must comply with the Bylaws to the extent permitted by the Memo and the Cayman Islands law ("**PCF Regulatory Framework**"), ensuring that such compliance does not exceed the Foundation's legal or financial capacity.<sup>30</sup>

In the same vein, Directors have compliance and anti-money-laundering duties to ensure that the PCF cooperates by providing any information required under the Proceeds of Crime Act (2025 Revision), the Terrorism Act (2018 Revision), and the Anti-Money Laundering Regulations (2025 Revision). They must ensure that no asset contribution is accepted without the secretary's prior clearance under applicable regulatory laws. In essence, the Directors are responsible for ensuring full compliance with financial crime legislation, protecting the Foundation from unlawful transactions and guaranteeing that all contributions meet regulatory standards.<sup>31</sup>

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in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Foundation Company for any profit realised by any such contract or arrangement by reason of such director holding that office or of the fiduciary relation thereby established. Subject to the Bylaws (if any), a director, notwithstanding his interest, may be counted in the quorum present at any meeting of the directors whereat he or any other director is appointed to hold any such office or place of profit under the Foundation Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement. 29. Any director may act by himself or his firm in a professional capacity for the Foundation Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a director; provided that nothing herein contained shall authorise a director or his firm to act as auditor to the Foundation Company.").

29 s.8 Bylaws: ("Directors must identify, disclose, and manage potential conflicts arising from their own, family members', or controlled entities' transactions. They must recuse themselves or issue a Conflict Notice when a potential conflict exists. Non-conflicted Directors evaluate the notice, vote on whether a conflict exists, and, if approved, ensure the transaction is fair and in the Foundation's best interests, documenting all deliberations. Directors must also quarterly disclose net trading activity and long-term positions in Tokens or digital assets to prevent trading on non-public information.").

30 s.12(2) FCA: ("(2) Directors, officers and their delegates, and any others who have duties or powers under the constitution, shall comply with applicable provisions of the bylaws, so far as that is possible and consistent with the constitution and the law, and the foundation company is able to meet the liabilities relating to such compliance.").

31 s.17(1) FCA: "(1) A foundation company — (a) shall ensure the foundation company, and its directors, officers, and interested persons give information concerning the foundation company that its secretary may reasonably require to comply with the following Acts and Regulations — (i) the Proceeds of Crime Act (2025 Revision); (ii) the Terrorism Act (2018 Revision); and (iii) the Anti-Money Laundering Regulations (2025 Revision); and (b) shall not accept an asset contribution that is gratuitous or is in consideration of a share issue unless its secretary has given the foundation company a notice that there appears to be no objection under those Acts and Regulations to the acceptance.").

## Audit

Equally important, Directors have a duty of cooperation and transparency in facilitating the audit process, ensuring that the auditor has unrestricted access to all necessary information and can verify the Foundation Company's financial integrity without interference.<sup>32</sup>

## What liabilities may Directors have?

Directors have a legal liability for ensuring that the Foundation Company does not make prohibited distributions. If a Director knowingly and willfully authorizes or allows such a distribution, they commit an offence and may face a maximum fine of \$15,000.00, imprisonment for up to five years, or both. The Foundation itself is also liable to a maximum fine of \$15,000.00.<sup>33</sup>

Directors are protected from personal liability for any actions, costs, losses, or damages arising from the performance of their official duties. This indemnification is provided by the Foundation's assets, meaning that Directors are not personally financially responsible for mistakes or losses incurred in good faith. However, this protection does not apply in cases of dishonesty, willful default, or fraud, where Directors may still be held personally liable.

## Particular Issues – Appointment of Directors

### Is the appointment of a specifically designated DOT Director required?

**NO.** Neither the PCF Legal Instruments nor the PCF Regulatory Framework require the appointment of a specifically designated DOT Director for the PCF to be operational. It is also not mandatory that the minimum required director be a DOT Director. The binding requirement is that the PCF must at all times maintain at least one director in office—whether DOT or Non-DOT—to ensure continuity in management and operations.

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32 s.66 AOA: "Every auditor shall have a right of access at all times in ordinary business hours to the books of account of the Foundation Company and shall be entitled to require from the directors and officers of the Foundation Company such information and explanation, and access to vouchers and other documents, as the auditor considers necessary for the performance of the auditor's duties."); See also Sch. 2, s.14.2.

33 s.8 MOA: ("8. No portion of the income or property of the Foundation Company from whatever place or source shall be paid or transferred directly or indirectly by way of dividend, bonus or otherwise by way of distribution of profit to the members, directors or supervisors of the Foundation Company, as such, apart from authorised remuneration for services to the Foundation Company."); s.15(3) FCA: ("(3) If a director or manager of a foundation company knowingly and wilfully authorises or permits a prohibited distribution, the director or manager commits an offence and is liable to a maximum fine of fifteen thousand dollars and to imprisonment for five years, or both, and the foundation company commits an offence and is liable to a maximum fine of fifteen thousand dollars.").

## Is the appointment of DOT Directors important?

**YES.** The significance of the appointment of DOT Directors lies in their representative function on behalf of the Tokenholders, serving as the direct link between Polkadot's decentralized community and the centralized management of the PCF.

## What remedies are available to Tokenholders concerning the appointment of DOT Directors?

Tokenholders have the authority to appoint and replace DOT Directors through a Tokenholder Vote. However, given their lack of presence on the Board, their ability to influence decisions is currently limited. Tokenholders must rely on governance mechanisms and engage the Board through other forms of communication to ensure representation and accountability. While they cannot directly remove PCF Directors without cause, Tokenholders may trigger removal procedures for valid reasons under the AOA, including breaches of fiduciary duties, failure to disclose conflicts of interest, or actions contrary to the Foundation's best interests. These tools allow Tokenholders to exercise oversight and encourage Board responsiveness.

## Conclusion

The appointment and active participation of DOT Directors is essential to bridging the decentralized Polkadot community with the centralized management of the PCF. The current governance challenge—where Tokenholders lack presence on the Board—heightens the importance of DOT Directors as representatives of the community. Directors hold broad powers and responsibilities and they are indemnified for actions taken in good faith but remain liable for dishonesty, willful default, or fraud. Ensuring timely appointment and engagement of DOT Directors strengthens decision-making, and preserves stakeholder confidence, ultimately supporting the PCF's mission and long-term sustainability.