



## INVESTMENT POLICY STATEMENT

### PURPOSE

This Policy outlines the investment goals and guidelines for Foundation for a Smoke-Free World, Inc. (the “Foundation”). The Investment Committee of the Board of Directors of the Foundation oversees investments for the benefit of the Foundation. The goal of the investment program is to preserve and when possible enhance the Foundation’s portfolio through total return (capital appreciation and income), in order to meet the current and future spending objectives of the Foundation.

### ROLES AND RESPONSIBILITIES

The day-to-day management of the Foundation’s funds is the responsibility of the Foundation’s Chief Financial Officer (“CFO”), who shall follow the policies set by the Board.

### TIME HORIZON

The end of the Foundation’s current time horizon is December 31, 2030. At first, the Foundation’s investments will be highly liquid and short-term. Initially, the Foundation will have two distinct portfolios, an Operating Portfolio and a Reserve Portfolio. Until such time as the Board of Directors determines otherwise, the Investment Manager of the Operating and Reserve Portfolios will be the CFO. It is anticipated that over time the size of the Reserve Portfolio may well exceed the Foundation’s anticipated short-term needs, at which time a third distinct portfolio may be created for assets to be invested with a longer-term time horizon.

### OPERATING PORTFOLIO

**Purpose:** To provide the resources projected to meet all budgeted operating expenses and grants on a current basis. The goal is to maintain an ongoing balance equal to between six and twelve months of ongoing budgeted operating expenses and grants. Money in excess of this amount may be considered for movement into the Reserve Portfolio on a quarterly basis.

**Investment Objectives:** Preserve value, minimize risk.

**Investment Guidelines:** Cash and cash equivalent investments protected by federal guarantees or federally backed guarantees.

### RESERVE PORTFOLIO

**Purpose:** To maintain sufficient funds to meet the future expenditures of the Foundation over a two- or three-year horizon.

**Investment Objectives:** Preserve the buying power of the portfolio striving for a total return equal to or greater than the rate of inflation.

**Investment Guidelines:** Use cost-effective arrangements with financial institutions for account management, transactions and investment advice appropriate to the investment strategy. A conservative mix of cash and cash equivalents together with mutual funds, ETFs and high quality US and corporate bond funds.

### SPENDING OBJECTIVE

Initially it is anticipated the Foundation will spend most of the assets it holds in any given year. Assets not spent will be held in the Reserve Portfolio.

### RESPONSIBILITIES OF THE INVESTMENT COMMITTEE

- Develop sound and consistent investment policy guidelines for approval by the Board.
- Monitor the hiring and performance of qualified Investment Manager or Managers.
- Monitor implementation of this Policy to ensure that investment decisions are in line with its goals.
- Monitor and evaluate performance results to ensure that guidelines are being followed and objectives met. Review quarterly reports of portfolio results.
- Comply with all applicable principles of the Prudent Person Standard.
- Monitor the selection of one or more suitable Custodians to provide safekeeping for all Foundation assets and provide monthly details of all transactions to the Investment Committee.
- Annually review and propose to the Board any revisions to this Policy.

### ADDITIONAL RESPONSIBILITIES OF THE INVESTMENT COMMITTEE WHEN THERE IS ONE OR MORE INVESTMENT MANAGERS

- Review quarterly reports and notable market observations by the Investment Manager(s), and meet at least annually with the Investment Manager(s) to perform a formal review.
- Replace an Investment Manager for failure to perform as expected or when changes in investment policy guidelines indicate that a change in Investment Manager is appropriate. No prior notice is required to terminate the Investment Manager from its role.
- Delegate selection of specific investments and securities to the Investment Manager(s).
- The Investment Manager(s) can provide custody of assets if deemed appropriate by the Investment Committee.

### MINIMUM RESPONSIBILITIES OF AN INVESTMENT MANAGER

- Acknowledge in writing acceptance of its responsibility as a Fiduciary.
- Manage the Portfolios in accordance with the investment guidelines, limitations, and restrictions set forth in this Policy. Ensure that all investment strategies and other services retained on behalf of the Foundation are consistent with the Foundation's objectives.
- Make all investment decisions on a discretionary basis regarding assets placed under its jurisdiction. Such discretion shall include decisions to buy, hold, and sell securities in amounts and proportions that reflect the Investment Manager's current investment strategy and are compatible with the Foundation's investment guidelines.

- Provide the CFO with quarterly investment reports and notable market observations, in light of stated objectives of this Policy. Measure performance in terms of total return in comparison to appropriate indices and risk-allocation benchmarks.
- Keep the CFO informed on a timely basis of major changes in the Investment Manager's investment outlook, investment strategy, asset allocation, and other matters affecting its investment policies or philosophy.
- Promptly inform the CFO in writing of any significant changes in the ownership, organizational structure, financial condition, or senior staffing of the Investment Manager's firm.
- Conduct, at a minimum, annual meetings to formally review the Portfolios.
- Distribute information to assist the CFO and Investment Committee in conducting a timely evaluation of the Investment Manager's performance.
- Conduct a detailed Asset Allocation Study as and when deemed necessary by the CFO. The Asset Allocation Study shall examine all relevant and appropriate asset classes available to the Foundation and propose an appropriate mix of asset classes.

### PROHIBITED INVESTMENTS

The Portfolios are prohibited from investing in any companies the principal products of which are based on tobacco or pharmaceuticals in private placements or unregistered or restricted stock.

### DEFINITIONS

**Fiduciary** shall mean an organization, individual, or group of individuals having duties involving good faith, trust, diligence, and due care, which duties may sometimes include the exercise of discretionary authority or control over Foundation management, or authority or control over management's disposition or administration of Foundation's assets.

**Investment Manager** shall mean any outside organization or individual with whom the Foundation contracts to provide investment advisory services, including the purchase and sale of securities on behalf of the Foundation, in accordance with a stated investment style.

**Custodian** shall mean any organization employed to hold in safekeeping Foundation assets such as equities and bonds. Custodial arrangements may be tailored to the requirements of the Foundation and may include the settlement of any purchases and sales of securities effected for the Foundation, the collection of information on, and income from such assets, the performance of foreign exchange transactions where required, and periodic reporting on assets in custody.

**Prudent Person Standard** shall mean the investments are to be made consistent with the safeguards and diversity to which a prudent investor would adhere, *i.e.*, exercising judgment and care, under the circumstances prevailing, which people of ordinary prudence would employ in the management of their own affairs, not in regard to speculation, but to the permanent disposition of their funds, considering both income and safety of capital.