

## Foundation for a Smoke-Free World, Inc.

### Minutes of a Special Meeting of the Board of Directors

January 23, 2018

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A meeting of the board of directors (the “*Board*”) of Foundation for a Smoke-Free World, Inc., a Delaware Foundation (the “*Foundation*”), was held by telephone on January 23, 2018.

The following directors participated:

Dyborn Chibonga  
Zoe Feldman  
Lisa Gable  
Michael Sagner  
Derek Yach

The following Foundation officers participated:

Tom Harding, Chief Administrative Officer and Chief Financial Officer  
Elizabeth Thompson, Vice President  
Elizabeth A. Smith, Secretary

The following legal counsel participated:

Edward J. Beckwith and Patrick Muldowney, both of Baker & Hostetler LLP

Dr. Yach chaired the meeting and called the meeting to order at 12:00 PM EST. Ms. Smith confirmed that Notice of the meeting had been duly given and that a quorum was present.

#### **[Board Action 2018:1:1] Approval of Previous Minutes**

Ms. Smith noted that draft minutes of the prior Board meeting were previously circulated. She asked if there were any questions or corrections with respect to the minutes.

Upon motions duly made, seconded and unanimously carried, the Board adopted the following resolution:

**RESOLVED**, that the Minutes of the Meeting of the Board held by telephone on December 28, 2017, be, and they hereby are, approved and adopted.

#### **[Board Action 2018:1:2] Election of Directors**

Dr. Yach shared that Marian Jacobs and Martin Skancke have both agreed to join the Board. Mr. Skancke has a strong background in finance and investment. Dr. Jacobs is a global leader in clinical and child health and R&D.

Upon motions duly made, seconded and unanimously carried, the Board adopted the following resolution:

**RESOLVED**, that Marian Jacobs and Martin Skancke be, and they hereby are, elected to service as Directors of the Foundation.

### **Foundation Policies**

Mr. Beckwith provided a short overview concerning the roles of the Board and the staff of the Foundation. He then discussed several Foundation Policies, noting that the Board will adopt these policies and it is the Board's responsibility to ensure that the Foundation follows the policies. Mr. Beckwith noted that the Compensation Policy adopted by the Board initially defined "key employee" for the purposes of imposing certain restrictions as employees earning a salary of \$150,000 or higher. Now that a ladder of roles and responsibilities has been established, Mr. Beckwith suggested that a better demarcation point would be \$250,000 which would allow more flexibility in onboarding staff.

### **[Board Action 2018:1:3] Adoption of Compensation Policy Amendment**

Upon motions duly made, seconded and unanimously carried, the Board adopted the following resolution:

**RESOLVED**, that Section I. C. 1. of the Compensation Policy of the Foundation is hereby amended by deleting each reference to the amount of "\$150,000" and replacing each such reference with the amount of "\$250,000" so that, as amended, Section I. C. 1. of the Policy reads as follows:

*"\$250,000 Threshold.* The individual receives reportable compensation from the Foundation and all related organizations in excess of \$250,000 for the calendar year ending with or within the Foundation's tax year; and... ." (Footnote omitted.)

### **Board Honoraria and Reimbursement**

Ms. Gable provided an overview of a market study completed by Quatt regarding board honoraria and reimbursement. Quatt endeavored to find plausible comparators to the Foundation for its market study. While many NGOs and non-profits do not compensate board members, Quatt has noted that the Foundation is recruiting primarily from the medical community, that it is leanly staffed and that there is a relatively small board that will be required to engage in Foundation matters frequently and substantively. Quatt has found that similar organizations do pay reasonable amounts to their Board members based on time away from primary employment and on the responsibilities of the Board members. To best determine a reasonable amount, Board members will be asked to document what they do in connection with Board activities on a contemporaneous basis. The Compensation Committee plans to propose honoraria and reimbursement guidelines before the March Board meeting. The Compensation Committee will likely propose a list of assumptions and honoraria amounts based on those assumptions, with such assumptions and amounts to be reviewed after two years. Mr. Beckwith noted that the policy could be adopted in March and could be retroactive to January 1, 2018.

## **Employee Handbook**

Dr. Yach highlighted three key items in the proposed Employee Handbook: (1) a strong focus on the prohibition of sexual and other forms of harassment; (2) the importance of information and data management and particularly on data security; and (3) the tobacco policy which prohibits smoking in the workplace and to which Dr. Yach proposed to add assistance with quitting smoking. Dr. Yach then ask Mr. Muldowney to comment on how to bring the Handbook to life on a regular basis with the staff.

Mr. Muldowney suggested periodic refresher trainings and periodic highlighting of specific policies, for example, at staff meetings. The Handbook may be revised from time to time as the Foundation grows or laws change, which will also be an opportunity to call attention to the handbook.

Mr. Chibonga asked for clarification regarding the policy on unauthorized overtime. Mr. Muldowney described the policy, which requires employees to obtain permission before working overtime. U.S. law provides that any non-exempt employee who works more than 40 hours in a week must be paid time and half for that overtime, whether or not the overtime has been authorized.

### **[Board Action 2018:1:4] Adoption of Employee Handbook**

Upon motions duly made, seconded and unanimously carried, the Board adopted the following resolutions:

**RESOLVED**, that the TriNet Employee Handbook and the Foundation’s Supplemental Employee Handbook be, and hereby are, authorized, approved and adopted in all respects.

### **Policy for Interacting with Third Parties**

Ms. Smith described the Policy for Interacting with Third Parties. These guidelines follow the standards found in the Certificate of Incorporation and Bylaws of the Foundation and underscore the Foundation’s independence and transparency. The Policy articulates that the Foundation will report all grants and intends to publish the results of research performed by its grantees regardless of the impact of such research on any third party. Once approved, the policy will be posted on the website. A specific policy to limit and catalogue any interaction with Philip Morris International (“*PMI*”) is also being drafted for future Board review and approval.

### **[Board Action 2018:1:5] Adoption of Policy for Interacting with Third Parties**

Upon motions duly made, seconded and unanimously carried, the Board adopted the following resolutions:

**RESOLVED**, that the Guidelines for Interacting with Third Parties of the Foundation be, and hereby are, authorized, approved and adopted in all respects.

## **Policies and Procedures for Grant Making**

Mr. Beckwith commented on the draft of the Policies and Procedures for Grantmaking. This is an important legal and technical area. Given the legal status of the Foundation, it is critical that the requirements and limitations imposed by U.S. tax law be carefully and accurately followed at all times. The procedures are designed to keep both the Foundation and its grantees within safe boundaries. Each Board member has experience in the area and input was requested on what grant review and approvals will be required at the Board level and what reviews should be delegated to the staff.

Dr. Yach commented that the Policies and Procedures for Grantmaking will need to include strong bioethics guidelines, particularly as it pertains to harm reduction.

Mr. Beckwith noted the Grantmaking Policy would serve as informal guidance until finalized and adopted by the Board. He noted an investment policy and asset control policy also were being prepared and should be available for Board review prior to the meeting in March.

## **Financial Report**

Mr. Harding called the Board's attention to the Financial Report. The Foundation has received the initial pledge of \$80M from PMI. It is invested in short-term securities and is 100% liquid. An initial meeting was held with Ernst & Young and a statement of work is in place. It has been determined that the Foundation will not need an audit for the short year in 2017. Going forward, audited financials will be required and prepared by E&Y, subject to the approval by the Audit Committee. Comprehensive insurance coverage is in place, including Directors & Officers' insurance. Financial controls have been implemented and Foundation staff are already fully engaged in planning the 2018 budget. More about the 2018 budget will be provided at the Board meeting in March.

## **President's Report**

Dr. Yach then moved to the President's report. He reminded the Board that the Bylaws and Certificate of Incorporation are on the Foundation's website and included in the materials circulated prior to the meeting, along with the Pledge Agreement. The Pledge Agreement is robust and obligates PMI to contribute \$80M to the Foundation each year for 12 years regardless of how much money the Foundation spends each year. Immediately after the Pledge Agreement was signed, the money was wired to the Foundation's account.

Dr. Yach called the Board's attention to an organizational chart. He noted great progress has been made with onboarding staff and setting up lines of reporting and responsibility. Elizabeth Thompson, Vice President of Strategic Partnerships, is on board and will be serving as the Board liaison. One gap in the organizational chart will be filled by a senior epidemiologist, either one who is hired internally or accessed through a formal relationship with an epidemiology group. Over the next week, the staff will start fleshing out roles and responsibilities.

The Foundation has received more than 60 letters of intent. The quality of the proposals is very high. The health applicants will be gathering in Bethesda in late February. The agricultural

applicants will meet in Malawi and Cape Town in early March. The Foundation also has received several unsolicited proposals.

Dr. Yach then moved to the draft results from the Foundation's worldwide survey. The survey reveals a number of surprises. First, there is great diversity in the way that people use tobacco. Traditional box cigarettes only account for about 75% of cigarette use (25% of smokers using hand-rolled cigarettes), with that number even lower in the UK and New Zealand, probably due to the cost of traditional cigarettes. Second, smokers use health services less than non-smokers, either because they are avoiding going to the doctor or due to their personal circumstances and class. Third, the perception that taxes and nicotine replacement work as a means of smoking cessation is not borne out. Finally, 40-45% believe that e-cigarettes are causes of cancer and heart disease. In sum, there is great variation based on socio-economic class, exposure to media and governmental policies.

Dr. Yach then turned to a strategic plan for the Foundation. The staff will be meeting to begin a strategic planning process and Dr. Yach plans to have a full report ready for the next Board meeting. He requested input from the Board on how best to proceed, particularly with regard to projects and actions which will demonstrate early positive results. Ms. Gable commented that the staff structure is emerging and that it will be important to set quantitative metrics to help evaluate progress.

Ms. Smith informed the Board that the next meeting will be in-person on March 22, 2018.

There being no more business before the Board, the meeting was adjourned.

**IN WITNESS WHEREOF**, I, the undersigned Secretary of Foundation for a Smoke-Free World, Inc., have duly attested to these Minutes of a Special Meeting of the Board of Directors of Foundation for a Smoke-Free World, Inc., effective as of January 23, 2018.

**By Order of the Board:**

  
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**Elizabeth A. Smith**  
Secretary

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