

Foundation for a Smoke-Free World, Inc.

Minutes of a Special Meeting of the Board of Directors

April 23, 2018

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 April 23, 2018.

The following directors participated:

Dyborn Chibonga
Zoe Feldman
Lisa Gable
Andrew MacLeod
Pamela Parizek
Martin Skancke
Derek Yach

The following Foundation staff participated:

Tom Harding, Chief Administrative Officer and Chief Financial Officer
Farhad Riahi, Chief Health, Science, and Technology Officer
Heather Majewski, Vice President, Global Services
Mica Wilson, Vice President, Marketing and Communications
Elizabeth A. Smith, Secretary

The following legal counsel participated:

Edward J. Beckwith and Naomi Meisels, both of Baker & Hostetler LLP

Ms. Gable chaired the meeting. Ms. Smith called the meeting to order at 10:30 AM EDT. Ms. Smith confirmed that Notice of the meeting had been duly given and that a quorum was present.

[Board Action 2018:3:1] Approval of Consent Agenda

Ms. Smith noted that the Consent Agenda and the back-up documentation for the Consent Agenda items were distributed to the directors prior to the Board meeting. The Consent Agenda included the following three items: (1) Approval of the Minutes of the Meeting of the Board held on March 22, 2018, which were previously circulated and reviewed by the Board; (2) Confirmation of the title of Dr. Riahi as “Chief Health, Science, and Technology Officer” of the Foundation; and (3) Approval of the amendment of the Foundation’s Board Governance Policy to provide that any director of the Foundation who is also a member of the Foundation’s staff, will forego any honorarium for such director’s service on the Board.

Ms. Smith asked if there were any questions or objections to the approval of the Consent Agenda items.

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

RESOLVED, that the Consent Agenda items be, and they hereby are, approved and adopted.

Opening Remarks

The Chair welcomed everyone and expressed her appreciation and gratitude to the directors and Foundation staff for their hard work and efforts over the past few weeks on Board Committee matters, particularly given that the Board met only a month earlier. The Chair remarked that much was accomplished in a very short period and that the Board will have an opportunity to hear reports from the Board Committees later in the meeting. The Chair concluded her remarks by noting that after this meeting, the Board Committees are expected to establish a quarterly meeting schedule.

President's Report

Dr. Yach provided a report on key strategic items. He reported the Foundation intends to focus, at first, on the data received from its global poll which surveyed smoking behaviors in thirteen (13) countries. The Foundation will analyze the data at the country level with additional analyses reflecting local national issues. The Foundation also is focused on emerging RFPs designed to support major centers in several countries and to provide high-level scientific support to further research on: (1) biomarkers; (2) an index and process to assess industry transformation; and (3) the challenges to ending smoking and the impact of vaping in children.

Dr. Yach informed the Board that Ms. Majewski is the designated liaison with the Board. He shared that the Foundation staff continues to grow and that David Janazzo recently joined the Foundation as Director of Finance. Mr. Harding shared that Mr. Janazzo previously worked at Time Warner in financial planning and at Merrill Lynch and has a MS in electrical engineering from Stanford University and a MBA from Wharton.

Board Fiduciary Responsibility Refresher

The Chair then called on Mr. Beckwith to provide the Board with a brief review of their legal and fiduciary obligations and responsibilities. Mr. Beckwith noted that an in-depth presentation was provided, along with a full slide presentation, during the inaugural meeting of the Board on November 3, 2017. However, it was felt a review was in order given that several new directors did not have the benefit of hearing the presentation, and that many Board members are from different jurisdictions and may not be familiar with U.S. law.

Mr. Beckwith turned to the slide presentation and explained that the materials are intended to highlight best practices as well as the restrictions and limitations imposed on a private foundation. He emphasized the importance of U.S. federal law as well as state law, including Delaware where the Foundation was formed and New York where the Foundation operates.

Mr. Beckwith also reminded the Board of the importance of being mindful of foreign laws since the Foundation will be operating in several different jurisdictions.

Mr. Beckwith reminded the Board that the Foundation operates in a regulated area, with rules that must be followed and boundaries that must be respected. As the Foundation put its infrastructure in place, it has adopted a range of policies to ensure that those rules and boundaries are followed. The Foundation also has a strict conflict of interest policy, included directly in its Bylaws, that is critically important for all to understand and to follow.

Mr. Beckwith explained that in a U.S. corporate structure, the board sets the policies and rules, adopts the budget and engages in oversight of staff. The staff implements the policies the board establishes and runs the day-to-day operations. The interaction, for the most part, between the board and staff should be between the board chair and the chief executive officer.

Mr. Beckwith reminded everyone that any questions regarding the collaborative relationship between the Board and the Foundation staff or regarding any of the Foundation policies should be directed to Mr. Harding, as the Chief Administrative Officer/Chief Financial Officer, or to Ms. Smith, as the Secretary of the Foundation. It is expected that senior Foundation staff will be in regular contact with Committee Chairs.

Mr. Beckwith emphasized that the duties of a director are strict and include the duty of care, the duty of loyalty and the duty of fidelity. He also addressed the unique operating restrictions applicable to private foundations, including the self-dealing rules, and the requirements for certain grant-making procedures. He concluded by reminding the Board that the Foundation's counselors are always ready to assist with any questions the Board may have regarding its responsibilities.

At 11:07AM EDT, Mr. Chibonga joined the meeting by telephone.

Board Governance Committee Report

Mr. Macleod reported the President of the Foundation has confirmed the Foundation is in full compliance with the Foundation's HR policies and procedures.

Mr. MacLeod noted the Board Governance Committee agreed that along with confirming each director's time commitment, other factors, such as the quality of Board engagement, should be taken into account for Board evaluation purposes. He expects the Committee will draft and circulate a matrix of Board member skills and geographical knowledge to assure the Committee can address any gaps and unmet needs at the Board level. The objective is to have two new directors by the November 2018 Board meeting to add depth and breadth to the Board.

Mr. MacLeod noted background checks were currently being conducted on Board members and will be conducted on any new Board member as well. The Committee has agreed to convene quarterly and will have ad hoc meetings as necessary. Ms. Parizek has agreed to join the Committee.

Audit Committee Report

Ms. Parizek explained the Audit Committee's scope of responsibilities include: (1) approving the auditors; (2) reviewing the Foundation's Form 990-PF and any state return filings; (3) overseeing the implementation of the Foundation's policies; and (4) monitoring the Foundation's conflict of interest policy.

Drafts of the 2017 Form 990-PF and NY Form CHAR500 were prepared by E&Y, the Foundation's accountants, and were provided to the Board in advance of the meeting. The returns covered the stub period from the Foundation's incorporation on September 8, 2017 until the end of the calendar year. Given the short reporting period, the returns were less complex than can be expected for future years.

Ms. Parizek informed the Board that after reviewing the Forms 990-PF and CHAR500 and receiving a high-level executive summary from Mr. Harding, the Committee recommended the Board approve the filing of the returns. Ms. Parizek noted the Foundation received \$4.5 million in funding in mid-October 2017 and the administrative costs for the Foundation in 2017 were higher than usual due to the start-up costs of the Foundation.

[Board Action 2018:3:2] Approval to File 2017 Form 990-PF and Form CHAR500

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

RESOLVED, that the officers of the Foundation are authorized and directed to file: (1) the 2017 Form 990-PF, *Return of Private Foundation*, with the Internal Revenue Service; and (2) the 2017 Form CHAR500, *NYS Annual Filing for Charitable Organizations*, with the NYS Office of the Attorney General, Charities Bureau Registration Section.

A discussion then ensued among the Board members regarding what expenditures might be appropriately incurred by the staff without Board approval. In the Chair's view, three types of expenditures should be the subject of Board review: (1) scoping grants; (2) sponsorships with academic institutions; and (3) research grants. The Board recognized that often the amount of the expenditure may not be significant enough to warrant full Board approval. The Board agreed to continue the discussion after the scoping grants presentation to better place the discussion in context.

Communications Committee Report

Mr. MacLeod reported the Communication Committee meeting was productive and he asked Ms. Wilson to provide a high-level update. Ms. Wilson summarized the 2018 communication initiatives of the Foundation including: (1) sharing the global poll results country by country; (2) using social and digital media to increase global awareness and interest in the Foundation's mission; (3) establishing a strong thought leadership program; and (4) providing support to the Health, Science, and Technology and the Agriculture and Livelihood teams.

Scientific Audit and Strategic Planning Committee Report

Health, Science, and Technology Scoping Grants

Dr. Yach provided an overview of the grant proposals received for Health, Science, and Technology research scoping work. Of the fifty-six (56) proposals received, fifteen (15) were rejected and forty-one (41) were recommended for detailed review. Of those forty-one (41) proposals, thirteen (13) were recommended for funding, two (2) were provisionally recommended (with technical conditions) and three (3) were recommended with special circumstances since those grants would be longer-term strategic grants. The total amount of the final eighteen (18) grants recommended for funding and Board approval was U.S. \$2,383,124.

Dr. Yach explained that in the review process utilized to assess the grant proposals, each proposal is assigned to an internal and an external reviewer. These reviewers evaluate the proposals and provide feedback along with scoring sheets based on established scoring guidelines and criteria. Each proposal is then discussed by the Health, Science, and Grant Committee, taking into consideration the comments received from the reviewers. The Grant Committee then determines whether to recommend the grant to the Board. Dr. Yach informed the Board that a due diligence process is also in place to screen domestic and international grantee organizations and key individuals.

Dr. Riahi commented that the receipt of close to sixty (60) initial grant proposals reflected the strong interest grantees have in working with the Foundation on a range of key scientific topics. Dr. Riahi assured the Board that in parallel with the due diligence process, the Grant Committee will work with the grantees to provide detailed project descriptions and budgets. As a matter of process, the Board agreed to provisionally approve such grants subject to the grantees providing additional detail prior to funding.

[Board Action 2018:3:3] Approval of Health, Science, and Technology Scoping Grants

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

RESOLVED, that the Board approves and authorizes the Foundation, acting through its officers, to make the Scoping Grants recommended for funding by the Health, Science, and Technology Grant Committee, in the aggregate amount of U.S. \$2,383,124, provided that, prior to funding, additional detailed project information is provided by the grantees where necessary and subject to the satisfactory completion of background checks on the grantee organizations and key individuals.

Agriculture and Livelihood Scoping Grants

Dr. Yach explained the Foundation received a number of initial grant proposals, which were reduced to fifteen (15). The Foundation then conducted an intensive workshop in Cape Town to help shape the research agenda and ultimately six (6) grant proposals were selected for further action. The total amount of the six (6) grants recommended for funding and Board approval, by those on the Agriculture and Livelihood Grant Committee eligible to participate in the recommendation under the Foundation's internal policies and procedures, was \$552,315.

At this point, the Board returned to the discussion regarding the level of Foundation expenditures which will require Board approval. The Board determined it would be best to delegate the initial framing of the issue to a working group, under the auspices of the Audit Committee, to include Mr. MacLeod, Ms. Parizek, Mr. Skancke, Mr. Harding and Ms. Smith to review the categories of expenditures that the Foundation expects to have and provide needed clarity regarding the different types of expenditures. It is expected the working group will recommend different approval processes depending on the category and amount of the expenditure. Mr. Harding emphasized that E&Y will be consulted with respect to the classification of expenditures, and whether a given expenditure is considered a grant for U.S. tax purposes.

[Board Action 2018:3:4] Approval of Five (5) Agriculture and Livelihood Scoping Grants

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

RESOLVED, that the Board approves and authorizes the Foundation, acting through its officers, to make five (5) Agriculture and Livelihood Scoping Grants recommended for funding by the Agriculture and Livelihood Grant Committee, in the aggregate amount of U.S. \$452,555, subject to the satisfactory completion of background checks on the grantee organizations and key individuals.

Mr. Chibonga disconnected from the meeting at 12:30PM EDT and did not participate in the remainder of the meeting.

[Board Action 2018:3:5] Approval of Additional Scoping Grant

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

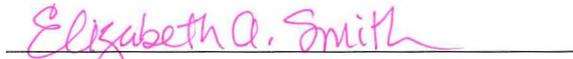
RESOLVED, that the Board approves and authorizes the Foundation, acting through its officers, to make an additional Scoping Grant recommended for funding by the Agriculture and Livelihood Grant Committee, in the amount of U.S. \$99,760, subject to the satisfactory completion of background checks on the grantee organization and key individuals.

Ms. Smith reminded the directors that the next Board meeting would be conducted by telephone and is scheduled for 11:30AM-1:30PM EDT on May 23, 2018. Ms. Smith informed the directors that notice of the meeting and a tentative agenda would be sent prior to the meeting.

There being no more business before the Board, the meeting was adjourned at 12:35PM EDT.

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 April 23, 2018.

By Order of the Board:



Elizabeth A. Smith

Secretary