

Foundation for a Smoke-Free World, Inc.

Minutes of a Special Meeting of the Board of Directors

November 12, 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 at the Corinthia Hotel – Mezzanine Floor, Codrington Room, Whitehall Place, London SW1A 2BD, UK, on November 12, 2018.

The following directors participated:

Dyborn Chibonga (who joined at 10:30 AM GMT)
Zoe Feldman
Paul Gardner
Darshita Gillies
Corinna Lathan
Andrew MacLeod
Pamela Parizek (who joined by video conference)
Martin Skancke
Derek Yach

The following guest was present:

Noriko Tojo

The following Foundation staff were present:

Tom Harding, Chief Administrative Officer and Chief Financial Officer
Farhad Riahi, Chief Health, Science and Technology Officer

The following legal counsel were present:

Elizabeth A. Smith, Secretary, together with Edward J. Beckwith and Naomi P. Meisels, all of Baker & Hostetler LLP

Mr. MacLeod chaired the meeting and called the meeting to order at 9:05 AM GMT. Ms. Smith confirmed that Notice of the meeting had been duly given and that a quorum was present.

[Board Action 2018:8:1] Election of Director

The Chair welcomed Noriko Tojo and shared that she has agreed to join the Board. Ms. Tojo is a graduate of the University of Tokyo (Bachelor of Laws) and Harvard Business School (MBA), and currently serves as the executive director of Otsuka Holdings Co., Ltd. and President and Representative Director of Otsuka Medical Devices Co., Ltd. Ms. Tojo has been

with Otsuka Holdings Co., Ltd. since 2008 and has held various management positions within the Otsuka group, including President and CEO of Otsuka America, Inc. and CEO of Pharmavite LLC.

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

RESOLVED, that Noriko Tojo be, and is hereby, elected to serve as Director of the Foundation.

[Board Action 2018:8:2] Establishment of Science and Technology Advisory Group (“STAG”) and Agriculture and Livelihoods Advisory Board (“ALAB”) and Approval of STAG and ALAB Charters

Dr. Yach then addressed the establishment of the Science and Technology Advisory Group (“*STAG*”) and the Agriculture and Livelihoods Advisory Board (“*ALAB*”) to assist the Foundation in assessing the quality of grant proposals and to provide the Foundation and the Board with independent non-binding recommendations, advice, and guidance with respect to the Foundation’s research and innovation activities in Health, Science and Technology, and Agriculture and Livelihoods, respectively. The STAG and ALAB members represent a diverse cross-section of independent experts in the fields of health, science, agriculture, technology, and policy whose careers demonstrate impact in their various fields of expertise.

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

RESOLVED, that the Board hereby establishes the Science and Technology Advisory Group and the Agriculture and Livelihoods Advisory Board;

RESOLVED, that the Board hereby approves the Charters for the Science and Technology Advisory Group and the Agriculture and Livelihoods Advisory Board.

[Board Action 2018:8:3] Approval of Consent Agenda

The Chair noted the Consent Agenda and the back-up documentation for the Consent Agenda were previously circulated and reviewed by the Board prior to the Board meeting. The Consent Agenda included the following three items: (1) Approval of the Minutes of Meetings of the Board held on September 6, 2018 and September 27, 2018, respectively; (2) Approval of an honorarium for Andrew MacLeod as Board Chair, pro-rated and retroactive to his date of election; and Approval of an honorarium for Pamela Parizek, the current Vice Chair and for Andrew MacLeod, the immediate past Vice Chair, respectively, pro-rated and retroactive to each of their dates of election, pursuant to the recommendations of the Board Governance Committee;

and (3) Approval of the committee assignments set forth in the Board Committee Chart, as amended.

The Board deferred the approval of an amendment to the Board Governance Policy and that item was removed from the Consent Agenda.

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

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

Opening Remarks

The Chair welcomed everyone and noted that after Dr. Yach's presentation on the Foundation's creation, progress, and immediate plans, the Board will engage in a workshop designed to acquaint Board members and develop effective communications between members.

Origins, Progress and Plans for the Foundation

The Chair acknowledged Dr. Yach, who gave a brief overview on the origins of the Foundation and its activities over the past year for the benefit of the newest members of the Board.

Dr. Yach reviewed the Foundation's plans and reported that research capacity is weak in countries where most of the world's smokers live and that 90% of all publicly funded research in areas of smoking cessation and harm reduction are funded by institutions in the U.S. and Europe. Dr. Yach addressed technology disruption that creates unprecedented opportunities for rapid progress in smoke cessation. Progress can be accelerated by addressing the misperception of risk and developing more effective and affordable smoking cessation products.

Dr. Yach then reported that the Foundation recently issued a Request for Proposal for a Smoke-Free Index that calls for proposals to develop and implement an index that would critically evaluate industry progress and assess actions taken to undermine progress toward a smoke-free world. Dr. Yach also shared that the Global Tobacco Harm Reduction Report was recently published by a grantee funded by the Foundation to positive reaction. The Foundation is also leading a global Foresight Initiative that will leverage strategic intelligence on the determinants, trends, and evolving science related to smoking to identify the most powerful levers of change able to accelerate an end to smoking.

Ms. Gillies raised the issue of environmental waste surrounding smoking cessation and reduced risk products, and Dr. Yach agreed that is a critical issue the Foundation should examine. The Foundation will draft a preliminary paper on the issue of environmental waste products in 2019.

The Board then discussed how best to communicate the Foundation's role and strategy. The Chair requested that Mr. Gardner and the Communications Committee provide guidance at the December Board meeting.

Ms. Feldman then requested that a central depository be created for all Foundation papers, reports and research.

Board Effectiveness Workshop

The Board engaged in a workshop led by Ms. Smith to facilitate better communications and improve the quality of interaction among Board members to optimize the time spent together and improve Board productivity and performance. The Board discussed and examined the qualities of an effective board, such as clarity of purpose and expectations, healthy communications, management of conflicts, and diverse perspectives.

At 10:30 AM GMT, Mr. Chibonga joined the meeting.

As part of the workshop, Mr. Beckwith briefly reviewed the legal and fiduciary obligations and responsibilities of Board members, including the duty of care and the duty of loyalty. Mr. Beckwith noted that materials describing the role of Board members and their various legal and fiduciary duties as well as the restrictions and limitations imposed on private foundations were presented at two prior Board meetings and would be recirculated to the Board for the benefit of the newest Board members.

Ms. Smith noted that board meeting assessments are valuable to ensure that meetings are effective, productive, and properly constructed. Ms. Parizek suggested that the Board provide informal feedback regarding the November meeting to the Chair of the Board Governance Committee, with a copy to the Board Chair, for use in planning the 2019 Board meetings.

President's Report

Dr. Yach reported and referred to the dashboard that provides a succinct overview of Foundation deliverables with status updates. Dr. Yach informed the Board that the HR Talent Director will begin next week and that the search for a Vice President of Policy and Advocacy is underway.

Dr. Yach requested Board input regarding the usefulness of the dashboard format. Mr. Skancke noted that the format is useful and suggested that reporting align with the Foundation's three-year strategic plan deliverables.

At 11:25 AM GMT, Mr. Harding joined the meeting.

Financial Report

Mr. Harding presented a summary of the Foundation's 2019 budget along with a comparison to the 2018 budget. Grant-making will significantly increase in 2019. Mr. Harding explained that a significant amount of the operating expense amount for 2019 includes expenses related to direct charitable activities conducted by the Foundation, such as expenses related to the Malawi Center, Foresight Initiative, and Cessation Report.

The Board then discussed the Foundation's 2019 budget and its operating expenses. The Board agreed that Mr. Harding would provide a detailed P&L statement to the Board Governance Chair, and the Board Governance Committee would then provide its

recommendations regarding the approval of the 2019 budget to the Board at the December Board meeting. It was also decided that Mr. Harding will distribute monthly financials for budget compliance to all Board members.

At 1:00 PM GMT, Dr. Riahi joined the meeting.

Ad Hoc Strategic Planning Committee Report

The final strategic plan for the Foundation for the three-year period 2019-2021 was previously circulated and reviewed by the Board. Mr. Skancke and Dr. Riahi reviewed the strategic planning process and most recent activities. In June, the Board reviewed a draft strategic plan, agreed with the strategic objectives, and approved the scope and focus of the plan. In September, the Board reviewed an updated draft strategic plan and approved the three-year objectives and priorities as well as the high-level implications for budget and headcount.

Ms. Parizek provided comments to Mr. Skancke and Dr. Riahi, which the Board agreed would be incorporated into the final strategic plan. In addition, the Board reviewed the risk register contained in the strategic plan and acknowledged that the register is intended to change as circumstances require. Ms. Gillies suggested that at each Board meeting, the Board review the (1) risk register; (2) dashboard, and (3) updated budget.

[Board Action 2018:8:4] Approval of Final Strategic Plan

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

RESOLVED, that the final strategic plan, with the revisions requested by the Board, is hereby approved and adopted.

[Board Action 2018:8:5] Approval of Protocol with Respect to HST Contractors with Potential, Actual or Appearance of, Conflicts of Interest

Dr. Yach informed the Board that the Protocol with Respect to HST Contractors with Potential, Actual, or Appearance of, Conflicts of Interest (the "Protocol") was drafted with input from the Chair, the Foundation's legal counsel and Foundation staff. The Foundation's strategy for achieving a smoke-free world is fundamentally one of ecosystem transformation. This requires being at the cutting-edge of science and technology in key areas of health and agriculture. The Foundation is dedicated to being thorough and thoughtful about how it works with past employees of industries relevant to its mission, such as the tobacco industry, so that it has access to the skills and experience necessary to drive its strategy, while at the same time protecting its scientific independence and its reputation. Former employees of tobacco, pharmaceutical, and alternative nicotine delivery system industries ("Target Industries"), who

demonstrate expertise in relevant scientific, technical, and clinical areas as well as a commitment to the Foundation's purposes and strategy can add value to the Foundation.

Under the Protocol, the following approach will be applied in vetting actual or potential conflicts of former employees of Target Industries:

(1) *Scope*: Former employees of the Target Industries will be subject to the Foundation's conflict of interest policy; (2) *Relevance*: Confirmation of both deep expertise and commitment to the purposes of the Foundation; (3) *Nature of Engagement*: both (i) time-bound consulting contracts with well-defined deliverables and (ii) research work must be relevant to cessation and harm reduction, not marketing, commercial issues or other areas with heightened risk of conflict of interest; (4) *Disclosures Required*: (i) past five years' of work for Target Industries and (ii) financial interests held directly or indirectly in companies in Target Industries; and (5) *Constraints Applied*: (i) no contracts with companies in Target Industries for the duration of the Foundation engagement; (ii) no trading on financial interests in Target Industries for the duration of the Foundation engagement plus three months; and (iii) in some cases, establishing a blind trust to hold Target Industry equity interests, as the situation may require.

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

RESOLVED, that the Protocol is hereby approved and adopted in principle, subject to Foundation senior management providing an implementation checklist and reasons for hire to the Board upon the proposed engagement of any former employee of a Target Industry.

Proposal to Engage HST Consultant

The Board discussed the proposal to engage a consultant for the HST team. The Board agreed to defer discussion and approval of the HST consultant engagement to the December Board meeting and requested that Drs. Yach and Riahi prepare and provide the Board with the structure and contractual details of the proposed engagement and that Mr. Gardner prepare a draft communication plan.

At 2:00 PM GMT, Ms. Smith and Dr. Riahi left the meeting. Mr. Beckwith served as Acting Secretary of the meeting for the remainder of the meeting.

Audit Committee Report

Ms. Parizek reminded the Board that to receive the next scheduled funding the Board must present a unanimous attestation to PMI Global Services, Inc. ("*PMI*") prior to January 15, 2019 that the Foundation has satisfied ten milestones enumerated in the Pledge Agreement for 2018. Ms. Parizek confirmed that Baker & Hostetler LLP prepared and reviewed the attestation at the Committee's request. Mr. Beckwith verbally certified, with the Board's endorsement, that the Foundation satisfied each of the ten milestones required to be satisfied under the Pledge Agreement. The Board members physically present at the meeting then signed the unanimous attestation.

[Board Action 2018:8:6] Authorization to Deliver Board Unanimous Attestation to PMI

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

RESOLVED, that Baker & Hostetler LLP, the Foundation's legal counsel, is authorized and directed to deliver the signed unanimous attestation of the Board to PMI after December 31, 2018 and prior to January 15, 2019.

Communications Committee

Mr. Gardner, the new Chair of the Committee, reported that he intends to revisit the Foundation's communication strategy and update where necessary.

Prior to moving into Executive Session, the Chair requested feedback on how he may improve his function as Chair and how to improve future Board meetings. The regular Board meeting adjourned at 2:20 PM GMT.

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 November 12, 2018.

By Order of the Board:



Elizabeth A. Smith
Secretary