

Foundation for a Smoke-Free World, Inc.

Minutes of a Special Meeting of the Board of Directors

February 12, 2019

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 February 12, 2019.

The following directors participated:

Dyborn Chibonga (who joined by telephone at 10:25AM EST)
Zoe Feldman
Paul Gardner
Darshita Gillies
Corinna Lathan
Pamela Parizek
Noriko Tojo
Derek Yach

The following guests were present for a part of the meeting:

Elizabeth P. Gray and Sarah Matlack Wastler of the law firm of Willkie Farr & Gallagher

The following Foundation staff participated:

Tom Harding, Chief Operating Officer and Chief Financial Officer
David Janazzo, Vice President, Industry Transformation and Finance
Brian Erkkila, Director of Regulatory Science

The following legal counsel were present:

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

Ms. Smith called the meeting to order at 9:37 AM EST and confirmed that Notice of the meeting had been duly given and that a quorum was present. Ms. Smith informed the Board that she received Mr. MacLeod's resignation from the Board the previous evening effective immediately. She reported that now that the Foundation's policies and infrastructure are in place and its 3-year Strategic Plan completed and with a fully engaged and deeply experienced Board ready to lead the Foundation, Mr. MacLeod is turning his full attention and considerable talents to the worldwide humanitarian concerns that have been central to his adult life.

Ms. Parizek, Vice-Chair of the Board, acted as Chair of the meeting.

President's Report

Dr. Yach reported on recent meetings in Switzerland and the District of Columbia with a diverse set of experts and government personnel with knowledge of the Foundation's work and the core scientific and public health issues at stake. Strong agreement emerged from those meetings around the following five priorities for the Foundation to conduct its mission:

- (1) Focus on expanding the Foundation's scientific output directly through reports and presentations. The Foundation is addressing this point through the requests for proposals that are in process. Also, recently released reports should be more effectively synthesized and disseminated;
- (2) Work closely with grantees of the Foundation to be the frontline Ambassadors, Allies and Advocates of the Foundation's work;
- (3) Complete work on the gaps in science and research capacity which undermine progress in smoking cessation and harm reduction. Ninety percent (90%) of all publicly funded cessation and harm reduction research is carried out in the U.S. and the U.K. – research capacity is weak in countries where most smokers live and it is critical that research be conducted in those countries to accelerate progress;
- (4) Create visual maps identifying the future of smoking, its effects in terms of death and disease and the smokers' needs and struggles; and
- (5) Limit responding to critics of the Foundation directly and instead build strong support outside of the traditional tobacco control world.

The Board expressed support for these five priorities and agreed that delivering strong research and scientific output is the most effective way to address any lingering concerns about the bona fides of the Foundation.

Audit Committee

As chair of the Audit Committee, Ms. Parizek introduced Ms. Gray and Ms. Wastler of Willkie Farr & Gallagher ("Willkie") to present a report regarding a Senior Staff travel expense audit conducted by Willkie. Ms. Gray and Ms. Wastler provided a summary of the audit methodology and presented the preliminary findings to the Board. Mr. Harding then summarized the Foundation's travel expense policy, its approval process and the internal controls that are in place.

At 10:10 AM EST, Ms. Gray and Ms. Wastler disconnected from the meeting and did not participate in the remainder of the meeting.

Health, Science and Technology Grant Committee

Smoke-Free Index[®]

The Foundation is poised to begin the execution phase of its Industry Transformation strategy. The first step will be the launch of the first Smoke-Free Index[®] by June 2020, with two annual updates in June 2021 and June 2022. The Smoke-Free Index[®] will provide quantifiable evidence of how companies are supporting industry transformation or impeding it. The Index will objectively measure the nature of the tobacco companies' allocation of capital, research and development, marketing, product sales, regional variations, production decisions and more. The objective is to incentivize scientific research and development for the advancement of product innovations for the benefit of public health and potentially millions of adult smokers, particularly in developing countries.

Mr. Janazzo described the extensive Request for Proposals process, the evaluation of the proposals both internally and with outside expert advisors and the detailed discussions with the two consulting firms selected: SustainAbility and Euromonitor. Mr. Janazzo reviewed the schedule of services and preliminary timeline and noted that SustainAbility and Euromonitor were strong in primarily complementary areas: stakeholder engagement, planning and program oversight for SustainAbility and heavy analytics for EuroMonitor. The Foundation expects both parties to collaborate, under the guidance of Mr. Janazzo as program leader, to successfully publish the first Smoke-Free Index[®] by June 2020. After the release of the initial Index, the Foundation will assess and evaluate the success of the project and identify best practices and areas of improvement which will inform process for the annual Index updates. The approximate cost of the two consulting agreements through 2022 is \$12 million.

Prior to the meeting, the Board was provided substantial background material with regard to the Smoke-Free Index[®] and the proposed consulting agreements.

At 10:26 AM EST, Mr. Chibonga joined the call by telephone.

[Board Action 2019:1:1] Approval of SustainAbility and Euromonitor Consulting Agreements

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

RESOLVED, that the Officers of the Foundation be, and each of them acting singly, hereby is authorized, directed and empowered to engage SustainAbility and Euromonitor, respectively, to complete the production of the first Smoke-Free Index[®] and two annual updates at a combined cost of approximately \$12 million, and to execute any agreement, certificates or other documents as may be necessary to carry out such engagement.

Health, Science, and Technology Grants

Dr. Yach, Mr. Janazzo and Dr. Erkkila presented the health, science and technology ("HST") grant applications for review and approval by the Board. The grant applications focus on

priority elements of the HST research agenda, as outlined in the Foundation’s Strategic Plan, and will expand the Foundation’s scientific output, the importance of which was highlighted by the President of the Foundation earlier in the meeting. The grantees include a range of institutions based in India, Italy, Germany, the U.K. and the U.S.

Dr. Erkkila reported that background checks on the grantee organizations and key individuals have been satisfactorily completed and the grant applications have been reviewed by the Science and Technology Advisory Group (the “*STAG*”). The STAG recommended seven (7) grants for Board approval. In addition, two (2) grants were recommended for Board approval subject to the satisfaction of conditions mandated by the STAG. The seven (7) grants include outcomes research and cohort studies at the University of Catania, a Centre of Excellence; translational and clinical research focused on smoking cessation therapies; research led by a leading expert on the microbiome to better understand the impact of smoking and vaping on the microbiome; several biomarker research and diagnostic projects; and continued work on the Global State of Tobacco Harm Reduction Report for 2019-23. The two (2) grants recommended for conditional approval include researching the impact of harm reduction approaches in smokers with serious behavioral disorders and using genomics to identify biomarkers of future harm in smokers. Dr. Lathan, chair of the Scientific Oversight Committee, was present at the STAG review meeting and noted that the STAG had great confidence that the conditions could be satisfied by the two (2) grantees.

Prior to the meeting, the Board was provided substantial background material with regard to the proposed Health, Science, and Technology Grants.

[Board Action 2019:1:2] Approval of Health, Science, and Technology 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 (i) the seven (7) Grants recommended for funding by the HST Grant Committee in the aggregate amount of U.S. \$85,000,000 and (ii) the two (2) Grants recommended for funding by the HST Grant Committee in the aggregate amount of U.S. \$5,800,000, subject to the satisfactory completion of the conditions mandated by the STAG.

Dr. Yach then shared with the Board the significance of the Board action – it has approved the largest research funding to date, \$85 million, in the smoking cessation and harm reduction field.

[Board Action 2019:1:3] Approval of Grant to Knowledge Action Change

Dr. Erkkila then turned to the final grant recommended for funding by the HST Grant Committee. The grant to Knowledge Action Change (“*KAC*”) will provide funding, in the amount of U.S. \$1,973,770, for the existing Tobacco Harm Reduction Scholarship Programme operated by KAC. Prior to the meeting, the Board was provided substantial background material with regard to the proposed Grant to KAC.

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 a Grant recommended for funding by the HST Grant Committee to KAC in the amount of U.S. \$1,973,770.

Engagement of HST Consultant

Mr. Harding then presented an update on the engagement of the HST consultant and reported that the master consulting agreement and statement of work are nearly done.

At 10:50 AM EST, Mr. Janazzo and Dr. Erkkila disconnected from the meeting and did not participate in the remainder of the meeting.

Communications Committee

The Chair turned to Mr. Gardner for an update on the Foundation's communication plan. Mr. Gardner informed the Board that Ruder Finn has been engaged to manage global communications and the Foundation's annual report. The Communications Committee is analyzing what communications work can be done in-house and what should be outsourced for cost and work efficiencies. It is thought that digital communications is a key area of work that should be managed internally. The Foundation also is working closely with grantees to publicize research and scientific output in its 2019 communications. The Communication Committee will next meet in March 2019 and expects to prepare formal materials for circulation to the Board following their March meeting.

APCO Worldwide – Engagement in China

Dr. Yach described how establishing the Foundation and its programs in China will be challenging and will require operating tightly and with great sensitivity. APCO Worldwide ("APCO"), with two decades of experience in China, is the lead group in managing the registration process in China and has represented many leading NGOs along with major corporations. The APCO proposal describes a complex three-phase approach to establish and operate the Foundation in China. In Phase 1, the "Build" phase, APCO would establish the necessary framework for the Foundation, including governance, structural, staffing and support pieces. Dr. Yach noted that the Foundation will pause after Phase 1 to re-assess whether to continue with the remaining phases of the APCO plan or whether a different approach may be warranted.

The directors agreed that APCO is well-known and supported the APCO engagement for Phase 1 subject to receipt of a more detailed work plan and budget. The Board also agreed that the Foundation will re-evaluate whether to continue with the APCO plan after completion of Phase 1 of the plan.

[Board Action 2019:1:4] Approval of the APCO Agreement

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

RESOLVED, that the Officers of the Foundation be, and each of them acting singly, hereby is authorized, directed and empowered to engage APCO to charter and register the Foundation in China and establish the necessary governance, structural and staffing framework for the Foundation, as contemplated by Phase 1 of the APCO proposal, subject to receipt of a more detailed work plan and budget pertaining to Phase 1 only, and to execute any agreement, certificates or other documents as may be necessary to carry out such engagement, and again, subject to receipt of a more detailed work plan and budget, provided any such agreement, certificate or document contains budget oversight and frequent accountability terms.

Updated Dashboard, Budget and Risk Register

Dr. Yach reported and referred to the dashboard that provides a succinct overview of the Foundation's deliverables with status updates. Mr. Harding noted a summary of the Foundation's financial results through December 31, 2018 was distributed to the directors prior to the Board meeting. Mr. Harding also noted that operating expenses for 2018 were below budget by \$2.2 million. The Chair reminded the Board that the risk register is intended to change as circumstances require.

Sustainable Development Goals (SDGs) Map

Dr. Yach reviewed the Foundation's SDG visual map illustrating the Foundation's work vis-à-vis the U.N.'s Sustainable Development Goals. The Foundation's SDG map identifies relevant goals and within them specific targets and associated indicators the Foundation aims to materially impact.

Diligent Board Platform

Mr. Harding reported that the process is underway to implement the Diligent Board platform. The Board site is expected to be operational in March and one-on-one web training sessions for Board members will be scheduled.

BoardSource Proposal – Board Development Services

Dr. Yach referred to the board development proposal aimed at improving Board effectiveness, communication and collaboration. The Chair noted that she has participated in similar workshops with other boards and it is important to clearly define the workshop's goals and how much time to dedicate. The Chair suggested the directors send their proposed goals for the workshop and recommended time allotment to the Chair of the Board Governance Committee.

[Board Action 2019:1:5] Approval of Anti-Fraternization Policy

Mr. Beckwith reviewed the proposed Anti-Fraternization Policy that was circulated to the Board prior to the meeting. He noted the Policy clarifies the Foundation's established reporting structure for Foundation staff. Mr. Harding confirmed that Foundation staff have a similar policy. Dr. Yach reported the Foundation staff have completed a formal sexual harassment training. The

Chair noted a similar sexual harassment training was planned for the in-person Board meeting in April.

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

RESOLVED, that the Anti-Fraternization Policy is hereby approved and adopted.

Board Governance Committee

As Chair of the Board Governance Committee, Ms. Feldman emphasized the need to create a director succession plan and retain an executive search firm to assist in finding qualified director candidates. The Chair asked the Board Governance Committee to formulate a succession plan and identify the specific qualifications the Board seeks in a director. The Board Governance Committee, with input from the President of the Foundation, Mr. Harding and Foundation counsel, expects to have director position descriptions by April 1, 2019. Ms. Gillies recommended seeking a director with expertise in China. Ms. Feldman pointed out the need for candidates with a public health or medical background.

At 11:45 PM EST, Dr. Yach and Mr. Harding disconnected from the meeting and did not participate in the remainder of the meeting.

Ms. Feldman then reviewed the extraordinary efforts and commitment of the Foundation staff and the leadership. She highlighted, in particular, the tireless efforts of Dr. Yach and Messrs. Harding and Lutzweiler during the sixteen-month start-up phase of the Foundation ending December 31, 2018 (the "Start-Up Phase"). The Start-Up Phase presented a wide range of structural and staffing challenges to assure an accelerated and impactful launch of the Foundation's mission and programs. The Foundation has accomplished a number of important milestones during the Start-Up Phase, including conducting a global poll on smoking habits and attitudes, hosting scoping panels with stakeholders, conducting conferences with small-holder tobacco farmers and Malawi government officials, attending and speaking at conferences around the world, and vetting significant medical and scientific research grants which have been approved at today's Board meeting.

In the absence of a formal bonus plan, the Board Governance Committee recommended to the Board to provide Dr. Yach, and Messrs. Harding and Lutzweiler a one-time bonus amount in recognition of their steadfast dedication to the Foundation's mission during the Start-Up Phase and to provide similar recognition to the remaining Foundation staff based on their tenure and level of responsibilities at the Foundation. In setting the amount of such additional compensation which is reasonable, the Board Governance Committee consulted with Quatt, an independent, recognized compensation consulting firm.

The Chair also suggested that the Board Governance Committee confer with Mr. Jeffers, HR Talent Director, regarding staff compensation, performance reviews and staff retention.

[Board Action 2019:1:6] Approval of Bonus Compensation

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

RESOLVED, that the Board directs that (i) a one-time bonus amount be awarded, subject to all appropriate and required withholdings, to Derek Yach, Tom Harding and Jim Lutzweiler, respectively, as recommended by the Board Governance Committee and (ii) a bonus pool be set aside, as recommended by the Board Governance Committee, and divided by the President and Chief Operating Officer of the Foundation among those staff members who were employed on December 31, 2018, subject to all appropriate and required withholdings, based upon each such staff member's tenure and level of responsibilities at the Foundation through such date.

The Board meeting adjourned at 12:10 PM EST.

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 February 12, 2019.

By Order of the Board:



Elizabeth A. Smith
Secretary