



BOARD GOVERNANCE POLICY

Mindful of best practices and guidelines suggested by the United States Internal Revenue Service for setting the compensation of senior management, the Board of Directors of the Foundation for a Smoke-Free World, Inc. (“Foundation”) hereby adopts the following policies and procedures with respect to the governance of the Board of Directors (“Board”) and Honoraria and reimbursement provided to members of the Board (“Directors”).

NONDISCRIMINATION:

- The Board shall not discriminate against any individual Director or any Foundation staff member or stakeholder on the basis of age, race, color, national origin, religion, sex, sexual orientation, gender identity or expression, disability or any other classification protected by Foundation policy or applicable law.

ASSUMPTIONS:

- When fully constituted, the Board will have up to 12 global Directors.
- The Board will be actively engaged in the early years of operation as it works with appropriate staff members to establish processes, procedures, protocols, external partnerships, as well as internal and external accountability.
- The commitment of each Director to serve on the Board will require around 25 hours per month, as well as extraordinary dislocation and absence from other professional and businesses commitments.
- Each Director will maintain a contemporaneous record of time devoted to Foundation matters and make that record available upon request.
- With the goal of demonstrating good stewardship, the Foundation will look to maintain total Board related expenses in any given year for honoraria and the reimbursement for Board travel expenses related to participation at in-person Board meetings to no more than \$1,200,000 USD. It is anticipated that the Board will have at least two in-person Board meetings per year. In addition, the Board will have two to four scheduled telephonic Board meetings per year as the Foundation’s business requires. This budget reservation will be reassessed regularly after each year of operations to best reflect the global Board’s particular travel-related needs. Any other expenses attributable to a program, conference, meeting or otherwise (“Conference”) may be reimbursed by the Foundation if such Director’s presence at such Conference was requested in writing by the President of the Foundation and approved by the Executive Committee in advance. Such expenses shall be charged against the Foundation’s account most closely related to the program to which the Conference is associated.
- All travel expenses for which reimbursement is sought shall be substantially for Foundation business. If such travel is not substantially for Foundation business but is in part for Foundation business, the part which is for Foundation business may be

reimbursed provided that such travel was made at the written request of the President of the Foundation and approved by the Executive Committee in advance.

TO PROPERLY DISCHARGE ITS FIDUCIARY AND GOVERNANCE RESPONSIBILITIES:

- The Board will measure the progress of the Foundation against the strategic plan as approved by the Board.
- The Board will set the policies of the Foundation, based on advice and guidance from the relevant Board Committee and outside advisors as appropriate.
- Each Director will serve on at least two Committees.
- Committees will meet telephonically once each quarter. The role of the Committees is to provide advice and counsel to the Board regarding the policies of the Foundation as well as to assist the staff when called upon to do so.
- In addition to formal Board meetings and the preparation therefore, there will be committee work and, from time to time, *ad hoc* assignments for Board members.
- The Board will conduct a formal self-evaluation annually and will annually evaluate the performance of the President of the Foundation. The President of the Foundation will annually evaluate the performance of key staff of the Foundation and report the results of that evaluation to the Board.

BOARD HONORARIA:

- Board honoraria is set at US\$50,000 annually, to recognize the extraordinary time commitment required of each Director to help launch and govern a multi-year, multi-million dollar worldwide organization.
- There will be an additional honorarium for the Board Chair and Vice Chair, in the amount of US\$75,000 and US\$37,500, respectively, commensurate with the additional time required to fully perform the duties of those positions.
- The Board Chair may withhold a Director's honoraria, pursuant to the recommendation of the Board Governance Committee, if circumstances so dictate.
- Honoraria will be reassessed every two years.
- All honoraria have been set and is supported based on survey information provided by Quatt Associates, an independent third party firm expert in such analysis for U.S. private foundations.
- Honoraria will be paid quarterly and will be pro-rated for Directors who join or leave the Board during a fiscal year.
- No Director, other than the Founding Director, may be employed as a member of the Foundation staff.
- Notwithstanding anything in this Policy to the contrary, if the Founding Director is also a member of the Foundation's staff, the Founding Director will forego the honorarium so long as such employment as a staff member continues.
- All Directors will be reimbursed for a coach ticket when scheduled travel time is 4 hours or less.

- All Directors will be reimbursed for a business class ticket when scheduled travel time is more than 4 hours and provided such Director flies business class.
- All hotel and ground transportation shall be comfortable and safe but priced as reasonable as possible taking into account the location.
- All travel will be arranged through the Foundation to secure optimal pricing.
- All Directors are expected to cover any incidentals out of their honoraria and will not be reimbursed by the Foundation.

BOARD ELIGIBILITY:

- All Directors are subject to a strict Conflict of Interest Policy and a Conflict of Interest Disclosure Statement must be signed on an annual basis and submitted to the Secretary of the Foundation.
- All Directors are subject to a random and routine Tier 1 Background Check.
- All potential Directors must submit a resume and statement of interest to the Executive Committee for initial review. If a potential Director is considered qualified, the potential Director will be subject to interviews, in person or over the phone, with the Board Chair, the Chair of the Board Governance Committee, and at least one other member of the Board, as well as the President of the Foundation.

EX OFFICIO MEMBERS:

- Non-voting Committee advisors may be recruited in addition to the Directors if special skills are required such as cyber security, audit and finance. Those individuals are not covered under this policy although approved travel expenses and costs associated with Committee participation will be reimbursed.