

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

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

December 28, 2017

---

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 December 28, 2017.

The following directors participated:

Dyborn Chibonga  
Zoe Feldman  
Lisa Gable  
Michael Sagner  
Derek Yach

The following Foundation officer participated:

Elizabeth A. Smith, Secretary of the Foundation

The following legal counsel participated:

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

Derek Yach chaired the meeting and called the meeting to order at 12:03 PM EST. Elizabeth A. Smith, Secretary of the Foundation, confirmed that Notice of the meeting had been duly given and that a quorum was present.

#### **[Board Action 2017:2:1] 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. Mr. Chibonga requested the minutes be revised so each Board action is separately and uniquely numbered. He explained such numbering would make it easier, over time, to refer to actions, both proposed and previously taken. Ms. Smith asked if there were any objections to approval of the minutes as drafted with the adoption of the numbering system so recommended.

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

**RESOLVED**, that the Minutes of the Inaugural Meeting of the Board on November 3, 2017, attached hereto as Exhibit A, be, and they hereby are, approved and adopted.

## **President's Progress Report**

The Chair briefly reported on the Foundation's progress since incorporation in September 2017. He noted in three short months the Foundation had: (i) constituted an active and experienced Board; (ii) staffed a number of senior positions with individuals with significant expertise in the areas of public health, tobacco control, agriculture and corporate transformation; (iii) finalized a Pledge Agreement with Philip Morris International ("*PMI*"), which confirms a 12-year, \$1 Billion commitment made by PMI to the Foundation and the independence of the Foundation; (iv) prepared draft engagement and grant policies that will be finalized shortly; (v) completed the global poll which surveyed smoking behaviors in thirteen (13) countries; (vi) contracted with a communications team to launch and administer the global poll and to prepare the press release scheduled for March 19, 2018 regarding the results of the global poll; and (vii) received sixty (60) proposals in response to the Foundation's first request for scoping grants that will inform and guide the Foundation's research initiatives. The proposals were received from a wide range of countries in Europe, Asia, Latin America and Africa, representing both quality and breadth. The Foundation intends to convene with grant-making experts and the strongest grant candidates in February 2018.

The Chair concluded his report by noting that the Foundation has encountered some initial unresponsive reaction from certain sectors, such as the WHO and the Bloomberg Foundation, but he emphasized that there continues to be many in communities key to the Foundation's success that are concerned about broader tobacco control and support the Foundation and its mission.

### **[Board Action 2017:2:2] Execution of Pledge Agreement**

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

**RESOLVED**, that the President of the Foundation be, and hereby is, authorized and directed, acting on behalf of the Foundation, to execute the Pledge Agreement with PMI.

### **[Board Action 2017:2:3] Establishment of Grant Committees and Committee Appointments**

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

**RESOLVED**, that the Board hereby establishes a public health grant committee of the Board (the "*Public Health Grant Committee*");

**RESOLVED**, that the following individuals be, and hereby are, appointed to the Public Health Grant Committee, each to hold such office until his successor is duly appointed and qualified or until his earlier resignation or removal:

Derek Yach  
Michael Sagner

**RESOLVED**, that the Board hereby establishes an agriculture and livelihood grant committee of the Board (the “Agriculture and Livelihood Grant Committee”);

**RESOLVED**, that the following individuals be, and hereby are, appointed to the Agriculture and Livelihood Grant Committee, each to hold such office until his successor is duly appointed and qualified or until his earlier resignation or removal:

Dyborn Chibonga  
James Lutzweiler  
Ehsan Latif

**[Board Action 2017:2:4] Report of the Compensation Committee and Adoption of Compensation Policy**

The Secretary then called on Ms. Gable to present the Report of the Compensation Committee. Ms. Gable noted that Quatt Associates (“Quatt”), a well-respected compensation consulting firm with international experience, was retained by Baker & Hostetler LLP, the Foundation’s legal counsel, to conduct a market-based compensation analysis to be provided to the Board in setting the compensation of the President and senior staff of the Foundation.

A 2017 Executive Compensation Study prepared by Quatt (the “Quatt Study”) provided a market analysis for executive compensation based on fifteen (15) nonprofit organizations similar to the Foundation in mission, size and/or scope. The Compensation Committee and Quatt identified the following five (5) staffing categories and Quatt determined the market compensation for each such category: (i) President/CEO; (ii) C Suite (e.g., Chief Financial Officer and Chief Administrative Officer); (iii) Vice President; (iv) Program Director; and (v) Staff. The Compensation Committee worked with Quatt and Foundation’s legal counsel to ensure that the compensation to be proposed for the President and senior staff of the Foundation would be reasonable and within the range of compensation paid by nonprofit organizations similar in size, mission and/or scope. Given the mission of the Foundation, and the level of talent required to achieve its very aggressive goals, the Quatt Study determined it was reasonable to pay total compensation up to a range of the 75<sup>th</sup> percentile of the market, which Quatt generally defined as up to 110% of the 75<sup>th</sup> percentile. In addition, given the Foundation’s aggressive goals, the Compensation Committee recognized that awarding bonus compensation, in an amount not to exceed 20% of compensation, might be appropriate in certain circumstances but only when based on exceptional performance and attainment of exceptional goals. The Quatt Study was provided to the Board for review prior to the meeting; however, the copy of the Quatt Study provided to Dr. Yach did not include any information concerning Dr. Yach.

The proposed Compensation Policy (draft December 18, 2017) (the “Compensation Policy”) provided to the Board in advance of the meeting was prepared in accordance with best practices and in consultation with the Compensation Committee and Foundation’s legal counsel. The guidelines contained in the Compensation Policy includes which of the Foundation’s employees would be covered by the policy and the procedure for review and approval of such compensation. In considering compensation for an individual, the Compensation Policy provides

that the Approval Body (as defined in the Compensation Policy) should consider comparability data that demonstrates the fair market value of the appropriate compensation in question. The directors agreed that initially the Approval Body should be the full Board, and any Board members who were also employees of the Foundation would not participate. It was understood the designation of who would comprise the Approval Body and whether any of that authority would be delegated would be reviewed periodically.

Each director was given the opportunity to ask questions regarding the policies and procedures of the proposed Compensation Policy. All of the directors were permitted to be heard, have all of their questions answered and vote to either recommend or not recommend the approval of the Compensation Policy. Upon motions duly made, seconded and unanimously carried, the Board adopted the following resolution:

**RESOLVED**, that the Compensation Policy of the Foundation, attached hereto as Exhibit B, be, and hereby is, authorized, approved and adopted in all respects.

Prior to moving into Executive Session, Ms. Smith reminded the directors that the next Board meeting would be conducted by telephone and was presently scheduled for Noon EST on January 23, 2018. Ms. Smith informed the directors that notice of the meeting and a tentative agenda would be sent prior to the meeting.

#### **Executive Session**

At 12:20 PM EST, Ms. Smith noted the Board would now move into Executive Session. Dr. Yach disconnected from the meeting and did not participate in the remainder of the meeting. The following directors participated in the Executive Session: Dyborn Chibonga, Zoe Feldman, Lisa Gable and Michael Sagner. Ms. Gable served as Chair. Also present during the Executive Session were Elizabeth A. Smith and legal counsel, Edward J. Beckwith and Naomi Meisels.

**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 December 28, 2017.

**By Order of the Board:**

  
\_\_\_\_\_  
**Elizabeth A. Smith**  
Secretary