



**OPERATIONS UPDATE**  
**FOUNDATION FOR A SMOKE-FREE WORLD, INC.**

**MAY 17, 2021**

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Pursuant to the Amended and Restated Pledge Agreement, dated as of September 28, 2020 (the “Pledge Agreement”), between PMI Global Services Inc. (“Pledgor”), and Foundation for a Smoke-Free World, Inc. (the “Foundation”), the Foundation committed to provide the Pledgor with an operations update (as defined in Pledge Agreement Article 3.3(b)(i)(B)), detailing actions and expenditures planned for the current calendar year and outlining actions and estimated expenditures planned for the subsequent calendar year. In furtherance thereof, the Foundation discloses the following operations update.

The Foundation organizes its efforts to achieve its mission through three key areas: Health, Science & Technology, Agriculture and Livelihoods, and Industry Transformation. The Foundation’s “Purpose” includes the entirety of Article Third of the Foundation’s Certificate of Incorporation and Article IX, Par. A of the Foundation’s Bylaws. Article Third of the Foundation’s Certificate of Incorporation specifies use of assets or income toward seven sets of activities (smoke-free purposes (i) to (vii)). The Foundation is demonstrating progress in six of the seven smoke-free purposes. Specifically, the Health, Science & Technology work addresses smoke-free purposes (i), (ii), (iii), and (vii). The Agriculture and Livelihoods work addresses smoke-free purpose (v). The Industry Transformation work addresses smoke-free purpose (iv). Smoke-free purpose (vi) will be addressed in a future strategic plan. A mapping of individual grants to smoke-free purposes is available [here](#).

In 2020, our third full year of operation, we launched and advanced initiatives that in concert directed the resources of the Foundation toward these purposes to support an acceleration of adult smoker quitting and switching to tobacco harm reduction products through research, advocacy, and education; prepare smallholder farmers for an era of reduced tobacco demand; and align stakeholders to accelerate responsible industry transformation.

- [We conducted a poll](#) investigating how lockdown conditions affected tobacco consumption, mental health, and other factors among smokers and nicotine users in five countries.
- Our staff and partners contributed to a special issue in [Drugs and Alcohol Today](#), which identified shortcomings of tobacco-control orthodoxy.
- We released findings from a [Global State of Smoking poll](#), which documented (mis)perceptions about tobacco and nicotine—a first step in reducing false beliefs.
- We sponsored initiatives to better understand tobacco harm reduction misperceptions, including [Burning Issues: The Global State of Harm Reduction](#) and the [Dubrovnik Consultation Summary](#).

- We launched the [Tobacco Transformation Index](#), the first tool to rank the world's 15 largest tobacco companies on their relative progress toward harm reduction.
- In Malawi, we made progress through programs that will help smallholder tobacco farmers transition to alternative livelihoods. This included impactful work within key pillars of the Centre for Agricultural Transformation and the launch of the [MwAPATA Institute](#).
- We made grants to provide humanitarian assistance in light of the COVID-19 pandemic.
- A list of Foundation-sponsored publications can be accessed [here](#). Note that publications appeared in reputable academic journals, including *Drugs and Alcohol Today*, *Harm Reduction Journal*, and *Systematic Reviews*.
- Finally, the Foundation's network of grantees and research partners continues to expand, including the addition of highly cited grantees during 2020, such as Cornell University, and the continuation of work with Rose Research Center, Yale University, and others.

Health, Science & Technology research focuses on understanding the motivations of individual smokers and impediments to ending smoking; assessment of the effectiveness and safety of cessation and tobacco harm reduction; development of more effective interventions; and use of better biomarkers of exposure and outcomes.

In 2020, Foundation for Smoke-Free World sharpened its focus on early deliverables for grants in place and entered into new grant agreements to further knowledge and awareness of tobacco harm reduction as an approach to end smoking in this generation. The results of these grants also serve as building blocks to support the development of our next three-year cohesive strategy, with new requests for proposals (RFPs) launching to supplement the work linked to this strategy.

a. Current calendar year.

- i. Advance research activity of Centers of Excellence, which serve as regional hubs for scientific research networks centered around smoking cessation, tobacco harm reduction, and capacity building. Develop strategies to accelerate knowledge about the effectiveness of interventions.
- ii. Build on investments in digital platforms to become a leading source of information about nicotine perceptions, scientific research, and patents. Assess misinformation in healthcare, explore approaches to mitigate and manage the spread of misinformation, and develop interventions to counter misinformation about nicotine.
- iii. Publish articles and reports to drive discussions about strengthening the Articles of FCTC for cessation and harm reduction leading up to COP-9 and beyond.
- iv. Conduct research on physicians and their nicotine/tobacco product use patterns, perceptions of the products, training received on smoking cessation/tobacco harm reduction, and communications with patients who smoke.
- v. Address economic and regulatory policies that reflect the relative risk of tobacco and nicotine products through an international *Commission to Re-Ignite the Fight to End Smoking*, *Economic Webinar Series* to enhance the flow of information

and knowledge regarding the economics of ending the smoking epidemic, and economic study of risk perceptions and consumer demand for harm reduction products.

- vi. Develop the Foundation's Second Strategic Plan, effective January 2022, focusing on non-duplicative and novel research, addressing scientific and regulatory gaps, and in furtherance of its purposes. Consult leading industry scientists, regulators, and academics to gain insight regarding key gaps and actions needed to fill them.

b. Subsequent calendar year.

- i. Accelerate implementation and scale-up of non-duplicative and novel research identified by the Second Strategic Plan and precipitated by the launch of requests for proposal (RFPs).
- ii. Build on research developed on misinformation and interventions, physician study, economic and regulatory policies assessments pertaining to tobacco harm reduction.
- iii. Adjust research agenda based on the implications of the COVID-19 pandemic for Foundation and grantee work.

Agriculture and Livelihoods actions aim to diversify tobacco-dependent economies, ensuring that smallholder farmers impacted by the declining demand for tobacco are supported to find sustainable alternative livelihoods.

a. Current calendar year.

- i. Establish the Center for Agricultural Transformation (CAT) in Malawi focused on introducing advanced science, technology, and innovation; supporting business incubation and commercialization; and enhancing adoption of improved agricultural practices.
- ii. Implement policy agenda for the transformation of agriculture in Malawi in collaboration with key stakeholders including government, private sector, and academic and agricultural research institutions.
- iii. Improve human capacity development within tertiary education systems, including increased scientific and analytical capacity.

b. Subsequent calendar year.

- i. Support the Lilongwe University of Agriculture and Natural Resources to build the systems necessary to maintain and advance the CAT as a center for agricultural science and innovation.
- ii. Leverage programmatic investments to structure broader partnerships with bilateral and multilateral donors, philanthropy, and the private sector to align assistance toward tobacco diversification objectives.

Industry Transformation actions focus on monitoring and promoting change across the global tobacco industry and nicotine ecosystem.

- a. Current calendar year.
  - i. Build on the first Tobacco Transformation Index through further dissemination, expanding research in the areas of company/country interaction, marketing, state-owned tobacco, emerging companies, and intellectual property, and extending stakeholder consultations.
- b. Subsequent calendar year.
  - i. Release the second Tobacco Transformation Index, encouraging constructive engagement and exploring alternative governance structures including funding mechanisms.

Across the Foundation's activities it will continue to deepen gender analysis and programming in pursuit of its purposes.

Expenditures planned for the current calendar year pertaining to charitable activities are estimated to be approximately \$45 to \$50 million. As the Foundation's restructuring of operations and refocusing of charitable activities were completed during the latter portion of 2020, and are evident in its financial reports, the full effect of such actions on its financials will materialize during 2021, directed as follows for external reporting purposes:

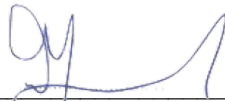
- grant expenditures of approximately \$30 to \$35 million, and
- operating expenses supporting charitable activities of approximately \$11 to \$12 million and direct charitable activities \$3 to \$4 million.

Estimated expenditures pertaining to charitable activities planned for the subsequent calendar year are estimated to be approximately \$40 million.

**IN WITNESS WHEREOF**, the undersigned have duly executed this operations update of Foundation for a Smoke-Free World, Inc., as of the date first written above.



David J. Jazzo



Derek Yach