



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

MAY 16, 2022

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 agreed to make publicly available by May 31, 2022 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.

The Foundation’s charitable activities to date and the more than 100 international researchers the Foundation funded have contributed significantly to the field of tobacco control, smoking cessation, and harm reduction, particularly in low- and middle-income countries, marginalized communities, and relating to culturally sensitive interventions. These efforts will continue in the current calendar year and in the subsequent calendar year.

- A list of Foundation grants is available [here](#).
- A list of Foundation-sponsored publications is available [here](#).
- A list of Foundation-sponsored reports is available [here](#).

Actions Planned for 2022 and 2023

In the current calendar year, the Foundation published its [Strategic Plan 2022-2024](#). In formulating the Foundation’s second strategic plan, the Foundation re-emphasized its commitment to funding research that is nonduplicative and novel, focusing on scientific and regulatory gaps. The Foundation will continue to fund grants and otherwise engage in charitable activities in the three broad categories in which it has worked since its inception (*i.e.*, health and science research aimed at helping smokers quit or switch to less harmful products, agricultural diversification in Malawi, and industry transformation). More particularly, the Foundation’s work will focus on six of the “smoke-free purposes,” described in its [Certificate of Incorporation, Article Third](#). These focus areas prescribe the direction through which the Foundation will achieve its goals for the next three years and execute on its mission to end smoking in this generation.

The Strategic Plan 2022-2024 establishes five goals, which will guide the Foundation’s activities in the current and subsequent calendar year. In the current calendar year, the Foundation initiated [Requests for Proposal](#) in support of achieving Strategic Plan Goals 1 and 2, specifically:

- Efficacy of Tobacco Harm-Reduction (THR) Products as Tools for Smokers to Quit Combustible Tobacco Products;
- Long-term Effects of Tobacco Harm-Reduction (THR) Product Use on People with Chronic Health Conditions;
- Interventions for Smokers in Marginalized and Vulnerable Communities to Quit or Switch to Tobacco Harm-Reduction (THR) Products;
- Impact of Policies and Regulations on Tobacco Harm Reduction in Low- and Middle Income Countries (LMICs); and
- Assess Body of Research on Nicotine’s Role in Human Health.

In the current and subsequent calendar year, the Foundation intends to issue additional requests for proposal, consistent with its strategic plan.

Health and Science Research

In the category of Health and Science Research, the Foundation will build on progress to date and execute on its Strategic Plan 2022-2024, as already initiated with the launch of selected Requests for Proposal (referenced above). Additional planned activities in this area, and in furtherance of the Foundation’s purposes around making grants to support research regarding alternatives to cigarettes and other combustible tobacco products, attitudes and opinions of the general public towards tobacco harm reduction, verification studies, and convening stakeholders around relevant topics, include:

In the current calendar year:

- i. Advance activity of research partners around smoking cessation, tobacco harm reduction, and capacity building, including: replicating findings generated by studies on e-cigarettes and heated tobacco products through inter-laboratory study on THR at multiple academic institutions; international randomized switching trials investigating changes in health factors associated with diabetic smokers and oral health.
- ii. Conduct research on physicians regarding their knowledge, awareness, and practices related to smoking cessation and tobacco harm reduction; use insights to engage and educate doctors in playing leadership roles to end smoking; deliver training on smoking cessation and tobacco harm reduction to medical professionals in mental health settings.
- iii. Assess misinformation in healthcare research, explore approaches to mitigate the spread of misinformation, and develop interventions and support networks to counter misinformation about nicotine, including: analysis of common methodological flaws in the highest cited e-cigarette epidemiology research; correlation, causation, and selection bias in research of e-cigarettes and smoking; Global State of Tobacco Harm Reduction 2022.
- iv. Address economic and regulatory policies to enhance the flow of information and knowledge regarding the economics of ending the smoking epidemic. Conduct economic study of risk perceptions and consumer demand for harm reduction products, including discrete choice modeling of cigarette, e-cigarette, and quit decisions in multiple countries.

In the subsequent calendar year:

- i. Accelerate implementation and scale of nonduplicative and novel research identified by the Strategic Plan 2022-2024 and precipitated by the launch of requests for proposal in the current calendar year.

Agricultural Diversification

In the category of Agricultural Diversification, the Foundation's actions aim to fulfill its purpose of diversifying tobacco-dependent economies, ensuring that smallholder farmers impacted by the declining demand for tobacco are supported to find sustainable alternative livelihoods. Foundation will build on accomplishments to date, and new planned actions include:

In the current calendar year:

- i. Advance the Center for Agricultural Transformation in Malawi focused on introducing science, technology, and innovation; supporting business incubation and commercialization programs; 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, academic, and agricultural research institutions.
- iii. Improve human capacity development within tertiary education systems, including increased scientific and analytical capacity.
- iv. Engage donors and charitable sources with interest in related programming to identify common objectives and create co-funding opportunities resulting in pilot, annual, and multi-year arrangements.

In the subsequent calendar year:

- i. Support the Lilongwe University of Agriculture and Natural Resources to build the systems necessary to maintain and advance the Center for Agricultural Transformation.
- ii. Support the Malawi policy institute in advancing workstreams around targeted policy reforms to inform agriculture diversification.
- iii. 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

In the category of Industry Transformation, the Foundation focuses on monitoring and promoting change across the global tobacco industry and nicotine ecosystem in furtherance of Foundation's purpose of scrutinizing, commenting on, and informing the general public regarding the activities of the tobacco industry, to help achieve a smoke-free world and advance the field of tobacco harm reduction. Planned actions in the current and subsequent calendar years include:

In the current calendar year:

- i. Release the second Tobacco Transformation Index.
- ii. Expand and disseminate research in the areas of company/country analysis, marketing, intellectual property, and state-owned tobacco, while extending stakeholder consultations.

In the subsequent calendar year:

- i. Build on the second Tobacco Transformation Index, encouraging constructive engagement and exploring alternative governance structures including funding mechanisms.

Expenditures Planned and Estimated for 2022 and 2023

Expenditures for the prior calendar year pertaining to charitable activities of approximately \$40 million were below expectations. Specifically, operating expenses supporting charitable activities were in line with expectations and delivered significant and sustainable cost savings resulting from the Foundation's restructuring of operations and refocusing of charitable activities completed during the latter portion of 2020. Operating expense reductions in 2021, relative to 2020, were accomplished in the categories of salaries and employee costs, communications, occupancy and office expenses, legal fees, and data license fees. Grant expenditures were lower than expected due to delays associated with the COVID-19 pandemic and other factors.

Expenditures planned for the current calendar year pertaining to charitable activities are estimated to be approximately \$32 to \$40 million. The Foundation's operating expenses supporting charitable activities in the current calendar year are expected to decrease, compared to the prior calendar year, primarily because of lower professional services expenses. The amount and acceleration of grant expenditures in the current calendar year will depend in part on responses to requests for proposals associated with the Foundation's second strategic plan. We expect expenditures planned for the current calendar year pertaining to charitable activities to be directed as follows for external reporting purposes:

- grant expenditures of approximately \$20 to \$26 million, and
- operating expenses supporting charitable activities of approximately \$10 to \$11 million and direct charitable activities \$2 to \$3 million.

Estimated expenditures pertaining to charitable activities planned for the subsequent calendar year are estimated to be approximately \$40 million, with a continued decrease in operating expenses supporting charitable activities and a corresponding increase in grant expenditures.



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