



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

MAY 15, 2023

Pursuant to the Second Amended and Restated Pledge Agreement, dated as of December 12, 2022 (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, 2023 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.

To date, the Foundation’s charitable activities have supported the work of more than 100 international researchers. Foundation funded research is contributing 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 funded publications is available [here](#).
- A list of Foundation funded reports is available [here](#).

Actions Planned for 2023 and 2024

In the past 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 grantmaking in the area of scientific research that is nonduplicative and novel, focusing on existing 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 the “smoke-free purposes,” described in its [Certificate of Incorporation, Article Third](#). These focus areas prescribe the direction through which the Foundation will achieve the goals outlined in its strategic plan 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 past and current calendar year, the Foundation initiated [Requests for Proposals](#) 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.
- Impact of Policies and Regulations for Tobacco Harm Reduction (THR) Products on Smoking Trends and Public Health and Economic Outcomes in Low- and Middle-Income Countries (LMICs)
- Services Available to Smokers Globally to Quit or Switch to Tobacco Harm Reduction (THR) Products
- E-Health Services Available to Smokers Globally to Quit or Switch to Tobacco Harm Reduction (THR) Products
- Dual- and Poly-Use of Electronic Nicotine Delivery Systems and Combustible Tobacco Products: Implications for Tobacco Cessation and Harm Reduction
- Risk of Progression to Cigarette Smoking After Use of Electronic Nicotine Delivery Systems
- Management of Waste Materials from Reduced-Risk Products: Issues and Solutions

In the current and subsequent calendar year, the Foundation intends to issue additional requests for proposals, 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 Proposals (referenced above). Additional grantmaking in this area, and in furtherance of the Foundation’s purposes 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. Make grants around smoking cessation, tobacco harm reduction, and capacity building, including: replicate 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; develop and publish protocols for clinical trials to evaluate the efficacy and long-term effects of THR products as tools to assist smokers in quitting combustible tobacco.
- ii. Disseminate research on physicians regarding their knowledge, awareness, and practices related to smoking cessation, tobacco harm reduction, and the role of

nicotine; 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. Make grants to add to the body of information and knowledge regarding the economics of ending the smoking epidemic. Fund the conduct of economic studies of risk perceptions and consumer demand for harm reduction products, including discrete choice modeling of cigarette, e-cigarette, and quit decisions in multiple countries. Fund grants that explore the effects of public policies that impact access to tobacco harm reduction products on human health and health behaviors.

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 proposals 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. The Foundation will build on accomplishments to date, and new planned actions include:

In the current calendar year:

- i. Continue to make grants that 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. Fund think tank that provides information about policies that support the transformation of agriculture in Malawi and in collaboration with key stakeholders including government, private sector, academic, and agricultural research institutions.
- iii. Fund 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. Continue to fund the Malawi think tank that provides information about policies 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. Build on the second Tobacco Transformation Index, encouraging constructive engagement and exploring alternative governance structures including funding mechanisms.
- ii. Expand and disseminate research in the areas of company/country analysis, reduced-risk product supply chain including waste materials, intellectual property, and global trends in nicotine, while extending stakeholder consultations.

In the subsequent calendar year:

- i. Release the third Tobacco Transformation Index.

Expenditures Planned and Estimated for 2022 and 2023

Expenditures for the prior calendar year pertaining to charitable activities of approximately \$38 million were in line with expectations. Specifically, operating expenses supporting charitable activities were below expectations and delivered significant and sustainable cost savings resulting from the Foundation's continued restructuring of operations and refocusing of charitable activities. Operating expense reductions in 2022, relative to 2021, were accomplished in the categories of salaries and employee costs and professional services expenses. Specifically, operating expenses decreased approximately 28% year-over-year, with professional services expenses down approximately 61%. Grant expenditures were higher than expected as selected grant relationships were extended and new grants were added through the requests for proposals process, while delays associated with the COVID-19 pandemic and other factors lessened.

Expenditures planned for the current calendar year pertaining to charitable activities are estimated to be approximately \$35 to \$40 million. The Foundation's operating expenses supporting charitable activities in the current calendar year are expected to remain consistent compared to the prior calendar year. 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 \$25 to \$29 million, and
- operating expenses supporting charitable activities of approximately \$10 to \$11 million, including direct charitable activities of less than \$1 million.

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



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