

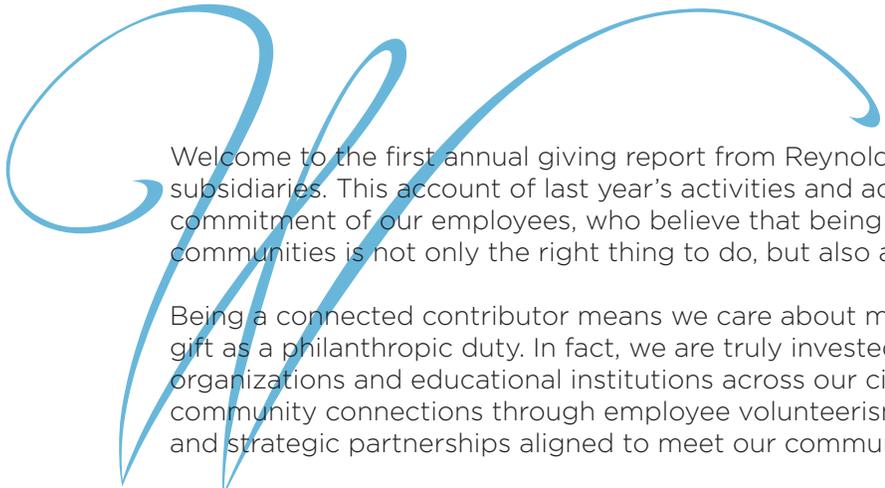
COMMUNITY CONNECTIONS

2017 Annual Giving Report

4	Letter from CEO
5	2016 Giving at a Glance
6	Legacy of Giving
8	RAI Total Giving Programs
18	Giving Priorities
24	Leadership and Goals

CONTENTS

The subsidiaries of Reynolds American Inc. (RAI) are R.J. Reynolds Tobacco Company, Santa Fe Natural Tobacco Company, American Snuff Company, Nicotivum USA, R.J. Reynolds Vapor Company, Kentucky BioProcessing, RAI Services Company, RAI Trade Marketing Services Company and RAI Innovations.



Welcome to the first annual giving report from Reynolds American Inc. (RAI) and its subsidiaries. This account of last year's activities and accomplishments represents the collective commitment of our employees, who believe that being a connected contributor in our communities is not only the right thing to do, but also a long tradition to proudly embrace.

Being a connected contributor means we care about much more than giving a financial gift as a philanthropic duty. In fact, we are truly invested in the work of the many nonprofit organizations and educational institutions across our cities and neighborhoods. We make community connections through employee volunteerism; leadership placements on boards; and strategic partnerships aligned to meet our communities' greatest challenges.

You will find that 2016 was a record giving year for our companies, their foundations and employees, and we are proud of the giving activities we support across Winston-Salem, Santa Fe, Memphis and other areas where our employees live and work.

- The Reynolds American Foundation Employee Matching Grants Program increased its matching dollars by 69 percent from 2014 to 2016, with a 40 percent increase in the number of participating employees.
- For the third consecutive year, Reynolds American received the United Way's Spirit of North Carolina award recognizing campaign excellence and community commitment.
- The Reynolds American Foundation became a member of the American Red Cross Annual Disaster Giving Program following substantial 2016 contributions for relief efforts in North and South Carolina after Hurricane Matthew, as well as Louisiana and Texas after flooding.

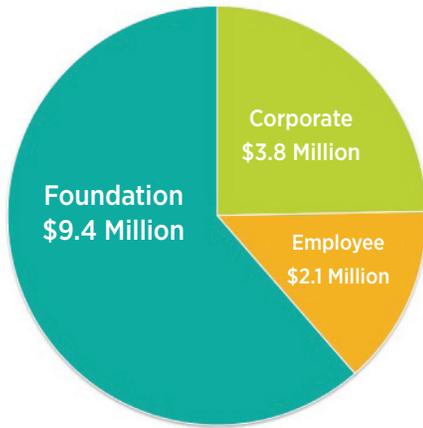
These are just a few of our proud achievements in 2016. As you read through this annual giving report, I hope you will agree that community outreach is clearly an important part of our sustainable business practices. As the RAI companies continue to lead efforts to transform the tobacco industry, we remain as committed as ever to being positive, connected contributors in our community.



Debra Crew, president and CEO, Reynolds American Inc.



Looking back over 2016, the RAI companies, along with their foundations and employees, donated about \$15.3 million in cash to a wide range of nonprofit organizations. Employees gave \$2.1 million of their own money to nonprofit and educational organizations, including nearly \$1.15 million to the United Way and employee gifts of \$974,000 which were matched one-for-one by the Reynolds American Foundation.



Total Donations in 2016
\$15.3 Million

Reynolds American Foundation EMPLOYEE MATCHING GRANTS PROGRAM

Growth Over Three Years: 2014, 2015 and 2016



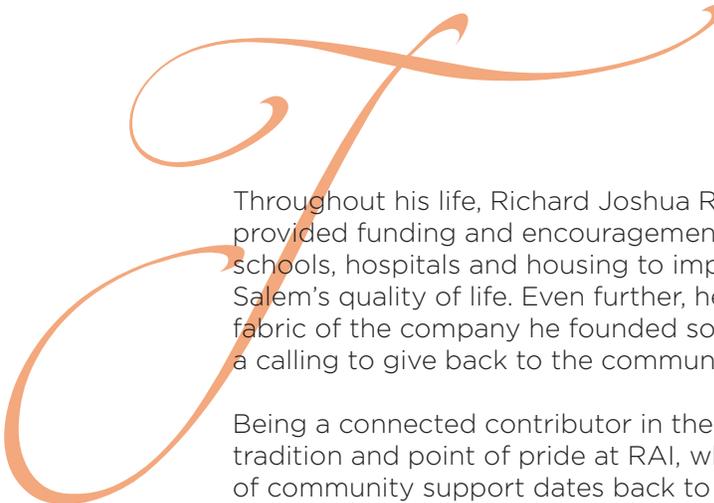
GIVING AT A GLANCE

LEGACY

“In growth, development and improvement of the state and his city, Mr. Reynolds has always taken the deepest interest, and is ever ready to assist with counsel, advice, time and money. Many educational, charitable and philanthropic institutions have had cause to rejoice in the interest and generosity of this successful man.”

Twin City Sentinel
(Former Winston-Salem
city newspaper)
July 29, 1918





Throughout his life, Richard Joshua Reynolds provided funding and encouragement to help build schools, hospitals and housing to improve Winston-Salem's quality of life. Even further, he instilled in the fabric of the company he founded so many years ago, a calling to give back to the community.

Being a connected contributor in the community is a tradition and point of pride at RAI, where our legacy of community support dates back to the late 1800s. Our companies and employees generously invest their time, talent and money to help improve and shape the communities where we live and work.

Our employees value the power of community connections, and this drives our companies' strong support for philanthropic giving, employee-directed giving and volunteer participation.

In addition to individual employee involvement across a wide range of nonprofit community groups, our companies' giving programs and associated foundations are based on the belief that community connections and partnerships can make a difference.



FOUNDATIONS

Three independent foundations – created, staffed and funded by our operating companies – support education, arts and social programs that strengthen our local communities.

CORPORATE GIVING

The RAI companies make monetary contributions and non-cash donations such as land and buildings to support nonprofits and economic development efforts in the communities in which we operate.

EMPLOYEE-DIRECTED GIVING

Employees are able to direct foundation and corporate funds through a variety of ways. For example, the Reynolds American Foundation matches employee gifts to nonprofit organizations and institutions of higher learning up to \$7,000 per employee per year.

EMPLOYEE VOLUNTEERISM

Employees are encouraged to give of their time, participating annually with colleagues in United Way's Days of Caring as well as volunteering with organizations that are tied to causes important to them and their families.



FOUNDATION GIVING

One way that the RAI companies contribute to the needs of the communities in which we operate is through three independent foundations. These foundations – created, staffed and funded by our operating companies – support hundreds of national and local organizations that benefit our communities.

REYNOLDS AMERICAN FOUNDATION

The Reynolds American Foundation focuses its contribution resources in communities where significant numbers of RAI companies' employees live and work. Grants are awarded in the following areas: Education, arts and culture, and health and human services. In addition, the Reynolds American Foundation encourages employee community support through the Foundation's Employee Matching Grants Program.

In 2016, the Reynolds American Foundation created employee sub-committees around each of its priority giving areas. The committees provide additional opportunities for employee involvement in community engagement. They also better enable the Reynolds American Foundation to support our communities.

AMERICAN SNUFF COMPANY CHARITABLE TRUST

The American Snuff Company (ASC) Charitable Trust spreads its financial support across a broad range of organizations that have a demonstrated ability to assist people in need in its operating regions, including the American Red Cross, St. Jude's Children's Hospital, United Way, Memphis Child Advocacy Center, and Big Brothers, Big Sisters of Clarksville, Tenn. Each year ASC rotates a large donation among their locations of Clarksville, Memphis and Winston-Salem to make a significant contribution, most often to Habitat for Humanity. In 2016, ASC presented the Montgomery County (Clarksville) Habitat for Humanity with a donation of \$30,000.

SANTA FE NATURAL TOBACCO COMPANY FOUNDATION

The Santa Fe Natural Tobacco Company (SFNTC) Foundation is dedicated to helping preserve, promote and advance American Indian culture. Using dedicated funds from the sale of SFNTC tobacco products, the Foundation's three primary objectives are: Development of Native American entrepreneurs; facilitation of Native American education; and preservation of Native American languages.



Winston Salem State University Chancellor Elwood Robinson gives the Reynolds American Foundation Board of Directors a tour of the facility that was funded by a foundation grant.

REYNOLDS AMERICAN FOUNDATION SUPPORTS PROJECT IMPACT

The Reynolds American Foundation is a lead sponsor for Project Impact, an educational initiative that provides additional operating funds to Winston-Salem/Forsyth County Schools (WS/FCS) to address critical student achievement gaps. WS/FCS serves approximately 54,000 students in 81 schools throughout the district.

The initiative's goal is to improve third-grade reading and math proficiency scores using strategies proven successful in other school districts. Project Impact will fund:

- Pre-K expansion,
- Extended learning options, and
- Expanded staff development and instructional support.

SCHOOLS FACE EVER-GROWING DEMANDS

Project Impact evolved from discussions among education, community and business leaders. In its early stages, the initiative already has commitments of about \$24 million toward its goal of raising \$45 million for the school system over six years. An Advisory Board was created to monitor and evaluate success throughout the project, which began funding programs in the summer of 2016.

For more information visit Project Impact's website to learn more or to make a contribution: www.ProjectImpact.WS

Percentage of successful 3rd grade readers from the summer program



“Across all the regions in which I’ve worked, I have never, before RAI and the Reynolds American Foundation, been approached by a business to see how they can contribute to our mission.”

Dr. Beverly Emory,
Superintendent,
Winston-Salem/
Forsyth County Schools



CORPORATE GIVING

The RAI companies make monetary contributions and non-cash donations such as land and buildings to support nonprofits and economic development efforts in the communities where our employees live and work.

As a community leader, RAI often contributes corporate funds for sponsorships in key community events and activities to support community engagement for education, arts, social and economic development and other priority areas as defined by employee interests.

An assortment of community sponsorships include the Winston-Salem Open, Big Brothers Big Sisters, Juvenile Diabetes Research Fund, NAACP and Old Hickory Council Boy Scouts.

CELEBRATING FILM

As the Title Sponsor of the RiverRun International Film Festival, RAI offers the companies' employees the opportunity to experience a greater appreciation of cinema and a deeper understanding of the many people, cultures and perspectives of our world through regular interaction with great films and filmmakers. Each year, RiverRun's film festival embodies its values:

- **Diversity:** Celebrate the diversity of human experience and understanding with all of our programs and practices.
- **Integrity:** Adhere to the highest standards of professional conduct, accountability and financial responsibility, and encourage others to do the same.
- **Sustainability:** Strive to minimize our impact on the environment and employ viable eco-friendly alternatives at every opportunity.
- **Excellence:** Believe in the power and urgency of creative expression and are devoted to the presentation of great cinema.
- **Community:** Commit to being a good partner and improving the cultural and economic landscape of our community.

Based in Winston-Salem, North Carolina, RiverRun International Film Festival envelops Winston-Salem for more than a week each year, offering residents and visitors world-class films, first-hand experience in the world of film and opportunities to interact with actors, directors and more. In 2016, RiverRun presented more than 166 films from 44 countries.

The RAI companies' employees enjoy the opportunity to attend films and events throughout the Festival and also provide countless volunteer hours to its success.



RIVERRUN

INTERNATIONAL FILM FESTIVAL





WORKING WONDERS TOGETHER

Employees at the RAI companies embrace a longstanding tradition of generosity. In 2016, RAI's annual United Way campaign raised nearly \$2.6 million for the United Way. Of the 1,193 employee donors overall, each gift was a gift times two, with a 100 percent match from the Reynolds American Foundation.

As a result of this generosity, for the third consecutive year, RAI has received the United Way's Spirit of North Carolina award for three years in a row, recognizing companies and their employees who demonstrate campaign excellence and community commitment through the United Way.



Kentucky BioProcessing was honored by United Way of Daviess with two awards for its 2016 campaign. KBP was the only winner of the **The Horizon Award**, given to those who are true leaders in the local community. **The Community Spirit Award** was presented to KBP for demonstrating strong support with sustained per capita giving at the \$50 level and above for at least two consecutive years.



Employees' biggest hands-on project remained the United Way's Days of Caring, a week of giving back to the community by putting in the muscle and time to help United Way agencies with landscaping, construction, painting and other projects. In 2016, more than 800 employees participated, showing that community involvement is a cornerstone of our corporate culture.

Employees stay engaged with United Way year-round by participating in activities with Women's Leadership Council and Young Leaders United.



EMPLOYEE-DIRECTED GIVING

The RAI companies' employees are able to direct foundation and corporate funds through these specific programs:

- The Reynolds American Foundation matches employee gifts to any nonprofit organizations or institutions of higher learning of their choice, up to \$7,000 per employee per year. In addition, every employee contribution to United Way is matched by the Reynolds American Foundation.
- Employees may award a \$500 grant to a nonprofit when they present the Right Decisions Right Now: Be Tobacco Free program. New in 2016, employees can award grants to an unlimited number of organizations.
- When eligible employees make a contribution to the RAI Political Action Committee (PAC), a contribution is made to a charity of their choice from corporate matching funds.



EMPLOYEE VOLUNTEERISM

The RAI companies' employees are known throughout the communities where they work and live for their contributions of time and talent. Often nonprofit organizations call upon the RAI companies when seeking to fill leadership and board of director positions.

Employees are encouraged to give of their time participating annually with colleagues in United Way's Days of Caring as well as volunteering with organizations that are tied to causes important to them and their families.

MORE THAN HOUSES FOR ASC EMPLOYEES HELPING HABITAT

Employees of American Snuff Company (ASC), a Reynolds American Inc. subsidiary in Memphis, Tenn., have been making a mark on their community over the last 25 years. Brick by brick, wall after wall, hammer and nail.

Each year more than 20 employees volunteer for several Habitat for Humanity "build" days to help with a variety of tasks including trim work, caulking, painting, hanging siding and more. They understand that the force behind the organization is the volunteers, and it's one of many service projects which highlight the engaged spirit and strong sense of corporate responsibility among employees of RAI and its subsidiaries.

"Habitat for Humanity is about more than houses," said Clayton Griffin, senior manager of engagement/training for ASC. "It contributes to the local economy, transforms neighborhoods and changes lives. It's about love for our neighbors and about improving the communities in which we live."

Foundation and Employee Donations

In addition to the volunteer workdays, the American Snuff Charitable Trust Foundation has given grants to Habitat for Humanity of Greater Memphis over the years. In 2016, employee representatives of ASC visited the local Habitat office and presented them with a \$13,500 donation from the trust.

"If you enjoy volunteering, please give your time to Habitat for Humanity, it's a win-win for all. ASC has worked with Habitat for over 25 years, building hope and stability through shelter." said Griffin.

The Jimmy Carter Work Project

ASC's involvement is part of a larger, longstanding partnership in the Memphis community with Habitat for Humanity. The area was selected for the 2016 Jimmy Carter Work Project, an honor that brought former President and Mrs. Carter to the area to recognize its contributions. Last year, five ASC employees participated in the Jimmy Carter build when Habitat, along with 1,500 total volunteers, built 21 homes in the month of August. An additional 23 employees followed up with another Habitat build in October.

Since 1983, 434 homes have been built in the Memphis area with the help of Habitat and volunteers.



EST. 1900

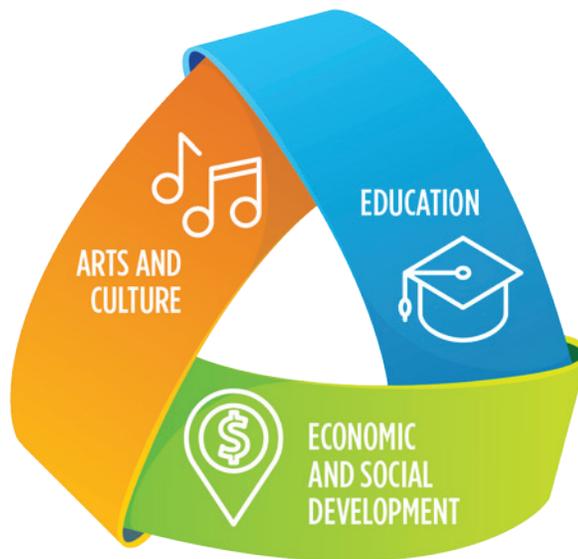
**AMERICAN
SNUFF CO.**

GIVING PRIORITIES



Our employees often contribute their time and resources to organizations and causes that matter the most to them and their families. Their generosity casts a wide net across our communities. For example, in 2016, employees donated to more than 600 nonprofits through the Reynolds American Foundation Employee Matching Grants Program.

While employee-directed giving is varied, our companies' foundations and corporate sponsorships are broadly centered on three areas - education, economic and social development, and arts and culture - where we can make a positive impact in the communities where we live and work.







ECONOMIC & SOCIAL DEVELOPMENT

Supporting economic and social development of the areas in which employees live and work is the right thing to do for our communities. We do this through the work of our foundations, corporate giving and employee volunteerism, often with local and national organizations such as United Way, American Red Cross or Salvation Army.

The RAI companies also remain committed to ensuring that company facilities no longer in use continue to play a vital role in economic development. RAI's giving heritage began with R.J. Reynolds and his family's donations of land and buildings to organizations such as Wake Forest University. In later years, our companies' donations of land and property have led to the redevelopment of downtown Winston-Salem to what is the now-vibrant Innovation Quarter, as well as the redevelopment of Whitaker Park.



Debris removal from Pam Jackson's house after 2016 flood.

TAKING CARE OF OUR OWN AND OTHERS IN A TIME OF NEED

On August 13, 2016, Pam Jackson's worst nightmares came true. It was almost eleven years to the day that Hurricane Katrina hit New Orleans and devastated so many homes and businesses in the area including Pam's. She and her family relocated to Denham Springs in 2007 but the flood waters followed them. "That night when water started coming in my home, I really just had this sick feeling in the pit of my stomach. I just couldn't believe it was happening again," said Jackson, Reynolds American Inc. Trade Marketing Services (RAITMS) territory manager, "I just could not believe it."

While Mother Nature is extremely unpredictable, Jackson was not surprised to find unwavering support from RAITMS leadership and her team. After Katrina, the company established a fund called Employees for Employees - Hurricane Katrina Relief Fund. Through this fund, any employee with R.J. Reynolds who was affected by Hurricane Katrina was eligible for a grant - made possible from fellow employees' donations and then matched by the Reynolds American Foundation.

When flooding returned to Louisiana in the summer of 2016, employees rallied again without hesitation. Through immediate funds collected by Jackson's colleagues, she was able to be proactive and save her house this time. After the water receded, three different trade marketing divisions (Baton Rouge,

New Orleans and Biloxi) showed up at Jackson's home to help with debris removal and gutting of the home. Lending their physical support to help the Jackson family was an overwhelming demonstration of care that did not go unnoticed by neighbors or the community. "It just makes me appreciate and realize how blessed I am to work for an organization that is so compassionate about their employees," said Jackson. "That we are a family, and we are a team."

RAI and its subsidiaries have a long history of supporting its employees in times of need and generously responding to disasters in communities. In 2016, the Reynolds American Foundation provided \$300,000 to affected regions of North and South Carolina after Hurricane Matthew as well as \$200,000 and \$100,000 gifts to Louisiana and Texas after 2016 flooding, respectively. Consequently the Foundation is now a member of the American Red Cross' Annual Disaster Giving Program (ADGP).

Through ADGP, the Foundation and other donors help create reliable funding for the American Red Cross to provide immediate disaster relief services, including trained volunteers, supplies, emergency response vehicles and resources to transform community sites into shelters. We are thankful for the services provided by the American Red Cross and honored to positively impact people affected by natural disasters.



**American
Red Cross**

**Annual Disaster
Giving Program**



ARTS & CULTURE

Reynolds American, its subsidiaries and foundations support preserving and promoting arts and culture, and preserving the history of our communities. The arts are vital to the vibrancy of our communities, benefit our current and future employees, and contribute to our local economies.

NATIVE AMERICAN COMPOSER PROJECT LIGHTS FIRE

In both 2016 and 2017, the Santa Fe Natural Tobacco Company Foundation awarded grants to the Grand Canyon Music Festival to support the Native American Composer Apprentice Project (NACAP). This project aligns perfectly with the Foundation's mission to support the preservation of American Indian culture by nurturing the musical talents of Native American students. NACAP provides Native students with tools to develop their own compositional voices and empowers them to embrace their history and culture.

***“Education is not so much filling a bucket as lighting a fire.”
William Butler Yeats***

NACAP students are tutored in the art of composition. This results in new works which are then reviewed and adjusted with mentors and fellow composers. The students' new works are then finally performed by professional ensembles to the students' communities including venues like Scottsdale Community College, Heard and Navajo National Museums, Arizona Opera, the Grand Canyon Music Festival and SITE in Santa Fe. A challenging, empowering artistic experience with a rigorous, standards-based curriculum, NACAP gives voice to underserved Native youth, providing unique creative opportunities for rural and Reservation youth.



“We are so fortunate to have the Grand Canyon in our back yard and rich American Indian cultures throughout our community,” says Keith Grover, SFNTC Director Consumer Marketing - Sustainability. “The SFNTC Foundation is proud to support the Grand Canyon Music Festival and the NACAP.” The Grand Canyon Music Festival mission is to enhance the Grand Canyon experience by presenting world-class chamber music as part of the interpretive mission of Grand Canyon National Park, and to develop and present quality education outreach projects to under-served rural Arizona communities, with an emphasis on Native American communities.

SUPPORT FOR LOCAL TECHNOLOGY EDUCATION

The Reynolds American Foundation signed up in 2016 for Forsyth Technical Community College's \$18 million Pathways to Possibilities capital campaign to raise money for much-needed technology improvements.

The Foundation pledged a lead gift of \$2.5 million to the campaign — the single-largest capital campaign gift that it has ever awarded to an institution of higher learning — and RAI's retired president and CEO, Susan Cameron, took on the role of honorary campaign chair. In addition, RAI's largest operating company, R.J. Reynolds Tobacco Company, committed to paying the community college half a million dollars for training services.

"I've seen firsthand the transformative role that technology has played in the success of the company and its subsidiaries, so I was thrilled to throw our support behind Forsyth Tech's new capital campaign," said Cameron. "I've also seen first-hand the powerful role that Forsyth Tech has played in our success. R.J. Reynolds has had an excellent long-standing partnership with the community college, whereby our employees receive critical customized training through its Industrial Systems Technology program and the Lean Production Simulation."

The companies also hire many Forsyth Tech graduates. Cameron called out the value of public-private partnerships and their importance in driving continued community progress.



EDUCATION

An educated community helps our communities thrive and contributes to a high-quality future workforce for our companies.

RAI, its subsidiaries and foundations support public school and community programs that prepare children to enter school ready to learn, as well as programs that focus on improving academic performance of low-performing and economically disadvantaged students.

Our National Merit Scholarship Program selects deserving scholarship recipients from applicants who are children of employees to provide support for their collegiate educations.

Youth Tobacco Prevention efforts, including the We Card Program and Right Decisions Right Now: Be Tobacco Free, a free youth tobacco prevention program, are supported by corporate funds.



Hands on industry systems learning for Forsyth Tech students brings highly skilled talent to Winston-Salem companies.



“It is so exciting to work at Reynolds American and be part of this company’s commitment to positively impact our community. After years of working here in Winston-Salem, I’ve learned quite a bit about the legacy of generosity and community leadership that the RAI companies and their employees have built; not just here but in several other communities where they operate. It is an honor to now be part of this organization, and to carry forward our tradition of giving back to our community.”

Mamie Sutphin,
Director of Community
Engagement Programs



The RAI companies invest in improving the communities where our employees live and work. Through both philanthropy and volunteerism, our companies and employees continuously give back to our communities.

RAI's total giving programs are led by the director of community engagement programs, who also serves as the executive director of the Reynolds American Foundation. The American Snuff Company Charitable Trust and Santa Fe Natural Tobacco Company Foundation are independently managed by their individual boards of directors which include RAI employees.

In 2016, we began a transformation in RAI's total giving with hiring Mamie Sutphin as the new director of community engagement programs.

Starting in 2016, the company developed a multi-year strategic plan to improve employee engagement and community outreach. We will measure our success in community engagement through progress toward the following giving goals:

- Increase understanding among key community leaders of the RAI companies' total giving programs and specifically, Reynolds American Foundation and corporate funding priorities, as evidenced through recommendations and requests for funds, over the next 24 months.
- Maintain high levels of employee engagement in company sponsorships over the next 24 months.
- Increase both the numbers of employees participating in the Reynolds American Foundation Matching Grants program as well as the total dollar amount of grants matched year over year.
- Improve processes to bring increased opportunities for employees to engage with community organizations such as serving in board positions and participating in volunteer activities.

LEADERSHIP & GOALS

LOOKING AHEAD

In 2017, the RAI companies will continue efforts for increasing employee engagement by providing more tools and communications to better organize company and individual efforts in the community. While employees are already heavily engaged in the communities in which we operate, we wish to amplify and communicate their efforts so our neighbors may better know us as we all work together for our communities.

We look forward to carrying on our proud tradition as a connected contributor in the communities where we live and work.

Learn more about our community connections:

www.reynoldsamerican.com/community

Follow us @RAI_News





RAI companies contribute in numerous capacities to support communities and important causes.



RAI is an indirect, wholly owned subsidiary of British American Tobacco p.l.c.

