

Summary of Reynolds American Inc.'s Policy and Procedures on Political Participation and Corporate Contributions

Philosophy

Products manufactured by the operating companies of Reynolds American Inc. (RAI) are sold, taxed and regulated in all 50 U.S. states. The RAI companies' engagement in the political, legislative and regulatory processes is important to their businesses because matters of direct relevance to RAI and its operating companies are routinely determined through these processes.

Accordingly, the RAI operating companies participate in the political and public policy process in a manner consistent with the law and the interests of their businesses. Two ways in which RAI and its operating companies participate are through contributions to political organizations, candidates and committees, in the jurisdictions that permit them, and contributions to tax-exempt organizations that advocate public policy positions or engage in lobbying activity.

RAI and its operating companies may not necessarily agree with all of the positions taken by each candidate and organization to which they contribute, but before making a contribution, RAI and its operating companies will determine that the contribution is lawful and in line with their vision and beliefs.

Guidelines for determining whether to make a political contribution

Proposed corporate contributions go through an internal review process to ensure compliance with applicable laws and regulations, and to determine that they are in the best interests of the RAI companies.

Several evaluation criteria are considered before making a proposed contribution, including:

- Whether the candidate represents a geography that includes an RAI operating company facility or a substantial number of its employees;
- The candidate's and/or committee's stated commitment to, or track record of, supporting sound legislative and regulatory approaches to business issues;
- The candidate's and/or committee's interest in, and understanding of, the legal and regulatory issues related to the RAI companies' businesses; and

- The candidate's service on committees having jurisdiction over such issues or in legislative leadership.

Governance of the corporate political contributions process

Each corporate political contribution must be endorsed by a vice president of government relations and approved by:

- The executive vice president of Public Affairs; and
- RAI Services Company's Law Department.

A contribution of more than \$10,000 requires written approval from RAI's general counsel.

The corporate governance and nominating committee of the RAI board of directors will be provided a report on corporate contributions annually.

Contributions transparency

All corporate political contributions from the RAI companies are made in compliance with applicable federal and state laws, and the required disclosure of those contributions is made to, and available from, the appropriate federal and state agencies.

Company policy requires that specific information about corporate political contributions by RAI and its companies will also be posted on the RAI website, www.reynoldsamerican.com. The posting will be made prior to the end of the first quarter of the year following the reporting period. The information will be sorted by state and will identify the recipient by name, electoral district, political party, and if the activity relates to a referendum, the referendum at issue. Reynolds American Inc. Political Action Committee (RAIPAC) contributions are available on the Federal Election Commission's website: www.fec.gov.

With respect to groups organized under section 501(c)(4) or (6) of the Internal Revenue Code, in the event the aggregate annual contributions paid to any such group exceeds \$50,000, we will disclose the non-deductible portion of the aggregate annual contributions paid to such groups, to the extent that information is disclosed to the RAI companies by the recipient, as required by law.

Additionally, if a 501(c)(4) organization reports that 75% or more of our aggregate annual contributions to such a group was used for non-deductible purposes, we will disclose the entire amount of our annual contributions, even if less than \$50,000.

Contributions to groups organized under section 527 of the Internal Revenue Code will be disclosed by recipient and amount.

Public policy advocacy

RAI and its operating companies also participate directly in the public policy process by advocating policy positions through the lobbying activities of their employees and contractors. The companies have adopted policies requiring that all lobbying activities are compliant with applicable laws and are properly disclosed to the appropriate state and federal regulatory agencies. Lobbying activities are coordinated through the Public Affairs Department of RAI Services Company.

The public policy positions advocated by RAI and its operating companies relate to, and are in, the interests of their businesses. Visit the Transforming Tobacco section of this website for a discussion of public policies relating to Commercial Integrity, Youth Tobacco Prevention and Tobacco Harm Reduction.

Policies for employees

Many employees of the RAI and its subsidiaries choose to make personal contributions to individual candidates whose views the employees support. RAI has an employee-funded political action committee, the Reynolds American Inc. Political Action Committee (RAIPAC), in which all employees can participate. Participation in the RAIPAC provides a means for employees' combined contributions to support candidates in elections around the nation. Participation in the RAIPAC is voluntary. Eligible employees may choose to participate or not, without fear of reprisal.