

Jan. 16, 2009

An Open Letter from the Board of Directors and Leadership Team of Reynolds American Inc.

For more than two years, the Farm Labor Organizing Committee (FLOC), an AFL-CIO labor union, has undertaken efforts to pressure Reynolds American Inc. (RAI) and R.J. Reynolds Tobacco Company (R.J. Reynolds) to participate in negotiations for a collective bargaining agreement to cover farm laborers.

What may not be clear to many who have contacted R.J. Reynolds, urging the company to negotiate with the union, is that FLOC has had a collective bargaining agreement with the N.C. Growers Association (NCGA) for several years, and currently has a collective bargaining agreement with the NCGA through 2011. Any worker who wants to sign up with FLOC may – right this very minute. Absolutely nothing is stopping them from doing so. And it's just fine with us if they choose to do that. NCGA reports there are currently 2000 H2A workers on farms in North Carolina who are members of FLOC. The reason we have not agreed to meet with FLOC is simple: we can't help them. The workers FLOC wants to represent do not work for us. We cannot enter a bargaining agreement on the workers' behalf – they are not our employees. Neither RAI nor R.J. Reynolds is the appropriate party to negotiate any collective bargaining agreement with FLOC. As the sponsoring organization for the H2A workers, the NCGA is the appropriate body to negotiate such an agreement – and they have done so. RAI and R.J. Reynolds certainly support efforts to ensure all workers in all industries have safe work environments. We are doing several things to help ensure safe working conditions on the farms with which we contract, including:

- Funding the production of DVDs on hazardous materials in partnership with the North Carolina Department of Labor (NCDOL) and N.C. State University;
- Distributing pesticide safety and farming operation safety DVDs to all of our contract growers;
- Distributing information on heat stress and green tobacco sickness to all of our contract growers;
- Providing support for the NCDOL Gold Star Program, which recognizes growers who provide farm worker housing that meets all of the requirements of the Migrant Housing Act of N.C.; and
- NCDOL has attended, and will continue to be invited to, our annual Grower Meetings in North Carolina to speak on farm safety issues. Further, R.J. Reynolds has taken additional steps to reach out to contract growers and farm workers on farms with which it contracts for leaf tobacco to better understand their potential issues and perspectives. We retained a third party experienced in this type of research to survey more than 80 North Carolina growers who sell tobacco to R.J. Reynolds, and with the permission of the growers, the workers on their farms.

This survey is but one method R.J. Reynolds utilizes to identify additional areas in which it can support growers as they provide safe working conditions for their farm workers. The survey results indicated that a large majority of farm workers return to the same farms each year, and that growers often provide housing and other services to their farm worker employees. The vast majority of farm workers rated their treatment as “good” or “very good,” and said they were satisfied with working on this farm. Additionally, the farm workers indicated that they receive

training and take steps to prevent green tobacco sickness, and that they would choose to return to work on the same farm the next year. North Carolina has effective laws on the books to protect workers, including specific regulations for working and living conditions for farm laborers. We support those laws and require farms with whom we contract to uphold those laws. But we are not the government – only the government can enforce the laws. We have repeatedly encouraged anyone who knows or suspects that the law is being broken to alert NCDOL. The NCDOL has an easy-to-access, anonymous method of reporting suspected violations. If FLOC or any other party is aware of potential violations, R.J. Reynolds encourages them to report the circumstances to the state so that they may be investigated. [Click here](#) for a link to the anonymous NCDOL reporting form.

While our companies support safe working environments for all workers, we cannot negotiate labor contracts for people who do not work for us. FLOC has singled out only R.J. Reynolds, even though we are not the largest buyer of tobacco – but we ARE the only non-union major tobacco company. FLOC has spent considerable energy harassing our employees and directors – with phone calls, letters, protests, marches and public disparagement. At the national AFL-CIO convention in September 2009, the president of FLOC, Baldemar Velasquez, was unanimously elected to the AFL-CIO Executive Council. At the convention Velasquez spoke to introduce a resolution in support of FLOC’s campaign to organize tobacco farm workers hired by farmers who sell tobacco to R.J. Reynolds. FLOC’s actions against our companies to this point lead us to believe that this is an issue of revenue for the union and an effort to increase membership, nothing more. Perhaps FLOC should consider approaching other companies – including other tobacco companies – to support an agribusiness-wide approach to improving living and working conditions. Mr. Velasquez worked on a farm that sells tobacco to R.J. Reynolds in the summer of 2008, and he reported being well-treated. His complaints centered on the nature of the work itself. There is no question that harvesting tobacco is done when it’s hot, and it’s heavy, labor-intensive work – many R.J. Reynolds employees have worked on tobacco farms themselves. Unfortunately, the nature of the work and the climate conditions under which it takes place are not within the control of tobacco farmers.

Our companies engage in ongoing dialogue with a variety of stakeholders on a broad range of issues, and we appreciate your interest in this topic and thank you for taking the time to read our perspective on it. For more information about the companies’ corporate social responsibility initiatives, please [click here](#).

The Board of Directors of Reynolds American Inc. and The Leadership Team of Reynolds American Inc.