

Supplier Guide

Reynolds American Inc.
and its subsidiaries



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Introduction

To current or prospective suppliers:

This Supplier Guide has been developed to help you understand how to conduct business with Reynolds American Inc. (RAI) and its subsidiaries and to communicate the expectations and requirements we have of all suppliers.

This Supplier Guide explains the processes that we use to purchase, receive and pay for goods and services. This information will serve as a general guide to your interactions with our companies. Of course, the terms of the written document between you and the company, which is a requirement of doing business, will govern.

We value relationships with our suppliers. As we source goods and services, we rely on the professionalism and expertise that suppliers provide. Suppliers play an essential role in obtaining continuous improvements in quality, price and service levels.

Our sourcing processes aim to deliver maximum value to all stakeholders. We look to our suppliers to deliver innovative products and services that help the RAI operating companies differentiate ourselves in the marketplace and create lasting competitive advantage.

The value that comes from having a diverse group of suppliers is clear. We encourage our buyers to seek out new and diverse suppliers as they source materials, goods and services, to ensure a consistent flow of new and innovative ideas and options from which to choose.

About Reynolds American Inc. and its Operating Companies

Reynolds American Inc. (NYSE: RAI) is the parent company of R.J. Reynolds Tobacco Company; American Snuff Company, LLC; Santa Fe Natural Tobacco Company, Inc.; Niconovum USA, Inc.; Niconovum AB; and R.J. Reynolds Vapor Company.

Visit the RAI website at reynoldsamerican.com.

R.J. Reynolds Tobacco Company is the second-largest U.S. tobacco company. R.J. Reynolds' brands include Newport, Camel and Pall Mall.

Visit the R.J. Reynolds website at:

<http://www.rjrt.com/>

American Snuff Company is the nation's second-largest manufacturer of smokeless tobacco products. Its leading brands are Grizzly and Kodiak.

Visit the American Snuff Company website at:

<http://americansnuffco.com/>

Santa Fe Natural Tobacco Company, Inc. manufactures and markets Natural American Spirit tobacco products, including styles made with organic tobacco.

Visit the Santa Fe website at:

<https://www.sfntc.com/welcome.html?path=/>

Niconovum USA, Inc. and Niconovum AB market innovative nicotine replacement therapy products in the United States and Sweden, respectively, under the ZONNIC brand name.

Visit the Niconovum USA, Inc. website at:

<https://www.zonnic.com/default.aspx>

R. J. Reynolds Vapor Company is a marketer of digital vapor cigarettes, manufactured on its behalf by R.J. Reynolds Tobacco Company, under the VUSE brand name in the United States.

Visit the R.J. Reynolds Vapor Company website at:

<http://rjrvapor.com/Pages/default.aspx>

Procurement's Mission

Through a highly engaged workforce and strategic partners, Procurement will provide timely, insightful and innovative sourcing results that deliver superior value with World-Class efficiency and speed to market.

Governance

The executive vice president of operations for R.J. Reynolds Tobacco Company and executive vice president of public affairs for Reynolds American Inc. (RAI) are ultimately responsible for RAI's supply chain management and goals. The R.J. Reynolds Procurement Department has service agreements with each RAI operating company, enabling an integrated, comprehensive supply chain management system. Executives from procurement, along with corporate sustainability and commercial equity, collaborate to develop, coordinate and execute programs to achieve company-wide goals and targets, and guidelines through which initiatives are reviewed and approved. Procurement staff members are trained on all policy elements and held accountable to ensure compliance. Progress is reviewed, and results are consolidated and reported to the Board of Directors annually.

Related Policies

Doing the Right Thing: Code of Conduct

Statement on Human Rights

Human Rights Oversight Policy

Grower Code of Conduct

California Supply Chain Transparency Act Compliance Statement

Reynolds American Inc. and its Subsidiaries' Supplier Code of Conduct

Compliance with Law

Suppliers for Reynolds American Inc. and its subsidiaries are required to abide by all applicable laws, codes, and regulations, including, but not limited to, any local state or federal laws regarding: wages and benefits, workers' compensation, working hours, equal opportunity, worker and product safety, anti-corruption; unfair business practices; anti-discrimination; humane treatment of workers; and environmental sustainability.

Forced Labor

RAI and its subsidiaries do not engage in or support the use of forced or involuntary labor, and do not purchase materials, goods or services from suppliers utilizing forced or involuntary labor.

Child Labor

Suppliers shall not use workers under the legal age for employment for the type of work being performed in any facility in which the supplier is doing work for the RAI companies. Suppliers are encouraged to develop lawful workplace apprenticeship programs for the educational benefit of their workers, provided that all participants meet minimum age requirements.

Wages & Benefits / Working Hours

Suppliers are expected to comply with all applicable wage and hour labor laws and regulations governing employee compensation and working hours.

Health & Safety / Working Conditions

RAI and its subsidiaries are committed to the safety and health of their employees and conduct business and operations in compliance with applicable laws and regulations. Suppliers are expected to provide a safe working environment that supports accident prevention and minimizes exposure to health risks. Suppliers are expected to comply with all applicable safety and health laws and regulations in the countries in which they operate.

Non-Discrimination

Suppliers shall implement a policy to effectuate all applicable local, state and federal laws prohibiting discrimination in hiring and employment on the basis of race, color, religion, sex, age, physical disability, national origin, creed or any other basis prohibited by law.

Respect and Dignity

RAI and its subsidiaries endeavor to conduct business in compliance with laws and widely accepted norms of fairness and human decency, and look to their suppliers to act in a similar manner.

Reynolds American Inc. and its Subsidiaries' Supplier Code of Conduct

Freedom of Association

Suppliers shall comply with all applicable laws on freedom of association and collective bargaining.

Environmental

RAI and its subsidiaries' suppliers should operate in a manner that is protective of the environment. Compliance with all applicable environmental laws, regulations and standards is required. Suppliers shall also comply with any additional reasonable requirements specific to the product or service being supplied as identified in the specification. It is desired that suppliers have environmental management systems in place, including written policies, processes, and requirements for environmental protection and pollution prevention / source reduction; and conduct audits of compliance with their programs from time to time. It is our expectation that, where available, suppliers will offer and provide alternative materials, goods, services and process suggestions intended to reduce waste, promote recycling, and improve our sustainability and overall environmental performance.

Record Keeping / Monitoring / Audit

Suppliers shall conduct audits and inspections to ensure their compliance with this Suppliers' Guide and applicable legal / regulatory and contractual standards. Failure to comply with this Guide will be sufficient cause to revoke a supplier's approved status. We reserve the right, as condition of continuation of approval, to conduct periodic, unannounced inspections during normal operating hours of suppliers and their facilities to verify compliance with these standards. Upon request, supplier shall provide us with a copy of documentation to demonstrate compliance with this Code of Conduct.

R.J. Reynolds Procurement will periodically review its Supplier Guide and make appropriate additions or changes. Therefore, please refer to the website periodically for updates.

To report a violation of the Supplier Guide, please contact:

Reynolds American Inc.
Office of Ethics and Compliance
P.O. Box 2990
Winston-Salem, NC 27102

Corporate Sustainability

Reynolds American Inc. and its operating companies are leading the transformation of the tobacco industry. At each operating company, we are in a position to help resolve many of the controversial issues related to the use of tobacco. Committing ourselves to resolving these issues is the right thing to do and will ultimately advance our commercial objectives.

Transforming tobacco is a bold vision that we believe in, and our journey is well under way. We are moving our businesses forward with a full appreciation of stakeholder expectations.

Our goal is to ultimately achieve market leadership by effectively executing this transformation strategy. We will lead change in our industry by driving innovation throughout RAI's businesses, redefining enjoyment for adult tobacco consumers, reducing the harm caused by smoking, and accelerating the decline in youth tobacco use.

We are committed to meeting society's expectations for how a tobacco company should operate, while growing our businesses — now and over the long term. Ongoing stakeholder engagement and analysis of our companies' impacts across our value chain have identified three material areas of focus: Youth Tobacco Prevention, Tobacco Harm Reduction and Commercial Integrity.

MATERIAL TOPICS



Corporate Sustainability

Our work on these issues enhances our long-term economic, social and environmental sustainability and supports our strategy to transform tobacco.

Objectives of Supplier Responsibility important to the RAI companies are:

- i. Ensure key suppliers comply with applicable laws and adhere to responsible practices
- ii. Partner with suppliers to help achieve our Corporate Sustainability objectives

For more information about RAI's sustainability initiatives, visit the Sustainability Report section at reynoldsamerican.com.

The RAI companies' businesses are based on a fundamental set of values, and these values guide the relationships we enjoy with the many suppliers who provide goods and services.

Within our supplier relationships, we have an obligation to manage our sourcing processes ethically, and to hold ourselves and our suppliers to high standards of behavior. This means complying with all applicable laws and regulations, and it means that we are committed to working with our suppliers to encourage responsible practices throughout the supply network.

Sustainability and Corporate Social Responsibility are factors to be weighed as part of every decision made and the responsibility of all employees. We believe that it is not just good for business today, but it enhances the businesses' ability to succeed in the future.

Doing Business with R.J. Reynolds Procurement

The following information is provided to assist suppliers in understanding R.J. Reynolds Procurement's procedures, policies and practices in managing our companies' supplier relationships. This is designed as an overview and is not a comprehensive guide. The procurement staff can provide additional details, as required.

The R.J. Reynolds Procurement department (or "Procurement") manages sourcing and procurement of goods and services for all RAI subsidiaries. R.J. Reynolds Procurement functions as a centrally controlled organization with locally driven procurement execution. We use common procurement strategies, processes and policies to meet the sourcing needs of the RAI companies. By including the relevant stakeholders in sourcing activities, we work to ensure best sourcing practices, supplier compliance and risk mitigation.

Request for Information (RFI) and Request for Proposal (RFP): R.J. Reynolds Procurement encourages a competitive environment and may use RFIs to determine those potential suppliers to be given future consideration. Once a supplier base has been identified, an RFP may be utilized to solicit pricing and commercial proposals. Goods may not be shipped nor services performed without a contract, purchase order (PO) or P-Card number. The contract or purchase order number must be listed on all shipments, delivery slips and invoices.

Shipping: The purchase order or contract will specify the shipping method and Incoterms.

Payment: To ensure proper and timely payment of invoices, the supplier must show PO number or contract number on invoices. Invoice price and quantity information must match contract or PO information to facilitate timely payment of the invoice. Supplier should only invoice one PO or contract per invoice. R.J. Reynolds Procurement cannot process an invoice containing multiple PO or contract numbers.

Quality: R.J. Reynolds Procurement expects high-quality goods and services that conform to specifications and business needs on a consistent and ongoing basis.

Delivery: All shipments of goods must be accompanied by documentation stating actual quantity and contract, P-Card or PO number. Shipments shall be received within the agreed upon timeframe. The Procurement buyer should be notified immediately when a delivery commitment will not be met.

Costs: It is R.J. Reynolds Procurement's objective to operate based on total **cost of ownership** of goods and services rather than simply lowest price. Total cost of ownership quantifies all the

Doing Business with R.J. Reynolds Procurement

costs related to the purchase of goods and services. Suppliers are encouraged to provide information which might help reduce the total cost of ownership of goods and services. Procurement may request more cost transparency from suppliers in order to effectively select suppliers/goods/services.

Warranty: Express warranties are expected on all goods purchases.

Acceptance policy: R.J. Reynolds Procurement retains the right to inspect goods and services tendered. Procurement will either return and reject nonconforming goods and purchase them elsewhere, or require its supplier to satisfactorily repair or replace the defective goods.

Contractual Relationships: R.J. Reynolds Procurement will contract with suppliers only in a written document which contains all of the terms and conditions governing the relationship. Renewals and extensions are accomplished in the same way. This document (e.g., an original contract, purchase order, an extension, or a renewal, as the case may be) must be signed by an employee of the designated RAI subsidiary who has the authority to sign the document. Despite anything else which may be communicated to the supplier (either orally or in writing), we do not have a binding relationship until such a signed document exists.

Sometimes, even before there is a binding relationship, we may request a prospective supplier to begin working on our behalf. Please recognize that, if Procurement makes such a request, and a supplier accommodates the request, it will be making this investment of time, energy and talent solely on a speculative basis. If the relationship between a supplier and an RAI company never becomes embodied in a signed written document, the supplier's investment may be lost and it may not be compensated in any way for its efforts. R.J. Reynolds Procurement will reimburse a supplier for the out-of-pocket expenses that have actually been disbursed on our behalf (supported by adequate documentation), but only if these disbursements do not exceed \$25,000 in the aggregate in any year and were authorized in advance by an employee with authority to do so. If any single disbursement exceeds \$10,000, that disbursement must be authorized in advance in writing by an employee with authority to approve it.

Confidentiality: R.J. Reynolds Procurement expects suppliers to treat all information as confidential. This includes any discussions or information provided by Procurement or other personnel. Depending on the nature of the relationship, the supplier may be asked to sign a formal confidentiality agreement. Suppliers may not use the name(s), trademark(s), or trade

Doing Business with R.J. Reynolds Procurement

name(s) of any RAI subsidiary or Reynolds American Inc. in publicity releases or advertising or in any other manner, including customer lists, if applicable, without securing the prior written approval of R.J. Reynolds Procurement or Reynolds American Inc.

Intellectual Property: Patents, trademarks and copyrights are examples of intellectual property. R.J. Reynolds Procurement is aware that intellectual property rights may exist in goods that are supplied and/or arise from services rendered. Procurement expects that the supplier will ensure that whatever is delivered to RAI and/or its subsidiaries pursuant to an agreement with the supplier will be delivered unencumbered by any third-party rights. Agreements with suppliers may contain appropriate clauses delineating rights in such intellectual property, including exclusive rights therein.

Insurance: Suppliers are expected to obtain and maintain adequate insurance coverage for both supplier's and the RAI subsidiary's benefit. Specific coverage requirements will be communicated by R.J. Reynolds Procurement based on the business relationship. Certificates of Insurance showing the required coverage exists may be requested by Procurement annually.

Supplier Performance Evaluation: We depend on superior performance from our suppliers to help us meet the companies' objectives. As such, R.J. Reynolds Procurement will track, measure and provide feedback on the performance of certain suppliers. The nature of the relationship will determine the level of formal performance evaluation to be conducted, if applicable. Results of performance evaluations will be shared with the supplier to promote continuous improvement of the business relationship.

Supplier Visitation: R.J. Reynolds Procurement is not able to personally respond to all the inquiries it receives from potential suppliers. However, supplier interest in the companies is appreciated. If a supplier is selected for an interview, we request the supplier follow the "Procurement Process" as outlined.

Building Access: All suppliers must make an appointment when visiting any RAI company facility. Upon entering any facility, visitors will be asked whom they are scheduled to see. Security personnel will telephone and require that the employee or an assistant come to the lobby, sign guests in and escort visitors to the meeting location.

At the conclusion of the meeting, a company employee will escort visitors through security and to the building exit. If a supplier has multiple meetings in the building, he or she will be asked to wait in the lobby until the next person with whom an appointment is scheduled comes to greet and escort the visitor.

Supplier Diversity

Having a diverse supply chain is critical for continued success. Rapidly changing demographics and societal expectations contribute to an ever-evolving landscape. RAI's subsidiaries actively recruit and retain diverse suppliers to drive innovation, reduce our supply chain impacts and enhance the communities in which they operate.

Supplier diversity promotes an innovative business environment not only throughout the RAI companies, but also for their diverse business partners. A diverse supplier base has the following benefits:

- Driving innovation;
- Competitive edge in a changing business culture;
- Competition and inclusion in sourcing decisions;
- Excellence in materials and services;
- Enhanced quality, service and cost competition; and
- Social and economic benefits in local communities.

Reynolds American and its subsidiaries commit to ensuring equal-access business opportunities to qualified, high-potential, diverse suppliers. Procurement works with each of the operating companies to execute supplier diversity goals. We track the following diverse supplier categories:

- Minority Owned Business;
- Woman Owned Business;
- Minority Woman Owned Business;
- Minority Owned Small Business;
- Women Owned Small Business;
- Minority Woman Owned Small Business;
- Veteran Owned Business;
- Service Disabled Veteran Owned Business;
- Disadvantaged or Disabled-Person Owned Business; and
- HUBZone Business.

Performance toward supplier diversity goals is currently tracked using data from suppliers that self-report a diversity status or are third-party certified. Moving forward, we will separately track and report on suppliers with third-party certifications. Near-term, we expect these more stringent requirements to result in lower diversity spend than previous years, however, we aspire to reach an 8 to 10 percent diverse spend rate by 2020. As we make this transition, we will be systematically engaging our non-certified minority suppliers to encourage them to obtain their third-party certification and to ensure we have their latest certification on file. As we complete

Supplier Diversity

analysis of our supplier base under these new requirements we will refine our goal.

As our supplier diversity program matures, we will also collect:

- Small business spend by supplier and in total;
- Diversity inclusion in Strategic Sourcing Initiatives; and
- Percent of diverse suppliers in total supply base.

To advance our supplier diversity program, the procurement department maintains relationships with the Women's Business Enterprise National Council (WBENC), National Minority Supplier Development Council (NMSDC) and Carolinas-Virginia Minority Supplier Development Council (CVMSDC). In 2015, we participated in an offsite business opportunity fair with the NMSDC. We also held an onsite IT Innovation and Business Opportunity Fair, in partnership with the CVMSDC and Institute for Supply Management.

Procurement encourages potential and existing suppliers that are at least 51% women or minority-owned and operated, or socially or economically disadvantaged as determined by the U.S. Small Business Association to pursue certification by a third-party agency listed below.

National Minority Supplier Development Council or regional affiliate

<http://www.nmsdc.org/>

Women's Business Enterprise National Council

<http://www.wbenc.org/>

National Women Enterprise Owners Corporation

<http://www.nwboc.org/>

Small Business Administration or other government / public agency

<https://www.sba.gov/>

Frequently asked questions: refer back to the Supplier Diversity Brochure at:

<http://www.rjrt.com/wp-content/uploads/2015/03/RJRTSupplierDiversityBrochure.pdf>

Read more on Supplier Diversity at reynoldsamerican.com.

We embrace diversity. If you are a minority supplier, please let us know.

Becoming a Supplier

How should potential suppliers start?

1. Learn about RAI and its subsidiaries and understand our businesses' requirements.
2. Determine how your company can provide products and/or services that will help the RAI companies meet their objectives
3. Select "Suppliers" on the bottom of the R.J. Reynolds website at <http://www.rjrt.com>. Follow the instructions for "Supplier Registration – New Suppliers" on the site.

Complete the information on the Ariba e-procurement site so that your company information may be reviewed with respect to R.J. Reynolds Procurement's requirements. If Procurement decides to accept bids for the product or service category offered by your company, you may be contacted for further information.

Thank you

Thank you for taking the time to review our Supplier Guide. We appreciate your interest in our company.