

California Supply Chain Transparency Act Compliance Statement.

Santa Fe Natural Tobacco Company (SFNTCⁱ) addresses issues of slavery and human trafficking by seeking to avoid procuring direct materials and leaf made or otherwise processed with the use of forced labor. Its efforts include:

1. Tobacco Leaf.

The use of forced labor is illegal, and SFNTC addresses it by, among other things, requiring its contract growers to follow Good Agricultural Practices (GAP), which include recognized good practices with respect to farm labor and compliance with farm labor laws. Contract farmers are provided with GAP manuals and, in 2011, joined our leaf procurement employees in attending a GAP training seminar developed in cooperation with North Carolina State University, Virginia Tech University, Clemson University, the University of Georgia, the University of Kentucky and the University of Tennessee. This seminar included material on good farm labor practices and legal compliance. SFNTC's grower contracts require growers to comply with applicable laws, including laws relating to the employment, living, and working conditions of workers. Audits of growers are conducted: SFNTC has initiated the use of an independent auditor to inspect a significant percentage of our contracted growers each year. These audits include interviews with farm labor outside the presence of the contracted grower, and include matters such as Good Agricultural Practices related to farm labor. Any contracted grower using forced labor violates SFNTC's standards, Good Agricultural Practices, and the law, and is subject to the termination of their contracts, among other things.

Leaf dealers from whom SFNTC will purchase tobacco must sign a "Declaration on Labour Policies and Practices." This declaration provides that suppliers will not engage in or support the use of forced or involuntary labor; will provide safe and hygienic working environments; and will comply with all applicable laws and regulations, specifically including laws pertaining to the freedom of association and collective bargaining, working hours, wages and benefits, and the use of child labor. A significant number of leaf dealers supplying SFNTC with tobacco have been evaluated by LeafTc, Ltd., an independent company used by many of the major multinational tobacco companies and SFNTC's affiliate to evaluate tobacco dealers on a broad range of leaf procurement requirements, including requirements pertaining to labor practices. In 2012, the LeafTc, Ltd. evaluation program will extend to all of SFNTC's leaf dealers.

2. Other Direct Materials.

SFNTC's expectations with respect to forced labor are communicated to suppliers through the SFNTC Supplier Code of Conduct, which provides in pertinent part:

Forced Labor: SFNTC does not engage in or support the use of forced or involuntary labor, and does not purchase materials or services from suppliers utilizing forced or involuntary labor.

The use of forced labor is illegal, and SFNTC addresses forced labor by contractually requiring suppliers to adhere to all applicable laws and regulations. These contracts require that suppliers consent to an audit, which may be conducted by an independent auditor, of their compliance with the supply contract, including compliance with laws relating to labor and employment practices. SFNTC's procurement services provider also utilizes the Business Enabler Survey Tool (BEST) to evaluate many suppliers of materials other than leaf tobacco. The survey tool evaluates suppliers on a broad range of procurement requirements, including requirements relating to labor practices, through onsite visits and written surveys conducted by the service provider's employees.

3. Accountability

SFNTC employees are subject to the Company Code of Conduct which, among other things, provides that the company will conduct its international business activities in strict compliance with all applicable laws, including laws relating to child and forced labor. Employees are required annually to certify compliance with the Code of Conduct, and are required to report any violation. An anonymous hotline is available for use in making such reports. All employees receive training with respect to the Code of Conduct generally and their obligations thereunder, and employees involved in leaf purchasing and procurement receive training with respect to company procurement policies and practices, including policies and practices which directly or indirectly address forced labor. Violations of the Code of Conduct or company policy subject the violator to discipline, up to and including termination of employment.

Additional information regarding SFNTC's Corporate Social Responsibility program is available at www.sfntc.com (entry limited to persons 21 years and older) or www.reynoldsamerican.com

Please take notice that this information is provided in compliance with California Civil Code §1714.43, and **is not provided in connection with any offer to sell or solicitation to purchase any tobacco product.** This information is accurate as of the date of its posting, and unless otherwise stated, describes procurement activities for 2012. While SFNTC's commitment to human rights will continue, the specific practices described above are subject to change by SFNTC in SFNTC's sole discretion and without notice. Except as may be expressly stated above, SFNTC does not engage or otherwise engage in supply chain verification, audit suppliers; maintain internal accountability standards for employees or contractors regarding slavery or human

trafficking, or provide training with respect to mitigation of risk of slavery or human trafficking.

ⁱ SFNTC contracts with an independent contractor to perform a number of procurement services, and for purposes of this disclosure only, "SFNTC" shall mean either Santa Fe Natural Tobacco Company or its independent contractor, which provides procurement services to SFNTC and its affiliates. .