

Professional Conduct Policy

Mission Statement

Pursuant to Section 307 of the Sarbanes-Oxley Act of 2002, the SEC has adopted Part 205 of the Code of Federal Regulations ("Part 205"), which imposes standards of professional conduct for attorneys. These professional responsibilities imposed by Part 205 are in addition to the attorney's professional responsibilities under state ethics rules and any applicable foreign laws.

Reynolds American Inc. ("RAI") views Part 205 as reinforcing our core values and considers compliance with Part 205 a serious matter of professional responsibility for all attorneys employed by RAI and its subsidiaries.

We are adopting the following policy ("Professional Conduct Policy") to codify the responsibilities of attorneys employed by RAI or its subsidiaries and to ensure compliance with the letter and spirit of Part 205.

Obligations of Attorneys

All attorneys employed by RAI or its subsidiaries who work as lawyers are required to comply with this Policy.

All attorneys employed by RAI or its subsidiaries are required to familiarize themselves with this Policy and Part 205. [Exhibit A](#) attached to this Policy sets forth the text of Part 205.

Certification

All attorneys are required to certify to the General Counsel of RAI, as the chief legal officer ("CLO"), that they have read and agree to abide by this Policy and Part 205. The form of certification is attached to this Policy as [Exhibit B](#).

Classification of Attorneys

The obligations of attorneys under our Policy and Rule 205 vary depending on whether an attorney is a "subordinate attorney." The classification is matter-specific and may change depending on the matter on which the attorney is working. All attorneys should be aware of their classification when working on a matter in order to determine their reporting obligations under this Policy.

Any attorney who works on a matter under the direction or supervision of another attorney (other than the CLO) is, for purposes of issues arising in the course of that matter, a "subordinate attorney."

Any attorney, even a senior attorney who supervises or directs others, may be a subordinate attorney if he or she is supervised by another attorney (other than the CLO) on a matter.

A subordinate attorney may have more than one directing or supervising attorney – e.g., a supervisory attorney on a given matter and that attorney's regular supervisor.

Any attorney who works on a matter either independently or under the direction or supervision of the CLO is, for purposes of issues arising in the course of that matter, not a subordinate attorney.

Any attorney, even a junior attorney who ordinarily works under the direction or supervision of another attorney, is not a subordinate attorney for purposes of a matter if he or she is directed or supervised by the CLO on that matter.

Reporting Obligations Of Subordinate Attorneys

If any subordinate attorney has reason to believe (as a result of receiving a report from another subordinate attorney or otherwise) that a possible violation of law by RAI or its subsidiaries or by any of their officers, directors, employees or agents may have occurred, may be occurring or may be about to occur, then such subordinate attorney is required to promptly notify the supervising attorney on the matter or his or her regular supervisor, whoever has the most knowledge about the matter.

This report may be made in person, by telephone, by e-mail, electronically or in writing.

Making this report fully satisfies a subordinate attorney's obligations under this Policy and under Part 205. The subordinate attorney is not required to await any response or, if any response is given, to assess whether it is appropriate.

If for any reason, the subordinate attorney feels uncomfortable reporting to the relevant supervising attorney or, after reporting the matter to the supervising attorney, still has concerns, the subordinate attorney is always free to report to the CLO.

Reporting Obligations of Those Who Are Not Subordinate Attorneys

If any non-subordinate attorney (*i.e.*, an attorney who is working either independently or under the direction or supervision of the CLO) has reason to believe (as a result of receiving a report from a subordinate attorney or otherwise) that a possible violation of law by RAI or its subsidiaries or by any of their officers, directors, employees or agents may have occurred, may be occurring or may be about to occur, then such non-subordinate attorney is required promptly to notify the CLO.

This report may be made in person, by telephone, by e-mail, electronically or in writing.

The non-subordinate attorney then must await and assess RAI's response to the report, which will be related by the CLO, to determine whether the response is "appropriate." For a response to be "appropriate," the non-subordinate attorney must reasonably believe (*i.e.*, based upon reliable factual representations and reasonable legal determinations) that:

- no "material violation" has occurred, is on-going or is about to occur; or
- RAI has adopted appropriate measures to remedy a past or existing violation or to avoid a future violation; or
- RAI, with the consent of the Audit Committee, acting as a Qualified Legal Compliance Committee ("QLCC"), has retained and directed counsel to review the reported "material violation" and, after such review, either:
 - has substantially implemented any remedial recommendations made by such counsel after a reasonable investigation and evaluation of the reported violation; or
 - has been advised that such counsel may assert a "colorable defense" in any investigation or proceeding related to the reported violation.

If the non-subordinate attorney does not receive an "appropriate response" to the report within a reasonable time, the attorney is required to report such evidence further "up the ladder" within RAI, or to the Audit and Finance Committee, acting as a QLCC.

If the non-subordinate attorney reasonably believes that it would be futile to report to the CLO or to the CLO and CEO, such attorney may instead make the report directly to the Audit and Finance Committee, acting as a QLCC.

Instead of reporting to the CLO, the non-subordinate attorney may report directly to the Audit and Finance Committee, acting as a QLCC. If a report is made to the Audit and Finance Committee, acting as a QLCC, the attorney has fully satisfied his or her reporting obligations under this Policy and Part 205 and is not required to await or to assess RAI's response.

Reports to the Qualified Legal Compliance Committee

Any attorney who has made a report to a supervisor or the CLO in accordance with this Policy and continues to have concerns is free to make a report to the Audit and Finance Committee, acting as a QLCC, as well. Any attorney who wishes to make a direct report to the Audit and Finance Committee, acting as a QLCC, instead of to a supervisory attorney or to the CLO, may do so by contacting the Chair of the Audit and Finance Committee.

Documentation of Reports

Neither this Policy nor Part 205 requires any report or response to be documented or to be made in any particular format.

Other Obligations

Any attorney employed by RAI or its subsidiaries who directs or supervises another attorney is required to ensure that attorneys whom he or she supervises comply with this Policy and Part 205.

All attorneys to whom another attorney makes a report under this Policy are required to treat the report as a serious matter and to carefully consider and fully discuss such matter with the reporting attorney.

Prohibition on Retaliation or Retribution

RAI strictly forbids any retaliation, retribution or other adverse action against an attorney who makes a report required or permitted by this Policy or by Part 205.

[Exhibit A](#)

[Exhibit B](#)

Adopted: July 28, 2004

Last Revised: July 18, 2008