

Transforming Tobacco

Guiding Principles and Beliefs

Balancing the Desires of our Stakeholders

At R.J. Reynolds Tobacco Company we operate our business in a responsible manner that best balances the desires of our many stakeholders. Our Guiding Principles and Beliefs seek to reflect the interests of shareholders, adult tobacco consumers, employees and other stakeholders. In particular, R.J. Reynolds is committed to addressing the issues regarding the use of and harm associated with tobacco products in an open and objective manner.

Tobacco Use & Health

- Cigarette smoking is a leading preventable cause of death. Quitting cigarette smoking significantly decreases the risk for lung cancer, heart disease, chronic bronchitis, emphysema and other serious diseases and conditions.
- Cigarette smokers who want to quit should do so, and all smokers should have access to information about the benefits of quitting and effective cessation products that may help them.
- No tobacco product has been shown to be safe or risk-free, but the type of tobacco product used, how long it is used, and the frequency and amount of use significantly affect the risk of serious diseases.
- Nicotine in tobacco products is addictive but is not considered a significant health threat.
- Long-term studies (epidemiology) have established that smoking is the highest-risk form of tobacco use, and that smokeless tobacco products, including moist snuff and snus, present significantly less risk of serious diseases, including oral cancer, than smoking cigarettes.
- We believe that vapor products and other noncombustible tobacco products may present less risk to adult tobacco consumers than smoking cigarettes. Although these products have not been used by consumers for a sufficient period of time to develop definitive scientific conclusions about their level of risk reduction, there is a growing body of scientific evidence that these products may present less risk than smoking. While some studies report that there may be health risks associated with these products, those risks appear to be lower than the risks of smoking cigarettes.
- Nicotine replacement therapy (NRT) products approved for smoking cessation present less risk than smoking. We believe that similar noncombustible tobacco products also present less risk than smoking.
- Governments, public health officials and tobacco manufacturers share a responsibility to provide accurate, useful information to adult tobacco consumers about the differing levels of risk between different types of tobacco and nicotine products.

Tobacco Harm Reduction

- Reducing disease and death associated with cigarette smoking is in the best interest of not only adult tobacco consumers, but society as well. The best way for smokers to achieve these risk reductions is to quit. Smokers who don't want to quit tobacco altogether should consider switching to tobacco products that may present less risk to their health.
- Policies that encourage cigarette smokers to switch to products that are or may be less risky should be added to the traditional public-health efforts aimed at reducing the number of people who smoke.
- There is a growing body of scientific evidence that vapor and other noncombustible tobacco products may present significantly less risk than smoking. While some studies report that there may be health risks associated with these products, we believe those risks are lower than the risks of smoking cigarettes.
- Manufacturers of cigarettes, smokeless tobacco products, vapor products and other noncombustible tobacco products should be encouraged to research and develop innovative products that may present less risk than smoking cigarettes.

Tobacco Regulation & Communication

- Tobacco products should be regulated in way that is designed to achieve significant and measurable reductions in the health risks associated with cigarette smoking.
- The level of regulation should be proportional to the level of risk a tobacco product presents. Preferential treatment (taxation, marketing, consumer communication, labeling, etc.) should be given to tobacco products that may present less risk than cigarettes.
- Regulations should require that adult tobacco consumers be given accurate information so that they can make informed choices about the type of product they choose to use, and ways they could lower risks to their health.
- Communication and interaction with adult tobacco consumers regarding their brand and product choices is essential for effective competition, but the marketing of tobacco products should not target minors, or adults who don't currently use tobacco or nicotine products.

Tobacco Consumers

- The best course of action for tobacco consumers concerned about their health is to quit.
- Cigarette smokers who don't quit altogether should have access to a range of tobacco and nicotine products that may lower their health risks.
- Individuals should rely on the U.S. Surgeon General, government agencies and the public health community for information about the risks of tobacco use, the benefits of quitting, and the potential benefits of switching to products that are or may be less risky than cigarettes.
- Governments and public health officials should be required to communicate accurate, useful information about the comparative health risks between smoking and the use of vapor and other noncombustible tobacco products so that adult tobacco consumers can make informed decisions.
- Cigarette smokers should avoid exposing youth and nonsmokers to secondhand smoke.
- Minors should never use tobacco products, and adults who don't use tobacco or have quit tobacco should not start.

Vapor and other Noncombustible Tobacco Products

- Minors should never use vapor or any other tobacco products. Adults who do not use tobacco products or who have quit using tobacco should not start using vapor or any other tobacco products.
- We believe that vapor products and other noncombustible tobacco products may present less risk to adult tobacco consumers than smoking cigarettes. Although these products have not been used by consumers for a sufficient period of time to develop definitive scientific conclusions about their level of risk reduction, there is a growing body of scientific evidence that these products may present less risk than smoking. While some studies report that there may be health risks associated with these products, those risks appear to be lower than the risks of smoking cigarettes.
- Because of their potentially lower health risks when compared to cigarettes, vapor products should be taxed and regulated differently than cigarettes.
- High taxes and severe restrictions on how vapor products are marketed and where they can be used may deter smokers from considering switching from cigarettes to vapor products. This may result in adult smokers continuing to smoke cigarettes, the highest-risk form of tobacco.
- Governments and public health officials should be required to communicate accurate, useful information about the comparative health risks between cigarettes and vapor products so that adult tobacco consumers can make informed decisions.
- Common-sense regulation of vapor products is prudent, including prohibiting the sale of vapor products to minors, appropriate child-resistant packaging requirements and workplace-safety standards for manufacturers.
- For adult smokers who don't quit using tobacco altogether, the availability of a range of adult-oriented flavors may encourage them to consider switching to vapor products.

Youth Tobacco Prevention

Advertising & Promotion

Voluntary Cigarette Advertising and Promotion Code

The Master Settlement Agreement (MSA) that R.J. Reynolds and other cigarette manufacturers signed in November 1998 sets forth numerous tobacco-marketing restrictions. In addition to those restrictions, R.J. Reynolds continues to follow several rules, as stated in the Voluntary Cigarette Advertising and Promotion Code, regarding cigarette advertising. (The remainder of the voluntary code was included in or superseded by the MSA.) These rules state:

- No one depicted in cigarette advertising shall be or appear to be under 25 years of age.
- Cigarette advertising shall not suggest that smoking is essential to social prominence, distinction, success or sexual attraction, nor shall it picture a person smoking in an exaggerated manner.
- Cigarette advertising may picture attractive, healthy looking persons provided there is no suggestion that their attractiveness and good health is due to cigarette smoking.
- Cigarette advertising shall not depict as a smoker anyone who is or has been well known as an athlete, nor shall it show any smoker participating in, or obviously just having participated in, a physical activity requiring stamina or athletic conditioning beyond that of normal recreation.
- No sports or celebrity testimonials shall be used or those of others who would have special appeal to persons under 21 years of age.

R.J. Reynolds has decided to apply the rules set forth in the Voluntary Cigarette Advertising and Promotion Code to its smokeless and other tobacco products.

R.J. Reynolds Tobacco Company's Practice On Placing Print Advertising

As part of our placement practice, we:

- Review audience-measurement data regarding the age of a publication's readership.
 - Where data are available on a publication's total readership aged 12 or older, it only advertises in magazines with readership of at least 85 percent 18 or older.
 - For publications where audience measurement data are available only for readership age 18 and older, the company advertises only if the median age of the audience is 23 or older.
- Analyze the editorial content of the publications over time to be sure the topics covered have adult appeal and focus.
- Evaluate the other advertisements which appear in those publications to ensure that they are products which have adult appeal and focus.
- Assess such factors as the publication's business stability, circulation dynamics and method of distribution.

R.J. Reynolds Tobacco Company Policy Regarding Cigarette Flavor Communications

The Family Smoking Prevention and Tobacco Control Act of 2009 (FSPTCA) bans the manufacture and sale of cigarettes that have a characterizing flavor other than tobacco or menthol. R.J. Reynolds Tobacco Company complies with this ban. However, virtually all U.S. cigarettes include common flavors such as cocoa, sugar and licorice. The ability to accurately describe the taste of cigarettes to adult smokers is protected commercial free speech and central to R.J. Reynolds Tobacco Company's ability to compete. R.J. Reynolds seeks to protect its right to communicate product differences to adult smokers, while preventing perceptions that any of its products have a "characterizing flavor" as defined under the FSPTCA.