



2011 Progress & Initiatives Summary

Tobacco Product Issues

2011 Progress Summary

- Philip Morris USA and U.S. Smokeless Tobacco Company shared perspectives and information with the Food and Drug Administration (FDA) on important tobacco product issues through written submissions, meetings and presentations. As of the end of 2011, the companies had made 43 submissions on proposed regulations and draft guidance documents, and presented information at 12 meetings.
- Altria's tobacco companies provided grants to help kids avoid risky behaviors like tobacco use. Our 2011 grants are expected to reach more than 1.5 million kids and nearly 775,000 adult influencers, primarily in the southeast.
- Altria's tobacco companies provided funding to support Search Institute's ParentFurther.com, a resource to help parents and other caring adults raise healthy kids. In 2011, ParentFurther.com recorded more than 565,000 unique visitors, exceeding Search's goal of 515,000.
- We Card® launched an updated retailer training program, responsible retailing best practices and fact sheets with content related to FDA regulation of tobacco products. In 2011, We Card trained 20,660 retail employees. We Card also conducted direct outreach to retailers that received warning letters from the FDA for alleged illegal tobacco sales to minors.



2012 Initiative

- Continue to engage with the FDA and other key stakeholders to inform the development of tobacco product regulation, to advance tobacco harm reduction and to promote effective approaches to reducing underage tobacco use.

Marketing Practices

2011 Progress Summary

- Altria Group Distribution Company, on behalf of Altria's tobacco companies, developed and implemented a quarterly audit process for its electronic age-verification system to help ensure that the system works as intended and to identify any gaps in the process that may inadvertently allow access to a person who doesn't meet the guidelines. The audits are used to help the companies continuously improve their age-verification process.
- Ste. Michelle Wine Estates developed a "Drink Responsibly, Drive Responsibly" program, logo and promotional materials that reached the 75,000 adult consumers who attended the Summer Concert Series at Chateau Ste. Michelle Winery in 2011.



2012 Initiative

- Ste. Michelle plans to institute enhanced server training for its sales, marketing and communications employees on how to responsibly promote and serve wine to adult consumers during industry events.

Combating Illegal Trade

2011 Progress Summary

- Amplified investigations, law enforcement and prosecutor support, litigation and media coverage to help counter the distribution and sale of illicit cigarettes in New York City, Miami and Los Angeles.
- Expanded infrastructure to address the exportation of counterfeit cigarettes from China, including investigative capabilities in China and engagement directly with Chinese government officials.
- Sued dozens of China-based websites selling counterfeit Marlboro cigarettes to consumers.



2012 Initiatives

- Continue expanding our law enforcement engagement to enhance criminal enforcement against those trafficking in counterfeit and grey market Marlboro cigarettes.
- Implement strategies to more effectively identify and impede online sellers of counterfeit and grey market Marlboro cigarettes.
- Disrupt the importation of counterfeit Marlboro brand cigarettes from China.
- Enhance programs to more effectively promote the enforcement of existing anti-contraband laws and the adoption of additional legal requirements to deter smuggling of all cigarettes.

Environmental Management

2011 Progress Summary

- Altria Group and its operating companies began the evaluation of new environmental performance goals to reduce their energy use, Greenhouse Gas emissions, water use and packaging footprints and to increase recycling or beneficial reuse of waste.
- A change of glass on some of Ste. Michelle Columbia Crest products is expected to reduce packaging weight by almost 3 million pounds.
- Our companies transitioned to a cost-saving, “greener” IT footprint by switching data centers and downsizing the data center by 75 percent. The change also included switching to Energy Star and EPEAT certified laptops and desktops, eliminating more than 50 servers and using new energy efficient servers.
- Altria and its companies re-lamped more than 2,000 fixtures at Altria headquarters’ campus, 400 fixtures at Ste. Michelle facilities and began upgrading lighting at PM USA’s Manufacturing Center. In total, the new fixtures use much less energy and are expected to save on the cost of lighting our facilities.
- Ste. Michelle implemented a comprehensive recycling program at wineries at Columbia Crest, Canoe Ridge and Snoqualmie which resulted in a five-month increase in recycled amounts by 175 tons.



2012 Initiatives

- Adopt new long-term goals for reducing Altria’s environmental impact.
- Develop a multi-year plan to analyze the life cycle of our operating companies’ products and their impacts to the environment.
- Improve the engagement of employees in the company’s environmental sustainability efforts.
- Expand the post-consumer litter prevention programs for PM USA’s products.

Sustainable Agriculture

2011 Progress Summary

- Completed on-farm Good Agricultural Practices (GAP) assessments on 100 percent of domestic direct-contracted tobacco volume.
- Completed third-party GAP assessments of nearly 100 percent of international tobacco volume.
- Used third-party independent assessors to conduct GAP assessments, thus validating our results.
- Engaged with other U.S. agricultural stakeholders to gain insights and encourage broader adoption of common good agricultural practices standards.



Sustainable Agriculture (Continued)

2012 Initiatives

- Continue to enhance the tobacco GAP assessment process.
 - Continue to engage with other U.S. agricultural stakeholders to gain insights and encourage broader adoption of common good agricultural practices standards. Work with stakeholders to develop GAP training for tobacco growers.
 - Ste. Michelle will work with Washington State University on research projects to develop solutions that reduce vineyard environmental impact, particularly in the area of pest management.
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Supply Chain Responsibility

2011 Progress Summary

- Implemented training on the Supplier Code of Conduct for select suppliers and select supplier managers.
- Integrated John Middleton and USSTC into the Supplier Diversity Development program.

2012 Initiatives

- Further develop supply chain responsibility strategies that address key business opportunities and societal expectations.
- Enhance the social compliance audit process across key supply chain areas.
- Cultivate strategic partnerships with key supplier diversity groups to achieve targeted women-owned and minority-owned business spending goals.



Our Employees

2011 Progress Summary

- Extended Altria companies' compensation framework to salaried USSTC, Middleton and Ste. Michelle employees.
- Introduced USSTC and Ste. Michelle employees at all levels to Altria companies' people development programs, including orientation, leadership development and executive leadership programs and to our performance management and advancement planning processes.
- Altria's companies automated its talent management system to help employees and their managers track employee development and progress toward annual goals.



Our Employees (Continued)

2012 Initiatives

- Continue extending our recruiting, leadership development and advancement planning systems to Ste. Michelle.
 - Further establish Altria's injury-free career culture within all operating companies.
 - Continue to enhance our leadership development system to meet the needs of our multi-category, FDA regulated business.
 - Identify specific diversity and inclusion metrics and begin tracking against the metrics.
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Investing in Communities

2011 Progress Summary

- In 2011, Higher Achievement opened two after-school learning centers in Richmond, Va. with start up support from Altria Group. We also announced a \$1 million grant to the Thurgood Marshall College Fund to support certification of math and science teachers in targeted communities.
- The Altria Companies Employee Community Fund expanded from its base in Central Virginia to operating communities in Illinois, Kentucky, Pennsylvania and Tennessee and contributed \$2.55 million to 113 grantees.
- Altria sponsored arts and culture exhibitions and events in Richmond and Washington, D.C. that engaged audiences totaling more than 900,000 people.
- Altria's grants to the National Fish and Wildlife Foundation, totaling \$1 million, allowed the foundation and its grantees to obtain an additional \$14.5 million in local matching funds and grants from federal agencies.



2012 Initiatives

- Launch a college scholarship program for public school graduates in Richmond, Va.
 - Develop and launch a signature initiative integrating positive youth development and education support to increase impact for middle school students.
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Governance & Compliance

2011 Progress Summary

- Launched Altria Group's refreshed Code of Conduct improving readability, length and tone. All employees received a copy of the Code through their management, who discussed compliance and reinforced the importance of using the Code of Conduct to support Altria's Mission & Values.
- Rolled out new scenario-based Code of Conduct training for salaried and hourly employees. Company management facilitated the classroom training for hourly employees.
- Updated the company's employee performance review system to, among other things, provide a greater emphasis on building a culture of compliance and more directly tie an employee's performance review to compliance-related activities.
- Launched a Conflict of Interest certification campaign for all salaried employees asking them to certify that they either have no potential conflicts of interest or that they have disclosed any potential conflicts of interest. [96 percent completion as of January 2012]



2012 Initiatives

- Continue to focus on individual accountability throughout the business, including recognizing behaviors that enhance the culture of compliance.
- Survey employees to assess the culture of compliance.
- Reinforce the importance of the compliance program during the company's cost reduction initiative.