



## 2012 Progress & Initiatives

### Tobacco Product Issues

Our tobacco companies work collaboratively to address the societal concerns associated with their products.

#### 2012 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 As of the end of 2012, the companies had made 64 submissions on proposed regulations and draft guidance documents, and presented information at 26 meetings.
- We launched the Success360° initiative, which builds upon Altria and its companies' previous investments in positive youth development and education. Success360° is fully funded by PM USA, USSTC and John Middleton, which provided a combined \$22.1 million in grants in 2012.

#### 2013 Initiatives

- 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.
- Evolve programs to accommodate future product innovation.



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## Marketing Practices

Our companies build relationships between brands and their adult consumers, while taking steps to limit reach to unintended audiences.



### 2012 Progress Summary

- Ste. Michelle Wine Estates instituted enhanced server training for its sales, marketing and communications employees on how to responsibly promote and serve wine to adult consumers during industry events.
- Ste. Michelle adopted a comprehensive Advertising Policy regarding marketing of its wine to adult consumers.

### 2013 Initiative

- On behalf of PM USA, USSTC and Middleton, Altria Group Distribution Company plans to carry out several in-house retailer surveys during 2013 in addition to conducting another independent customer survey. By analyzing the feedback from both survey efforts, AGDC expects to gain a deeper understanding of customer satisfaction and identify further areas of improvement.

## Combating Illicit Trade

Our tobacco companies take illicit-trade issues seriously and dedicate resources to combat illicit activity.



### 2012 Progress Summary

- Continued to expand law enforcement engagement to enhance criminal enforcement against those trafficking in counterfeit and grey-market (cigarettes manufactured for sale outside the United States) *Marlboro* cigarettes.
- Implemented strategies to more effectively identify and impede online sellers of counterfeit and grey-market *Marlboro* cigarettes.
- Supported the Virginia Anti-Smuggling Bill that enables Virginia law enforcement to act on observed smuggling activity immediately without waiting for a border to be crossed. The bill prohibits the possession of more than 5,000 tax-paid cigarettes (25 cartons) for anyone outside the legitimate distribution chain and establishes criminal and increased civil penalties for violations of the law.
- Expanded infrastructure to address the exportation of counterfeit cigarettes from China, including investigative capabilities in China and engagement directly with Chinese government officials.
- Sued more than 150 China-based websites selling counterfeit *Marlboro* cigarettes to consumers.

### 2013 Initiatives

- Continue expanding law enforcement engagement to enhance criminal enforcement against those trafficking in counterfeit and grey-market *Marlboro* cigarettes.
- Continue implementing strategies to more effectively identify and impede online sellers of counterfeit and grey-market *Marlboro* cigarettes.
- Disrupt the importation of counterfeit *Marlboro* cigarettes.
- 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.



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## Environmental Management

Our companies work to reduce the environmental impact of our businesses and to promote the sustainability of the natural resources on which we all depend.

### 2012 Progress Summary

- Adopted new long-term goals for reducing Altria's environmental impact.
- Expanded company-wide employee engagement programs on environmental sustainability efforts.
- Launched adult smoker awareness program on post-consumer cigarette litter prevention.

### 2013 Initiative

- Support the implementation of business unit environmental sustainability plans to help achieve our 2016 environmental goals.



## Sustainable Agriculture

Our companies work with growers to help ensure the environmental, social and economic stability of the agriculture supply chains that are critical to our businesses.

### 2012 Progress Summary

- Completed on-farm Good Agricultural Practices (GAP) assessments on 100 percent of domestic direct-contracted tobacco volume.
- Completed 99 percent of planned international tobacco third-party GAP assessments.
- Participated in the development of the U.S. Tobacco GAP Program.
- Worked with stakeholders to develop GAP training for tobacco growers.
- Ste. Michelle worked with Washington State University on research projects to develop solutions that reduce vineyard environmental impact, particularly in the area of pest management.

### 2013 Initiatives

- Implement the U.S. Tobacco GAP Handbook with contract growers.
- Continue to engage with stakeholders to address issues in the agriculture supply chain.



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## Supply Chain Responsibility

Our companies seek to develop relationships with suppliers who promote actions consistent with our Mission & Values.

### 2012 Progress Summary

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



### 2013 Initiatives

- Engage with key suppliers and leverage their capabilities to promote responsible and sustainable business practices.
- Connect supplier capabilities and utilize supplier best practices to better achieve business goals.
- Continue to cultivate strategic partnerships with key supplier diversity groups to enhance the effectiveness of our spend with women-owned and minority-owned businesses.

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## Our Employees

Our investment in employee development allows us to maintain a diverse and vibrant workforce contributing to successful companies that create substantial value for our shareholders.

### 2012 Progress Summary

- In April, we conducted two sessions of our Executive Leadership Forum for Ste. Michelle's leadership team. We further expanded Ste. Michelle's use of our advancement planning processes in 2Q 2012.
- We continued to expand the use of the safety assessment system at Middleton and USSTC and reported the results to those companies.
- We identified the critical competencies that leaders in key positions need to be successful. We followed that by identifying critical competencies in key positions within certain functions. Further, we conducted two sessions of the College of Product Knowledge, exposing leaders in support functions and elsewhere to the product development and regulatory processes.
- We created "Diversity Scorecards" for each operating company and Altria Client Services. These scorecards help leaders better understand representation of women and people of color at entry level, management and senior management levels. They also help identify the pipeline of diverse talent.



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## Our Employees *(Continued)*

### 2013 Initiatives

- Build and improve leadership development programs to strengthen the capability of executives to lead in an innovative, regulated and multi-category business.
- Enhance our diversity and inclusion culture and system to improve the hiring, retention and advancement of a diverse workforce at all levels.
- Promote, encourage and recognize simplification and speed as a business driver.
- Build an enterprise-wide innovation system and culture.
- Measure our organizational health to inform our ongoing efforts to promote employee engagement, development and alignment with company strategies.



## Investing in Communities

We help make the communities where we live and work leading environments in which our companies can succeed.

### 2012 Progress Summary

- Launched Success360° initiative, which integrates Altria's investments in positive youth development and education to increase impact for middle school youth.
- Donated a \$500K grant to the National Fish and Wildlife Foundation which allowed the foundation and its grantees to obtain an additional \$6 million in local matching funds and grants from federal agencies.
- Sponsored arts and culture exhibitions and events in Richmond, Va. and Washington, D.C. that are expected to engage more than 2.3 million people.
- The Altria Companies Employee Community Fund continued to expand its footprint in the operating communities of Illinois, Kentucky, Pennsylvania and Tennessee and contributed \$2.4 million to 120 grantees.

### 2013 Initiatives

- Provide additional resources to operating regions for charitable giving in their communities.
- Launch a functional volunteerism challenge to increase employee volunteer participation and achieve deeper employee engagement.
- Work with brand teams to increase consumer connection to charitable giving.



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## Governance & Compliance

Our objective is to have a compliance culture that prevents issues of non-compliance from arising and that addresses issues promptly and effectively if they do occur.

### 2012 Progress Summary

- Surveyed employees to evaluate the culture of compliance and integrity. Conducted focus group sessions with hourly employees at PM USA, USSTC and Middleton to better understand their perceptions of compliance and integrity.
- Piloted the next generation of Compliance Leadership Training, which focuses on values-based leadership and is called *Leading with Integrity*.
- Updated the Performance Partnership Process (PPP) for salaried employees by requiring them to acknowledge annually their continued compliance with the Altria Code of Conduct and all applicable company policies, including their obligations to disclose and update any potential conflicts of interest. Also updated the PPP to include links to our online Code of Conduct and the online Conflict of Interest Disclosure Submission Tool.
- Enhanced the online Code of Conduct by adding links to pertinent procedures, manuals, websites, decision aids, videos and training to specific sections.
- Implemented the Integrity WebLine, a web-based option for employees to ask questions or raise concerns, anonymously if they choose. Conducted a multimedia communications campaign to all employees introducing the WebLine.

### 2013 Initiatives

- Reinforce importance of values-based leadership at all levels, including training officers and directors on “*Leading with Integrity*.”
- Act on 2012 Compliance and Integrity Survey results and focus group feedback.
- Enhance anti-bribery and anti-corruption framework.
- Support Altria’s enterprise-wide initiatives on talent development, innovation and simplification.



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