

# 2014 Corporate Responsibility Progress Report



Altria



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Altria

# Corporate Profile

## Our Mission

is to own and develop financially disciplined businesses that are leaders in responsibly providing adult tobacco and wine consumers with superior branded products.

## Who we are



**Philip Morris USA**  
an Altria Company

Holds more than half of the U.S. cigarette market share.

**U.S. Smokeless**  
TOBACCO CO.  
an Altria Company

The world's leading producer of moist smokeless tobacco.

**NuMark**  
An Altria Innovation Company

Develops & markets innovative tobacco products for adult tobacco consumers.

*John Middleton*  
an Altria Company

Owns one of the best-selling large machine-made cigars in the U.S.

*Ste Michelle*  
WINE ESTATES  
an Altria Company

Received more than 180 ratings of 90 or better.



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## Who We Support

9,000 employees coast to coast



Hundreds of thousands of retailers in all 50 states



U.S. farmers who work the fields



## Where We're Focused



Working to develop and market tobacco products that could be less harmful – all under the oversight of the FDA.



Providing a wider variety of tobacco products for adult consumers as their preferences evolve.



Taking a responsible approach that will allow us to continue to be the leader in the tobacco industry.



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# Chairman's Letter



## Martin J. Barrington

Altria Group, Inc. | Chairman, CEO and President

Thanks for reading our Corporate Responsibility Report. This report highlights progress we've made in 2014 on initiatives important to our businesses and stakeholders.

Altria and its operating companies take a long-term approach to achieving their goals. This approach has helped make us the leader in the tobacco industry for more than 30 years. 2014 was a very strong year for our company. Philip Morris USA's *Marlboro* achieved record retail share of 43.8%, which is larger than the next 10 largest cigarette brands combined. We paid shareholders \$3.9 billion in dividends and delivered total shareholder return of over 34%.

We produced these excellent results with clear goals and strategies, strong execution by our talented employees and our Mission framework.

Responsibility is core to [our Mission](#), which guides our businesses and communicates our priorities. We focus every day on driving our business and addressing the expectations of our stakeholders.

Here are examples of the progress we made in 2014:

**Addressing the harm of tobacco products.** Society and adult tobacco consumers expect our tobacco companies to work to reduce the harm of their products. We engaged with the Food and Drug Administration on issues related to the regulation of tobacco products. This included communicating with the Agency on modified-risk tobacco product regulation and e-vapor product regulation.

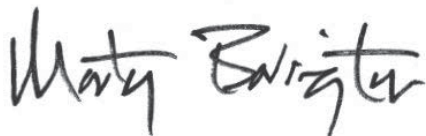
**Working collaboratively to address opportunities in our supply chain.** Last year, Human Rights Watch (HRW) released a report raising concerns about child labor in tobacco farming. Our tobacco companies have a longstanding commitment and history of action on this issue. Based on discussions with HRW, growers and other stakeholders in the agricultural community, we took steps to increase requirements for hired labor, including changing our grower contracts.

**Creating a more vibrant workplace.** We continued to act on feedback from our 2013 employee engagement survey. We're focused on simplifying and streamlining our business processes, promoting a diverse and inclusive culture and accelerating innovation. For example, we created an Executive Diversity Council to lead our diversity and inclusion efforts; and we expanded the number of Employee Resource Groups to engage a diverse range of employees and create new ways for them to contribute to our success.

We closely track our progress and appreciate it when others recognize our work. For the fourth consecutive year, *Corporate Responsibility Magazine* named Altria one of the 100 Best Corporate Citizens. The Points of Light Foundation also included Altria in its Civic 50 list for the third year in a row.

Our employees' commitment to responsibility helps our businesses succeed. We've embedded responsibility into our culture, and we all take this commitment seriously. We're proud of the strong business results our employees delivered last year, and we're equally proud of the responsible approach they took to achieve them.

Thanks for taking an interest in our progress.



Marty Barrington



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# Where We're Headed

## Jennifer Hunter

Altria Client Services | Senior Vice President, Corporate Affairs

Responsibility is a journey, not a destination. It requires continuously listening to stakeholders, adjusting business practices and communicating progress. [Our Mission](#) is our journey's roadmap. It provides clear direction to our employees and lets stakeholders know what's important to our long-term success.

We know the importance of business alignment with our consumers and society. A lot is changing in the tobacco industry, and listening to our stakeholders is important. Adult consumer preferences are evolving, and the Food and Drug Administration continues to issue new rules and regulations. Society expects businesses to demonstrate leadership and transparency on their business issues. We accept that challenge in our responsibility practices.

We understand the growing importance of [materiality assessments](#), and last year, we used this approach. You'll find a detailed description of our assessment later in this report, but here's some of what we learned and our plans for the future:

- Our understanding of stakeholder expectations is strong and improving. For example, how we manage our supply chain is becoming more important to stakeholders.
- Our Mission is the right vehicle to communicate our responsibility priorities, rather than the previous approach of nine responsibility areas.
- Our long-term goals and metrics for the environment have helped us prioritize work and communicate our progress. We intend to establish long-term goals and metrics for other focus areas.
- Communicating progress is important. Today, we participate in surveys, respond to shareholder letters and publish this Corporate Responsibility Report. We plan to improve and simplify our reporting.

We'll spend the remainder of this year addressing what we've learned. In the meantime, we've streamlined this year's Corporate Responsibility Report. I invite you to visit [altria.com](http://altria.com) to take a closer look at our companies and our approach to topics important to our business and our stakeholders.



Jennifer Hunter



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# Our Approach



We approach responsibility by understanding our stakeholders' perspectives, aligning our business practices where appropriate, and measuring and communicating our progress. We support this approach by defining leadership accountabilities and setting expectations for our employees.

## Governance & Oversight

Altria's Chairman, CEO and President and senior management oversee our responsibility efforts. Altria's Board of Directors' [Nominating, Corporate Governance & Social Responsibility Committee](#) oversees our public affairs, corporate reputation, governance and social responsibility strategies.

Operating company and functional business leaders develop initiatives and measure progress against [our Mission](#). Our Corporate Responsibility group advises business leaders, monitors best practices and reports progress. Altria Client Services' Senior Vice President, Corporate Affairs, leads this group and serves on our Executive Leadership Team. We expect our employees to set and pursue business objectives that support our Mission, demonstrate our Values and follow compliance requirements, guided by our [Code of Conduct](#).

## Understanding Stakeholders' Perspectives

Our companies want to know how our business activities align with stakeholder expectations. We want to understand the issues that present risks and opportunities for our businesses.

So, our companies engage with various stakeholders including employees, consumers, customers, investors, suppliers, regulators and those in their communities. We incorporated stakeholder perspectives into our 2014 [Materiality Assessment](#), and we continue to seek stakeholder input and share our companies' perspectives. We've provided [examples](#) of how we engage with key stakeholder groups.

We also participate in conferences, benchmark company practices, conduct societal research and participate in external evaluations of our companies' corporate responsibility efforts.

## Aligning Business Practices

Understanding stakeholder perspectives informs our companies' business practices, enhances their planning and sharpens decision making. Our companies apply what they've learned to:

- identify and address emerging issues;
- inform business processes, including annual strategic planning and risk management;
- align with society;
- prioritize issues for business action and reporting; and
- build stakeholder understanding of Altria and its companies.

## Our Responsibility Focus Areas

Our companies identified nine responsibility focus areas based on different inputs, including stakeholder perspectives, business planning, benchmarking and societal research. They align with our Mission and show stakeholders where we've concentrated our efforts. We've communicated progress in these areas for several years, including in this report.

In late 2014, we completed a materiality assessment to re-evaluate our responsibility priorities. We'll use this assessment to guide future planning and reporting.

### Altria's 2010-2014 Responsibility Focus Areas

- [Tobacco Product Issues](#)
- [Marketing Responsibly](#)
- [Combating Illicit Trade](#)
- [Environmental Management](#)
- [Sustainable Agriculture](#)
- [Supply Chain Responsibility](#)
- [Our Employees](#)
- [Investing in Communities](#)
- [Governance & Compliance](#)



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## Measuring & Communicating Progress

This report shares progress against our 2014 initiatives and marks a transition period for us. We include a case study, qualitative assessments and quantitative measures. Our “Facts At-A-Glance” maps certain metrics to Global Reporting Initiative indicators. “Further Discussion” provides more information about some business practices and complements information in the main report and on our websites.

If you have questions or feedback, please [let us know](#).

### **Report Scope:**

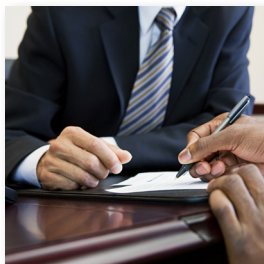
*Our 2014 Corporate Responsibility Progress Report covers 2014. The data include 100 percent of employees and 100 percent of facilities owned or leased by Altria or one of its companies. With some exceptions, noted in this report, Altria’s companies operate and sell their products in the United States. The measures reported in the “Facts At-A-Glance” section include 100 percent of business operations, unless otherwise noted.*



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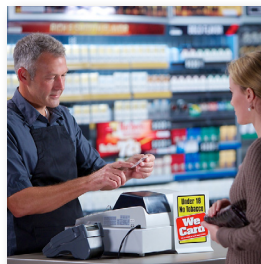


# Stakeholder Engagement



## Investors

- Annual Shareholder Meeting
- Investor
  - Road shows
  - Meetings
  - Conferences
  - Surveys
  - Earnings calls



## Trade Partners

- “Top-to-top” meetings
- Visits with retailers
- Online tools
- Annual trade meetings



## Suppliers/ Growers

- Supplier scorecards
- Supplier meetings
- Assessments/audits and surveys
- Meetings between company grower representatives and growers
- Workshops



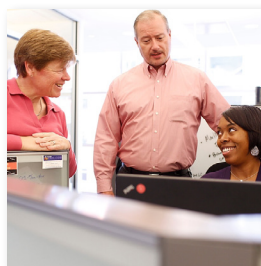
## Consumers

- Consumer hotlines
- Consumer insights research
- Brand and corporate websites
- Direct-to-consumer communications



## Government & Regulatory

- Meetings with elected and appointed officials and staff
- Regulatory submissions
- Workshop participation
- Facility tours
- Trade associations
- Public policy organizations



## Employees

- Town Hall meetings led by senior leaders
- Engagement survey
- Intranet communications, including interactive discussion forums
- Newsletters
- Functional, departmental and team meetings
- Labor negotiations



## Community Partners/ Grantees

- Meetings
- Grantee forums
- Service on boards and in other leadership roles
- Employee volunteer service



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# Engaging To Find Solutions

## 2014 Child Labor Case Study

We continue to interact with stakeholders to get their input on key issues. These engagements help us understand society's expectations and develop responsible business practices.

This year, we experienced an example of how these stakeholder interactions can inform our policies and help us become a better, more responsible company.

In late 2013, Human Rights Watch (HRW) engaged Altria and other tobacco companies as it was compiling a report on child labor in U.S. tobacco agriculture. We talked with HRW to learn from its research and identify additional ways we would approach this challenging issue.

We support the elimination of child labor in our supply chain. So, we began conversations with our growers, trade groups, leaf suppliers, tobacco companies, regulators and our partners in the Farm Labor Practices Group to identify ways to further address the issue.

"We knew that addressing child labor was a complex issue. We agree that forced child labor has no place in our supply chain. But proposed solutions must consider the strong heritage of family farming in the United States and in some farming communities, where there is greater acceptance of young people working the farm. Most importantly, we had to recognize – and had to help stakeholders see – that child labor was not an issue we could tackle alone," said Jeanette Hubbard, Vice President, Procurement, Altria Client Services.

Altria and its tobacco companies identified additional steps we could take to confirm that forced or hired child labor wasn't part of our supply chain. We updated our 2015 domestic grower contracts to include:

- a minimum age for employment at 16 years of age subject to only a few limited exceptions paralleling local, state and federal law;
- the requirement of parental or legal guardian consent for anyone under 18 who wants to be hired to work on a farm; and
- a requirement that our growers attend Good Agricultural Practices (GAP) training on topics like preventing Green Tobacco Sickness and heat stress.

### *In Their Words*

**"Altria Group has taken an important step toward protecting younger children from the dangers of tobacco farming," said Margaret Wurth, children's rights researcher at Human Rights Watch. "The company should continue updating its child labor policy to protect all children from nicotine exposure and other serious health and safety risks."**

*– Human Rights Watch press release in response to Altria's 2015 grower contract changes, December 12, 2014*

We also joined tobacco and agriculture stakeholders around the globe by signing the Eliminating Child Labour in Tobacco Foundation 2014 Pledge of Commitment and Minimum Requirements on Combatting Child Labour.

We reaffirm our commitment to continuing to work with our growers and other stakeholders to make progress.

To learn more, visit [Child & Forced Labor](#) on [altria.com](#).



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# Tobacco Product Issues

Altria and its tobacco companies recognize the harm caused by tobacco products and the challenges that come with manufacturing and marketing products that are addictive and cause serious disease. Society expects tobacco companies to communicate about and address the harm associated with their products. Our companies support programs and work with stakeholders to reduce the harm caused by tobacco products by focusing on four important areas:

- advancing public health efforts to reduce tobacco harm;
- helping to reduce underage tobacco use;
- supporting tobacco cessation efforts; and
- communicating the health effects of tobacco use.

We're developing tobacco products that may offer lower risk for adult tobacco consumers and engaging with the Food and Drug Administration (FDA) constructively about that. We're focused on engaging with regulators, legislators and public health officials to help shape tobacco product regulations and legislation for new and existing tobacco products.

*For a more detailed look at our approach, visit the [Tobacco Product Issues](#) section of [altria.com](#).*

## 2014 Progress

- We submitted extensive comments to the FDA about its proposed rule to regulate other tobacco products, including cigars and e-vapor products. We support the FDA extending its authority to regulate all tobacco products, and we shared our perspective with the agency to help inform its regulatory decisions. Copies of our submissions are in the [Regulatory Filings](#) section of [altria.com](#).

- We engaged with members of the public health and scientific communities, policymakers and regulators to discuss tobacco harm reduction through presentations, panel discussions and workshops. For example, our Senior Vice President of Regulatory Affairs presented to the FDA, public health and industry leaders at the Global Tobacco Networking Forum. He shared our views on new product regulation and reducing the harm of tobacco use.
- Our scientists published their work in five peer-reviewed scientific journals and presented research posters at 13 scientific conferences.
- Company scientists served as panelists and presenters at an FDA workshop on e-vapor programs to discuss the evolving science and evidence related to e-vapor products.
- We advocated for legislation establishing a minimum legal age of 18 to purchase e-vapor products. Fifteen states enacted such laws in 2014, bringing the total to 41 states. We'll continue to pursue legislation in the remaining nine states.
- Increasing positive influences in kids' lives helps reduce the odds of them engaging in risky behaviors like tobacco use. For example, caring adult mentors can help youth achieve socially and academically and avoid risky behaviors. In 2014, Philip Morris USA, U.S. Smokeless Tobacco Company and John Middleton invested more than \$21 million in their Success360° initiative. The program funds leading community organizations that promote healthy development and the avoidance of risky behaviors. These companies provided a grant to the National Mentoring Partnership to implement its National Quality Mentoring System. This system will help establish consistent standards for youth mentoring programs across the country.

For more information about how our tobacco companies communicate about the health effects of their products, visit [PM USA](#), [USSTC](#), [Middleton](#) and [Nu Mark](#). To learn more about our cessation resource, visit [quitassist.com](#).



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# Marketing Responsibly



Our companies make tobacco products and wine for adults. Society expects us to market them responsibly. We understand and agree. That's why our companies work hard to build relationships between their brands and adult consumers while taking steps designed to limit reach to unintended audiences.

Our companies' marketing approach begins with adherence to [our Mission](#) and compliance with all legal, regulatory and internal policy requirements. We work hard to instill a culture of responsibility throughout our marketing and sales organizations.

For a more detailed look at our approach, visit the [Marketing Responsibly](#) section of [altria.com](#).

## 2014 Progress

- Philip Morris USA has invested steadily to grow *Marlboro* responsibly over time. *Marlboro* grew to almost 44 percent of the market in 2014. *Marlboro* is larger than the next 10 largest cigarette brands combined and is the largest brand in every state. PM USA continued its investment in the *Marlboro* architecture to enhance the brand's momentum and relevance. The architecture features four unique flavor families – Red, Gold, Green and Black – and has added dimension to the brand for both loyal and competitive adult smokers. Each of *Marlboro*'s flavor families efficiently and responsibly connects with adult smokers 21 and older, including through tailored direct mail and digital tools.
- U.S. Smokeless Tobacco Company owns two leading premium smokeless brands, *Copenhagen* and *Skoal*. These two brands combined command more than half the smokeless tobacco market. *Skoal* introduced a new campaign to connect with adult dippers.

### Examples of our tobacco companies' marketing practices include:

- connecting with adult tobacco consumers through direct mail and websites;
- supporting product launches in adult-only facilities;
- working with retailers to merchandise tobacco products responsibly and supporting the We Card® program;
- denying requests to use their brands in movies, television and other entertainment media; and
- advertising only in publications that meet the Food and Drug Administration's criteria.

- Nu Mark expanded distribution of its *MarkTen*® e-vapor product nationally to more than 130,000 stores. Its retail program requires retailers to sell the product in a non-self-service manner.
- Ste. Michelle Wine Estates' wines received more than 180 ratings of 90 or better. And the *Wine Advocate* awarded the 2012 *Stag's Leap Wine Cellars Cask 23* Cabernet Sauvignon with the highest rating in the company's history.
- Altria Group Distribution Company provides sales, merchandising and distribution services for our tobacco companies. AGDC's sales representatives work with retailers nationwide to help them responsibly grow their business. In 2014, AGDC conducted a customer satisfaction survey among many of its retail trade partners to identify areas where it could improve. Nearly 90 percent of national and regional multi-store operators said they were "very or somewhat satisfied" with the overall performance of AGDC's sales representatives. Almost six out of 10 individual store owners and managers expressed they were "very satisfied".



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# Combating Illicit Trade



The vast majority of tobacco products sold in the United States are genuine and sold with all applicable taxes paid. However, we understand the effect illicit trade in tobacco products can have on adult tobacco consumers and our companies. Illicit tobacco trade undermines public health initiatives and negatively affects others, including:

- retailers and wholesalers who lose legitimate sales;
- federal, state and local governments which lose tobacco excise taxes;
- law enforcement authorities who must dedicate resources to combating the illicit tobacco trade; and
- all of us, to the extent funds from the illicit tobacco trade may support organized crime organizations.

Thus, we think it's important our tobacco companies play an active role in combating illicit tobacco trade.

## 2014 Progress

- Altria Client Services' Brand & Trade Channel Integrity department worked collaboratively with New York officials to develop the New York State Cigarette Strike Force (managed by the New York State Department of Tax and Finance) to combat illegal tobacco trafficking and sales. Driven by excessive state excise taxes on cigarettes (\$4.35 per pack), illegal cigarette trafficking has become a significant public policy and law enforcement issue in New York City and New York State. The multi-agency strike force is composed of state, local and federal agencies dedicated to stopping the influx of contraband tobacco products into New York. It also focuses on tracing any illicit financial gains from criminal activity. As part of our collaboration, we supported several New York law enforcement investigations – resulting in numerous arrests of cigarette traffickers in 2014.

- We continued to support the Los Angeles Sheriff's Office (LASO) in its actions against illicit cigarette suppliers. We've supported numerous LASO investigations over the years. In one 2014 investigation, LASO found and seized a large amount of illicit cigarettes.
- We've enhanced our trade compliance approach to monitor compliance with, and address violations of, Altria's tobacco companies' wholesale and retail programs and their trade policies. We initiated account reviews of 95 direct customer and retail locations in 2014 where we identified potential involvement in cigarette trafficking. We ended relationships where we found violations.
- We encouraged U.S. Customs and Border Protection and U.S. Postal Service to bring more active enforcement against incoming parcels containing counterfeit and grey market cigarettes.
- We supported the Virginia State Crime Commission's 2014 legislative proposals, including retailer licensing and increased civil penalties for cigarette traffickers.
- We supported the Massachusetts Illegal Tobacco Commission, including proposals for increased fines and penalties for selling untaxed cigarettes, additional funding for law enforcement to combat cigarette trafficking and the creation of a state task force to address cigarette trafficking.

*For a more detailed look at our approach, visit the [Combating Illicit Trade](#) section of [altria.com](#).*



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# Environmental Management

Most of our companies' products are agricultural. We understand the effect that nature, including changes to our climate, may have on our companies and their products. We recognize other global concerns, like water availability and quality, and stakeholders' interest in knowing how we're managing our environmental impact. In addition, applying an environmental lens to our operations is another way to drive innovation and be more efficient. So our companies play an active role in protecting our natural resources and reducing our environmental impact.

As a result, we have [long-term goals](#) to reduce our companies' energy and water use, air emissions, waste generation and packaging material.

*For a more detailed look at our approach, visit the [Environmental Management](#) section of [altria.com](#).*

## 2014 Progress

- We've continued to improve the efficiency of our facilities, completing the third year of our five-year goals:
  - Philip Morris USA and U.S. Smokeless Tobacco Company converted coal-fired boilers to natural gas boilers at three manufacturing facilities, significantly decreasing Scope 1 greenhouse gas emissions. This also eliminated a significant coal ash waste stream.
  - Ste. Michelle Wine Estates upgraded lighting at its Woodinville, Wash., facility, reducing the lighting energy required by 73 percent.
  - Altria supported the restoration of 1.7 billion gallons of water through National Fish and Wildlife's Western Waters Initiative. This initiative helped us exceed our 50 percent water neutrality goal for the third consecutive year.
  - USSTC began sending unused packaging previously going to a landfill to a third party for beneficial reuse.

- Building on prior successful efforts, SMWE converted one product line to EcoBottle packaging, which saved 100,000 pounds of glass. Since 2012, SMWE has eliminated 5.4 million pounds of glass from its bottles.
- We know that smokers often improperly dispose of cigarette waste. PM USA educated adult smokers about cigarette litter through its product websites, which resulted in nearly 600,000 pledges to reduce cigarette litter over the last two years. Additionally, PM USA continued its long-term support of Keep America Beautiful's Cigarette Litter Prevention Program, which expanded into 129 new communities in 2014.
- Five executives from Altria and its operating companies serve as members of environmental non-profit boards, including Keep America Beautiful, Alliance for the Chesapeake Bay and the James River Association.
- We gave the Alliance for the Chesapeake Bay a grant to plant trees around the bay through 2015. The Alliance will help us report the carbon impacts at the end of the project. This work complements our operational goal of reducing air emissions.
- We completed data gathering and an initial analysis of Altria's companies' first comprehensive Scope 3 greenhouse gas assessment.



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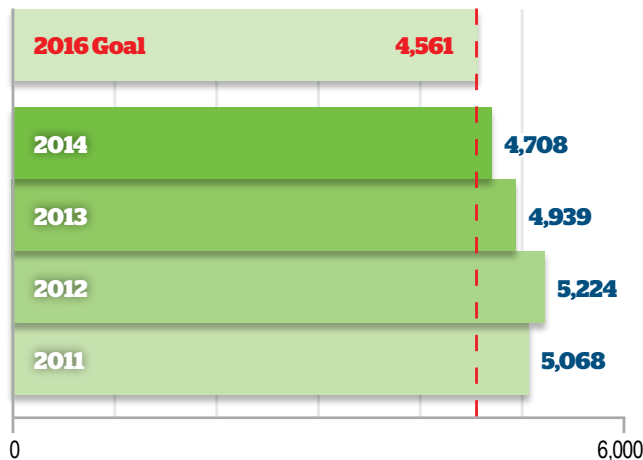
## Saving and Earning Money

Our focus on being more efficient and environmentally prudent saves money. For example:

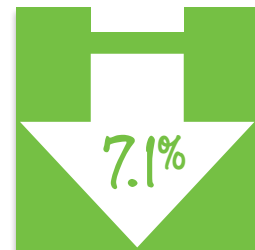
- Our conversion from coal-fired boilers to natural gas boilers in several facilities is expected to save the company \$3.2 million annually.
- SMWE's lighting upgrade at its Woodinville, Wash., facility is expected to save the company \$82,000 annually.
- PM USA's manufacturing recycling program earned almost \$1 million from the sale of cardboard and plastic waste in 2014.

## Energy Use

Billions British Thermal Units (BBTUs)



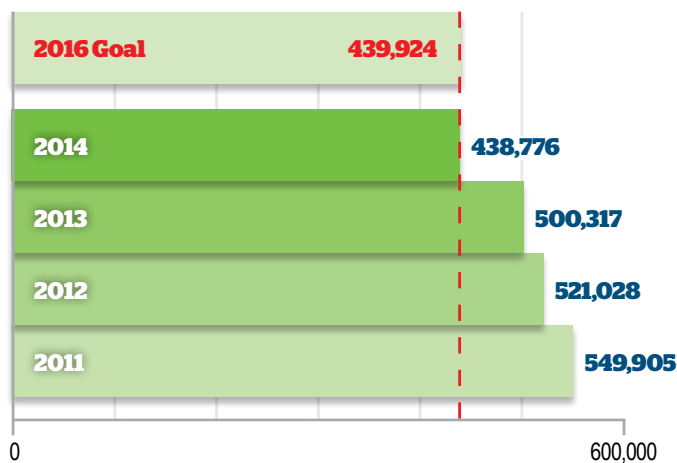
### Absolute use



Less energy vs. 2011

## Scope 1 & Scope 2 Greenhouse Gas Emissions

Metric Tonnes CO<sub>2</sub>e



### Absolute reduction



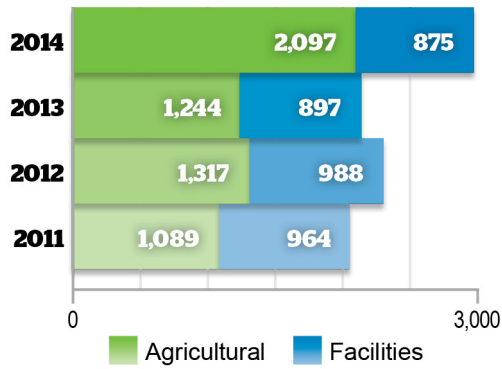
Less greenhouse gas emissions vs. 2011



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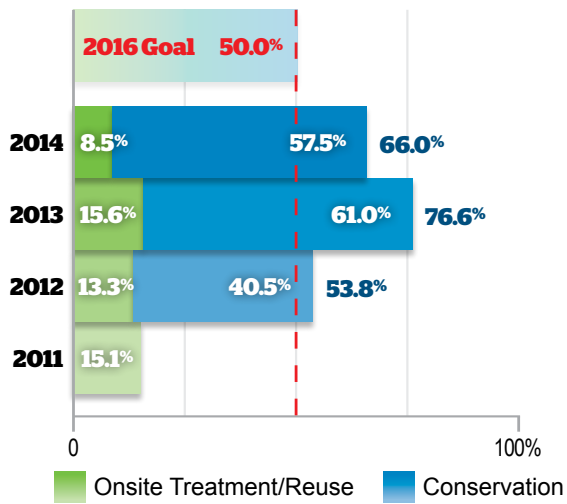
## Water Use

Millions of Gallons



## Water Neutrality

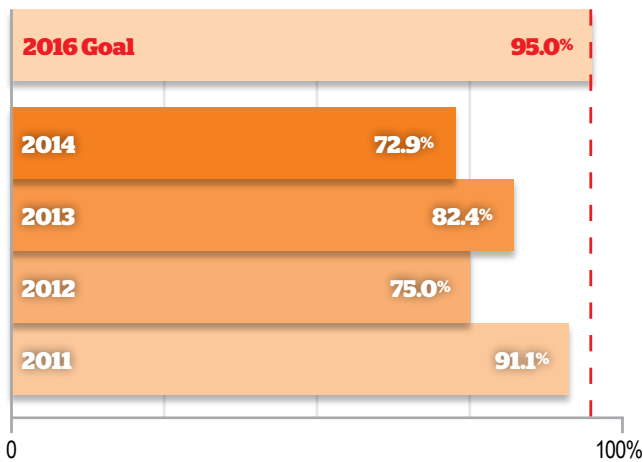
Percent



Exceeded goal  
3rd year in a row

## Waste & Recycling

Percent Recycled or Beneficially Reused

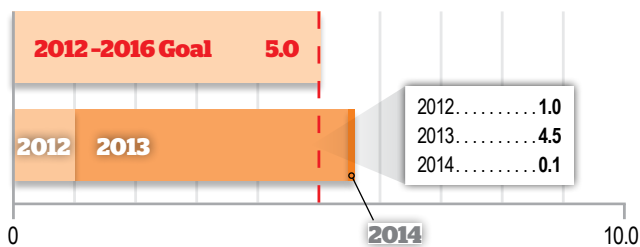


In 2014

**Note:** Coal ash, which was previously recycled, was removed from our waste stream as a result of boiler conversions. This contributed to the decline in 2014 recycling rate. 2011 data includes recycling associated with a one-time capital project at Ste. Michelle Wine Estates.

## Product & Packaging

Millions of Pounds of Material Reduction



Surpassed 2016  
material reduction goal



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# Sustainable Agriculture

Agricultural supply chain sustainability is vital to our businesses. Many of the products our companies manufacture are derived from raw materials grown and produced on farms in the U.S. and abroad. Altria's tobacco companies purchase tobacco from domestic growers and international suppliers. Our wine business grows and harvests grapes in its vineyards and purchases grapes from contract growers. We recognize that promoting safe on-farm practices helps maintain a sustainable supply of tobacco and grapes.

We talk regularly with growers and agricultural communities to:

- understand sustainable agriculture issues affecting farming communities;
- set clear expectations for growers and other industry stakeholders; and
- encourage wider adoption of sustainable agricultural practices by working with stakeholders in education, university extension programs, growers and other organizations.

## 2014 Progress

- In 2014, we continued our efforts to address child labor in the tobacco supply chain (see our [case study](#) for details). After engaging with our supply chain stakeholders on child labor concerns, we took the following actions:
  - updated our 2015 domestic grower contracts to include new terms addressing child labor on direct-contracted farms.

*For a more detailed look at our approach, visit the [Sustainable Agriculture](#) section of [altria.com](#).*

- signed the international Eliminating Child Labour in Tobacco Growing Foundation member pledge of commitment to address child labor.
- promoted Good Agricultural Practices (GAP), which in part address labor management.
- We're an active member of the Farm Labor Practices Group (FLPG), a collaborative group of tobacco product manufacturers, leaf suppliers, growers, worker representatives, faith-based organizations and the U.S. Department of Labor (DOL). This group helps farmers and farm workers comply with labor laws and regulations and enhances farm labor practices.
  - Altria leads the FLPG Training & Education taskforce, which, in partnership with DOL, piloted enhanced GAP labor management training. The training will expand to over 10,000 growers in 2015.
  - Altria is leading a FLPG taskforce on agricultural labor sourcing. This will address labor management challenges of using farm labor contractors (FLCs), including compliance with all applicable laws and regulations. Altria is partnering with DOL and other stakeholders to improve FLC registration, training and compliance.
- Currently, a single internationally recognized tobacco GAP standard doesn't exist. However, Philip Morris USA and John Middleton require their international tobacco suppliers to certify they've implemented GAP programs with their respective growers. An independent third party assesses suppliers' compliance with the GAP program, which includes components such as crop management, environmental stewardship and labor management. The assessor also verifies that the tobacco supplier has communicated the program to its contracted growers.
- Altria is on the board of GAP Connections, a non-profit organization that connects growers and manufacturers to develop, maintain and provide leadership for agricultural standards and practices. In 2014, some GAP Connections accomplishments included the development of mobile apps to help growers and the completion of a pilot GAP Compliance Audit program.



Altria



# Supply Chain Responsibility

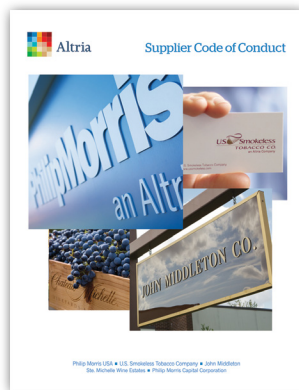
Altria's companies work with thousands of suppliers that help them manufacture and market their products in a responsible manner. Diverse, reliable and responsible suppliers contribute to our success – and some of our relationships go back decades.

Our companies work with suppliers that promote actions consistent with Altria's [Mission & Values](#); and share our commitment to:

- respecting workers' rights to safe working environments;
- reducing environmental impacts; and
- monitoring compliance with our contracts and the law.

Open communication helps suppliers deliver high-quality goods and services to us, manage business risk, reduce costs and foster innovation. Our supplier management approach includes strategic plans, annual performance objectives, performance management, audits and a comprehensive risk management system. We reinforce our expectations to suppliers through our [Supplier Code of Conduct](#), which addresses topics like non-discrimination, child and forced labor, wages and benefits, freedom of association, workplace safety, integrity and environmental compliance. We also address these areas in our supplier contracts.

Our [Supplier Diversity Development](#) program fosters relationships with diverse enterprises, including women and minority-owned, veteran-owned, and lesbian, gay, bisexual and transgender-owned (LGBT) businesses. This supports our enterprise-wide focus on diversity and inclusion, because working with diverse suppliers provides a range of business insights and expertise.



## 2014 Progress

- Communication is one key to having successful business relationships with all our suppliers. To enhance communications:
  - We conducted a two-day meeting with key marketing incentive suppliers which included a discussion on supply chain sustainability, our 2013 audit findings and a review of the company's Supplier Code of Conduct requirements.
  - We recognized suppliers who found innovative and cost-effective solutions for business challenges. For example, we featured contracted tobacco growers' innovative production practices and achievements in our biannual newsletter.
  - We expanded the disclosure of our Supplier Diversity Development performance to include goals and metrics in percentage terms of opportunity spend and absolute dollars.
- Strategic suppliers who provide critical goods or services and that could expose our company to risks if they don't perform as contracted (e.g., affecting product quality, supply security or brand reputation) merit special attention. Across our tobacco companies, we've designated 1.1 percent of suppliers as strategic, representing \$1.6 billion in expenditures. The majority of these suppliers receive performance reviews at least annually. We introduced supply chain sustainability plans to key suppliers in 2013 and gathered baseline data on their sustainability programs. We continued our work in this area through one-on-one meetings to discuss opportunities and progress against these plans.
- Altria's companies have a long history of working with diverse suppliers to generate different ideas, perspectives and solutions. We support organizations like the National Minority Supplier Development Council and the Women's Business Enterprise National Council to increase business opportunities for women-owned and minority-owned enterprises. In 2014, we:



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- expanded our definition of diverse suppliers to include veteran-owned and LGBT suppliers; and
- engaged with the National Gay and Lesbian Chamber of Commerce in addition to our internal LGBT employee resource group, *Mosaic*, to better understand the LGBT community and how we can more efficiently connect with and support potential suppliers.

*For a more detailed look at our approach, visit the [Supply Chain Responsibility](#) section of [altria.com](#).*



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# Our Employees



People are at the heart of our companies, and they're the reason we continue to succeed and provide strong returns to our shareholders. That's why we invest in programs to help them build their capabilities and grow their leadership skills. Our approximately 9,000 hourly and salaried employees operate in highly regulated, dynamic and competitive tobacco or wine industries. To recruit and develop the talented leaders we need to continue to succeed, we use a four-step process:

- We recruit talent for leadership intelligence.
- We affirm leadership behaviors.
- We teach leadership responsibilities.
- We provide experiences to grow our employees' leadership capabilities.

We recruit new hires through a robust college recruiting program that attracts the top new graduates into our sales and marketing force. We also attract experienced hires who have proven success in key career fields.

We teach programs designed to build new manager skills and sharpen those of senior executives. In addition to formal leadership development programs, we provide employees with volunteerism opportunities that help build their leadership capabilities while giving back to their communities.

## 2014 Progress

- We piloted a program to help directors and senior managers refine their leadership skills and improve their innovation, simplification and diversity and inclusion capabilities. The program, modeled after a successful Executive Leadership Development Program rolled out to senior executives in 2013, will expand within the companies in 2015. In 2014, we also used town halls and leadership meetings to better connect mid-level managers with senior leaders and corporate strategies.

- Our large field sales organization, Altria Group Distribution Company, has the most new employees, so we piloted a new engagement survey in 2014 to them. We also plan to conduct another enterprise-wide engagement and compliance survey in 2015 to check the pulse of our overall employee population.
- Employee resource groups (ERGs) are a proven way to engage diverse groups of employees, address challenges they face, learn various perspectives that can inform our business practices and build on a culture of diversity and inclusion. ERGs provide an invaluable resource to capitalize on diverse employee experiences, thoughts and expertise. Their insights can improve the way we connect with adult tobacco and wine consumers, suppliers and other stakeholders. We expanded the reach, number and capabilities of ERGs. Employees created new ERGs like Unifi (African-American), EAST (Asian), Women in Manufacturing, and Spring (young professionals) to bring the total number of ERGs to eight.
- We expanded our formal mentoring program to help foster educational and one-on-one relationships between employees by training almost 1,000 employees and registering more than 600 for mentor matching. The program launches in 2015.



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- We're making progress creating a more diverse and inclusive culture. In 2014, *DiversityInc.* named Altria to its list of 25 Noteworthy Companies for diversity, and other independent entities have regularly recognized us for our diversity efforts. To see the external recognition we're receiving, visit the [recognition](#) section of [altria.com](#).
- Innovation is an important theme throughout our companies. Philip Morris USA developed a program called "Small Ideas, Big Impact" at its manufacturing center. The program brings innovation to life through:
  - a new internal video series highlighting innovation;
  - mobile kiosks with innovation examples;
  - an idea contest to promote employee engagement and action that results in business impact; and
  - an innovation workshop to provide tools and techniques to employees.

### **Simplifying and Saving Time**

*Our employees are streamlining work and creating value for our business. For example:*

- *The Research & Development and Product Integrity teams streamlined the packaging materials change process. The simplified process is projected to save 1,500 hours annually.*
- *Altria Client Services' Information Services group streamlined the approval process for changing a computer system running in test or development mode. By shortening the approval process, the department eliminated 3,600 approvals per year and saved about 600 hours of work annually.*



*For a more detailed look at our approach, visit the [Our Employees](#) section of [altria.com](#).*

### **Applying Employee Feedback to Become A Better Company**

*We foster a culture that's dynamic, open, inclusive, diverse and builds the skills needed for our employees to succeed. One key to that culture is providing employees with the opportunity to shape our future. We conducted an employee engagement survey in 2013 for feedback about how we can improve our workplace.*

*The 2013 results showed that employees were very satisfied overall with their experience working at Altria's companies, but additional focus on streamlining bureaucracy, increasing diversity, and embracing new ways of doing business could improve their work experience. In 2014, we developed plans to address those opportunities, such as:*

- *our Executive Diversity Council setting a clear vision and goals for these programs;*
- *implementing an enterprise-wide simplification effort to streamline work;*
- *announcing Chairman's Awards for leading examples of employee-driven simplification;*
- *expanding our flexible work hours programs to improve work-life balance;*
- *expanding our parental leave policy to cover birth parents, newly adoptive parents and their domestic partners or spouses;*
- *bringing in external speakers to reinforce leadership lessons in seeding innovation, simplifying business processes, and the importance of diversity and inclusion to innovate in business;*
- *rolling out a formal innovation system to support employee efforts to develop new and creative ways to improve our business and service delivery; and*
- *creating an employee engagement program called "Unleash Our Potential" to promote our culture of innovation, simplification, and diversity and inclusion. The "Unleash" campaign energizes employees to be open, be clear and be curious, and highlights examples of success through special events, speeches, interactive presentations and collateral materials.*

*We continued measuring our progress through targeted functional surveys in 2014 and will conduct an enterprise-wide employee engagement survey in 2015.*



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## Investing In Communities

Our commitment to community involvement dates back more than five decades. We invest in nonprofits, and our employees give their time and talents to help make our communities stronger and address issues important to our businesses.

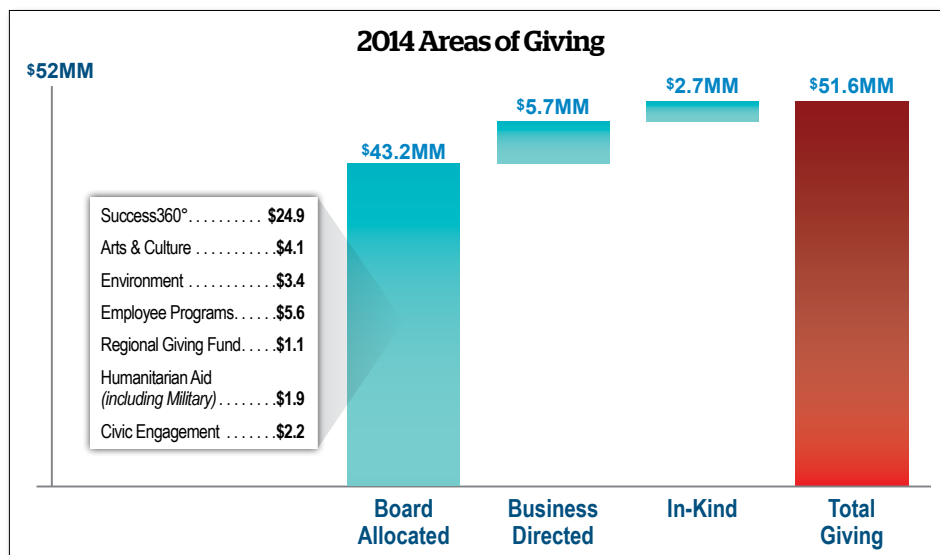
Our giving strategy focuses on areas that drive our business forward and address societal expectations: reducing underage tobacco use; developing a strong, diverse workforce; promoting the sustainability of our natural resources; and strengthening our communities economically and culturally. For example, our companies invest in leading national and local organizations that provide middle school kids with resources they need to succeed academically, make good decisions and avoid risky behaviors like tobacco use.

Today, our companies focus their giving in the following areas:

- Supporting Youth Development: Success360°
- Protecting the Environment
- Arts & Culture
- Civic Engagement
- Humanitarian Aid and Military Support
- Employee Involvement: "Contributing Together"

We want to help make our communities thriving places where we all can succeed.

*For a more detailed look at our approach, visit the [Investing In Communities](#) section of [altria.com](#).*



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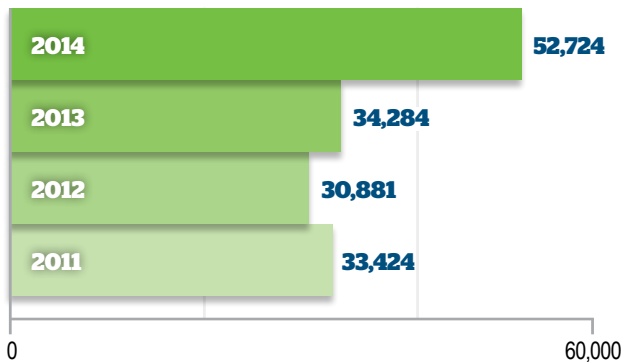
## 2014 Progress

- With our support, Middle School Renaissance 2020 (MSR2020) runs an out-of-school time (OST) initiative called Next Up. It launched a pilot at Henderson Middle School, an inner-city school in Richmond, Va. Consistent with Success360° goals, MSR2020 provides academic, social and emotional support for middle school students, many of whom are at risk. The MSR2020 pilot program received local and national exposure for its collaborative approach to building an OST system.
- Many employees engaged in our communities through our Contributing Together programs. This includes volunteer opportunities, Altria Companies Employee Community Fund, Dollars for Doers and our Matching Gifts program. We combined these programs into a new, more efficient online platform that enhances employees' access to workplace giving and community service opportunities. The new system launches in 2015 and will provide a single access point to the Contributing Together portfolio of employee involvement programs on any device, at any time.
- We launched a Volunteer Challenge to increase employee volunteerism. More than half of our employees participated in company-sponsored community service events and generated more than 50,000 hours of service. This represented a 50% increase,

or an additional 18,000 hours, in employee volunteer participation over last year, exceeding our goal. We also recognized employees through a new Volunteer Awards program, which has become an integral part of the Altria Volunteers program.

- The Altria Companies Employee Community Fund, an employee-run, non-profit organization, awarded more than \$3.1 million to 142 grantees in their communities. About 3,500, or two-thirds of eligible employees, gave an average donation of more than \$450 to ACECF. This represented an increase in employee participation of nearly 10% over last year.
- Our executives serve in community leadership roles to help improve our communities. We increased the number of executives serving on non-profit boards to 62, nearly 25% more than last year. We also increased the number of organizations served by our executives to 100, 15% more than last year.
- We expanded support to the National Fish and Wildlife Foundation (NFWF) to include water conservation efforts in California, native tree reforestation in Virginia and North Carolina, sustainable agriculture in Pennsylvania and Kentucky, and a higher commitment to the Chesapeake Bay. Our contribution is expected to be matched 400% through NFWF's partnership.

## Employee Volunteer Hours



Increase vs. 2013



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# Governance & Compliance

We pursue our business objectives with integrity and in full compliance with all laws.

Our Compliance & Integrity Program starts with our [Mission & Values](#). We structured our program to align with federal guidelines, using Altria's Standards for Compliance & Integrity Programs. Our [Code of Conduct](#) outlines key risk areas and principles to guide employees' actions.

We promote a culture that:

- prevents misconduct;
- identifies and addresses misconduct promptly and effectively when it does occur; and
- makes it easier for employees to do the right thing.

Accountability for Altria's Compliance & Integrity program is shared at the top levels of the organization, including our Board of Directors, Altria's Chairman, CEO & President and senior officers.

*For a more detailed look at our approach, visit the [Governance & Compliance](#) section of [altria.com](#).*

## 2014 Progress

- Our culture of compliance is vital to conducting our business in alignment with our Mission & Values. That's why we continuously worked to increase our employees' understanding of key compliance issues, including:
  - We conducted a comprehensive review of our policies to provide clear and consistent guidance to employees and alignment with our Code of Conduct. This resulted in retiring or consolidating many policies.
  - We enhanced our Code of Conduct and issued an Anti-Bribery/Anti-Corruption Policy, along with new employee training.
- We began reorganizing and simplifying new hire compliance training, using focused and innovative training to improve learning and increase engagement.
- We published two short illustrated stories to show employees what a substantiated case of retaliation looks like, and how the company investigates it.
- In April, Nu Mark acquired Green Smoke, an e-vapor company operating in China and Israel. During the integration, we brought Green Smoke into alignment with our core Values by training employees on our compliance expectations.
- We engaged employees through a refreshed Information Security Awareness training course, cybersecurity awareness events and consistent communications.
- In order to improve our supply chain, we:
  - launched new training for managers of our most important suppliers and other key internal stakeholders to manage risk throughout the supply base;
  - conducted more than 1,900 supply chain assessments, focusing on quality management systems, Good Agriculture Practices and social compliance;
  - conducted several supplier management training sessions for employees, with a focus on specific supplier risks; and
  - developed a resource to help managers and their employees include compliance activities and accomplishments in performance reviews.
- To build confidence in our program, we published the 2014 Compliance & Integrity Update for employees, which included allegations data, case studies and insights into our compliance and investigations processes.



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## 2014 Facts At-A-Glance

In this section, you'll find measures that help our business leaders understand their progress against our Mission Goals, as well as indicators often requested by analysts who cover environmental, social and governance performance. We also try to align our measures with the Global Reporting Initiative. When we do this, we balance our desire for open communications about our business performance with competitive sensitivity. Unless otherwise noted, data pertains to all Altria companies.

Topic	GRI Indicator	Unit of Measure	2014	2013	2012	Comments
<b>Tobacco Product Issues</b>						
Peer-reviewed scientific publications related to smoking and health		Number	5	15	2	
Food and Drug Administration engagements		Number	6	11	15	
Non-FDA engagements on tobacco harm reduction		Number	11	38	*	
FDA submissions to inform the development of tobacco product regulation		Number	15	18	15	
Discloses information on tobacco-use-related messages from the U.S. Surgeon General and other public health authorities on corporate websites of Philip Morris USA, U.S. Smokeless Tobacco Company and John Middleton			Yes	Yes	Yes	
Visits to <i>QuitAssist</i> ® online cessation resource		Number	38,460	43,878	47,186 <sup>c</sup>	
Investment in Positive Youth Development		Millions of dollars	\$21.4	\$21.1 <sup>c</sup>	\$22.1 <sup>c</sup>	
Retailers trained through <i>WeCard</i> ®		Number	23,612	25,363	24,828 <sup>c</sup>	
<i>WeCard</i> training, age calculation and signage materials distributed		Number	163,014	165,776	166,267 <sup>c</sup>	
<b>Marketing Responsibly</b>						
Master Settlement Agreement enforcement actions against Philip Morris USA		Number	0	0	0	
<b>Combating Illicit Trade</b>						
Retailers sued by Philip Morris USA for selling counterfeit cigarettes		Number	0	32	1	



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Topic	GRI Indicator	Unit of Measure	2014	2013	2012	Comments
<b>Combating Illicit Trade</b> <i>(Continued)</i>						
Law enforcement officers trained by the Brand & Trade Channel Integrity department on illicit trade cigarette issues		Number	1,944	2,790	2,674	
Arrests by law enforcement in connection with investigations supported by Altria		Number	79	70	–	
Websites sued by PM USA for selling counterfeit cigarettes		Number	0	1	156	
<b>Environmental Management</b>						
Environmental policy coverage		Percent of companies covered	100%	100%	100%	
Energy use – includes fossil fuel use (on-site, sales vehicles and corporate aircraft) and electricity use in company operations	EN3	Billions of BTUs	4,708 <sup>i</sup>	4,939	5,224	
Scope 1 – greenhouse gas emissions from fossil fuel use (on site, sales vehicles and aircraft)	EN16	Metric tonnes CO2e	202,085 <sup>i</sup>	274,967	284,845	
Scope 2 – greenhouse gas emissions from purchased electricity	EN16	Metric tonnes CO2e	236,691 <sup>i</sup>	225,350	236,183	
Scope 3 – greenhouse gas emissions associated with business travel	EN17	Metric tonnes CO2e	7,983 <sup>i</sup>	7,189	5,443	
Scope 1 & scope 2 – greenhouse gas emissions intensity		Metric tonnes per billions of operating companies income	55,661	59,839	69,936	
Water consumption	EN8	Millions of gallons	2,971 <sup>i</sup>	2,140	2,305	
Water consumption – municipal supply	EN8	Millions of gallons	791	827	917	
Water withdrawal – surface water	EN8	Millions of gallons	1,893	1,043	1,081	
Water withdrawal – ground water	EN8	Millions of gallons	288	270	307	
Facilities in water-stressed regions		Number of facilities	1	1	1	Per World Council for Sustainable Business Development Water Tool: WRI Annual Renewable Water Supply Per Person (Projections for 2025)
Total water withdrawal – water stressed regions		Millions of gallons	9.6	8.0	7.1	
Nitrogen in wastewater discharges		Thousands of pounds	17.0	20.1	21.6	PM USA Park 500 facility



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Topic	GRI Indicator	Unit of Measure	2014	2013	2012	Comments
<b>Environmental Management</b> <i>(Continued)</i>						
Phosphorus in wastewater discharges		Thousands of pounds	0.99	1.26	1.38	PM USA Park 500 facility
Waste landfilled	EN22	Percent of all waste	27.1%	17.6%	25.0%	
Waste disposed at landfill	EN22	Millions of pounds	27.7 <sup>i</sup>	23.9	33.3	
Waste recycled	EN22	Percent of all waste	72.9%	82.4%	75.0%	
Waste recycled, composted, converted to fuel or reused	EN22	Millions of pounds	74.3 <sup>i</sup>	112.1	100.2	
Hazardous waste	EN24	Short tons	99.9 <sup>i</sup>	93.3	110.7	
Communities that have implemented Keep America Beautiful's Cigarette Litter Prevention Program	EN26	Number (cumulative)	1,592	1,463	1,263	Program is sponsored by PM USA
Average reduction in cigarette litter in participating communities	EN26	Percent	48%	48%	55%	As reported by Keep America Beautiful
Packaging reduction		Millions of pounds of packaging material removed	0.1	4.5	1.0	
<i>Environmental data is as of 3/18/2015. Certain prior year measures have been restated.</i>						
<b>Sustainable Agriculture</b>						
Domestic direct-contracted growers reviewed as part of the on-farm Good Agricultural Practices (GAP) assessment process <sup>a</sup>		Domestic Direct Contracted Growers Base	Assessed (a) approximately one third of the 100% compliant growers, (b) new growers and (c) growers that were not 100% compliant in the prior year.	All	All	
Other tobacco suppliers: Planned tobacco suppliers reviewed as part of the GAP program assessment process <sup>a</sup>		Percent of suppliers	100%	100%	99%	
<b>Supply Chain Responsibility</b>						
Suppliers classified as strategic <sup>b</sup>		Percent of suppliers	1.1%	1.23%	1.2%	Our companies focus supplier management and engagement efforts on strategic suppliers. There are currently no strategic suppliers for Nu Mark.



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Topic	GRI Indicator	Unit of Measure	2014	2013	2012	Comments
<b>Supply Chain Responsibility</b> <i>(Continued)</i>						
Spending represented by strategic suppliers <sup>b</sup>		Billions of dollars	\$1.6	\$1.5	\$1.4	Our companies focus supplier management and engagement efforts on strategic suppliers. There are currently no strategic suppliers for Nu Mark.
Direct materials (DM) suppliers achieving target quality score <sup>c</sup>		Percent of DM suppliers	89%	86%	91%	Product and packaging material suppliers are measured against performance targets for conformance to product specifications and process standards.
Minority Supplier Use <sup>c</sup>		Percent of spend on goods and services (vs. annual goal)	9.0% (7.5% 2014 goal)	7.2%	9.0%	We enhanced our disclosures to include actual real dollar spend (at both the Tier I and II levels) in addition to the percentage of overall opportunity spend.
		Tier 1 spend in millions	\$165.1	–	–	
		Tier 2 spend in millions	\$29.3	–	–	
		Diversity spend total in millions	\$194.4	–	–	
Factories on “not qualified for business” list due to Child or Forced Labor finding <sup>d</sup>		Number (cumulative)	16 <sup>h</sup>	16 <sup>h</sup>	16 <sup>c</sup>	Based on results of third-party social compliance audits. Nu Mark is included, but there were no issues to report.
Factories on “no new business” list due to failure to address audit findings <sup>e</sup>		Number (cumulative)	16 <sup>h</sup>	13 <sup>h</sup>	13 <sup>c</sup>	Based on results of third-party social compliance audits. Nu Mark is included, but there were no issues to report.
<b>Our Employees</b>						
Total employees	LA1	Approximate number	9,000	9,000	9,000	As of December 31, 2014; includes all U.S. companies, National Smokeless Tobacco Company, Green Smoke and temporary workforce employees
Union-represented employees <sup>f</sup>	LA4	Percent of workforce	28%	28%	29%	Workforce data based on full-time U.S. employee total; includes U.S. temporary workforce and Ste. Michelle Wine Estates “release” status employees.
Female employees <sup>g</sup>	LA13	Percent of workforce	37%	36%	36%	Workforce data based on full-time U.S. employee total.
Women in management roles <sup>g</sup>	LA13	Percent of Management	35%	37%	32%	Workforce data based on full-time U.S. employee total.
People of color - workforce <sup>g</sup>	LA13	Percent of workforce	34%	34%	31%	Workforce data based on full-time U.S. employee total.
People of color – management roles <sup>g</sup>	LA13	Percent of Management	20%	21%	15%	Workforce data based on full-time U.S. employee total.



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Topic	GRI Indicator	Unit of Measure	2014	2013	2012	Comments
<b>Our Employees</b> <i>(Continued)</i>						
Investment in leadership development programs	LA11	Millions of dollars	\$1.7	\$1.7	\$0.93	Includes only enterprise-wide leadership development programs. Many business units and functions also invest in leadership development programs.
Investment in training for salaried employees	LA11	Millions of dollars	\$15.6	\$3.61	\$2.68	Includes educational reimbursement programs. 2014 measure changed to more accurately reflect expenditures throughout the enterprise and now includes company town halls, leadership exchanges and other trainings and communications activities not previously counted.
Investment in external educational instruction for hourly employees <sup>c</sup>	LA11	Thousands of dollars	\$255	\$279	\$308	Includes external education from Scholarship America. This also includes the cost for internal and external education associated with Manufacturing Center Employee Development & Training Program for PM USA.
Composite score of safety assessment performance		Percent	91%	90%	87%	Composite score is an aggregate of all safety and health assessment modules, which reflects the strength of an operating company's safety management system.
OSHA recordable injury rate	LA7		2.5	2.2	2.3	The number of injuries or illnesses occurring over a given number of full-time workers over a given period of time.
Lost day rate	LA7		1.0	0.9	1.1	
Number of fatalities	LA7		1	0	0	Car accident
Salaried employees receiving regular career performance reviews	LA12	Percent	99.9%	99.3%	99.6%	
<b>Investing In Communities</b>						
Total cash charitable contributions	EC1	Millions of dollars	\$48.9	\$46.0	\$45.18	
Total value of in-kind contributions	EC1	Millions of dollars	\$2.7	\$1.2	\$1.87	
In-kind value of volunteer hours during paid working hours		Dollars	\$1,155,778	\$759,051	\$691,714	Based on Independent Sector calculation of \$22.14/hr for 2012 and 2013; 2014 calculation based on 2013 value of \$22.55/hr. Independent Sector had not issued rate for 2014 as of publication date.
Grant dollars from the Altria Companies Employee Community Fund		Millions of dollars	\$3.1	\$2.9	\$2.4	Includes all grants from tobacco operating companies.



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Topic	GRI Indicator	Unit of Measure	2014	2013	2012	Comments
<b>Investing In Communities</b> <i>(Continued)</i>						
Grants from the Altria Companies Employee Community Fund		Number of grants awarded	142	139	120	
Non-profit boards with executive involvement		Number of boards	100	85	61	
<b>Governance &amp; Compliance</b>						
Board members		Number	11	11	11	
Independent directors		Number	10	10	10	
Minorities on the Board of Directors	LA13	Number	4	4	4	
Women on the Board of Directors	LA13	Number	2	2	2	
All Directors are elected annually			Yes	Yes	Yes	
Majority vote standard for election of Directors with a Director Resignation Policy			Yes	Yes	Yes	
Independent Presiding Director			Yes	Yes	Yes	
Key committees consist of independent Directors			Yes	Yes	Yes	
Directors attended at least 75% of the aggregate number of meetings of the Board and all committees on which they served			Yes	Yes	Yes	
Outside Directors hold meetings without management present			Yes	Yes	Yes	
Annual Board and committee self-evaluation (periodically conducted by third party)			Yes	Yes	Yes	
Corporate Governance Guidelines approved by the Board			Yes	Yes	Yes	
Board orientation program			Yes	Yes	Yes	
Director stock ownership guidelines			Yes	Yes	Yes	
Limitations on public company Board service			Yes	Yes	Yes	
Business units analyzed for compliance risks	S02	Percent	100%	100%	100%	
Annual Compliance Acknowledgement		Percent	100%	100%	100%	New measure in 2014 Measure reflects percentage of salaried employees affirming the following: "I acknowledge that I will continue to comply with the guidance in the Altria Code of Conduct and all company policies that apply to me, including my obligation to disclose and update any potential conflicts of interest."



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Topic	GRI Indicator	Unit of Measure	2014	2013	2012	Comments
<b>Governance &amp; Compliance</b> <i>(Continued)</i>						
Code of Conduct training completion rate		Percent	98.8	–	–	New measure in 2014. This includes salaried and hourly workers.
Overall compliance training completion rate		Percent	95.3	–	–	New measure in 2014. This includes salaried and hourly workers.
Compliance training hours		Number	14,315	–	–	New measure in 2014. This includes salaried and hourly workers.
<b>Economic Impact</b>						
Net revenues	EC1	Millions of dollars	\$24,552	\$24,466	\$24,618	
Operating Income		Millions of dollars	\$7,883	\$8,084	\$7,253	
Federal excise taxes paid on tobacco products and wine	EC1	Millions of dollars	\$6,557	\$6,803	\$7,118	2012 data restated
Philip Morris USA payments to the states per the tobacco settlement agreements	EC1	Billions of dollars	\$3.5	\$3.3	\$3.1	
Total industry federal, state and local government excise tax revenues from tobacco products	EC1	Millions of dollars	\$32,938	\$33,975	\$34,475	Includes federal, state and municipal tax revenues on tobacco products according to The Tax Burden on Tobacco, Orzechowski & Walker, funded in part by Altria Client Services.
Spending with companies in local communities of operation <sup>b</sup>	EC6	Billions of dollars	\$1.6	\$1.5	\$1.6	Includes spending with suppliers who have operations in the states where Altria's companies have operations.
Ratio of salary for entry level production positions to minimum wage	EC5	Total Altria weighted average ratio of salary to local minimum wage	3.63	3.52	3.51	Calculated using weighted average of entry-level production salary and local minimum wage in states where our companies operate.

<sup>a</sup>Includes only Philip Morris USA and U.S. Smokeless Tobacco Company.

<sup>b</sup>Excludes Ste. Michelle Wine Estates and Green Smoke.

<sup>c</sup>Includes PM USA, USSTC and John Middleton.

<sup>d</sup>If through the audits, a supplier providing marketing incentive materials has a violation, we communicate this finding to the supplier following the audit and place the company on the marketing incentive “not qualified for business” list.

<sup>e</sup>Factories are placed on the “no new business” marketing incentive list for at least a year for not addressing findings in the audit.

<sup>f</sup>Excludes National Smokeless Tobacco Company and Green Smoke.

<sup>g</sup>Excludes NSTC, Greensmoke and U.S. temporary workforce.

<sup>h</sup>Excludes Ste. Michelle Wine Estates.

<sup>i</sup>Assured by a third party.



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## Further Discussion

This section provides additional information about our business practices. It's intended to complement information in prior report sections and on our websites.

### Marketing Responsibly

#### Age-Verification Systems

Marketing programs vary among our companies and their brands. Our tobacco companies build relationships between brands and their adult consumer audiences while taking steps designed to limit reach to unintended audiences.

For example, Philip Morris USA, our largest tobacco company, uses direct mail, email and brand websites to communicate with smokers 21 years of age or older. To receive these communications or access one of PM USA's brand websites, an adult consumer must first pass an age-verification process. PM USA verifies age by examining a consumer's valid government-issued ID or through an electronic process. Its electronic verification vendor tests the electronic age-verification system periodically to prevent people under 21 from being verified for the adult tobacco consumer database.

#### Marketing Compliance

Altria's tobacco companies have policies and practices in place that guide how they market their products to adult tobacco consumers. We develop, review and approve consumer advertising materials using a step-by-step compliance review process. It includes controls to identify and address business and legal issues before we produce any material or program.

#### Listening to our Consumers

Adult tobacco consumers can contact our tobacco companies by phone, website or mail to share product quality concerns or ask questions. Our tobacco operating companies reimburse age-verified adult tobacco and e-vapor consumers for products if they're not satisfied. They monitor tobacco consumer complaints and other product-related feedback monthly. Our companies monitor quality complaints, unplanned product returns and/or controllable consumer concerns against specific quality performance targets.

Altria Group Distribution Company supports a consumer call center seven days a week for our tobacco companies' adult consumers. The call center handles website inquiries, participation in marketing promotions and consumer database additions/removals. AGDC also responds to promotional inquiries by mail. Based on this feedback, AGDC develops monthly "Voice of Consumer" reports to help our tobacco companies identify trends and opportunities to exceed adult tobacco consumer expectations.

### Environmental Management

#### Environmental Goals

In 2012, Altria established goals to help focus our companies' environmental efforts. We designed them to promote efficiency and reduce environmental impact.

In addition, we're working to better understand and address environmental impacts beyond our companies' facilities:

2016 Goals	Rationale
Reduce energy use 10 percent	Reducing energy consumption makes our companies more efficient, reduces costs and reduces environmental impacts.
Reduce Scope 1 and Scope 2 air emissions by 20 percent	To address climate change concerns, stakeholders expect companies to reduce their carbon footprint and disclose their progress.
Achieve 50 percent water neutrality through programs within our facilities; offset our water use through on-site treatment programs and conservation; and enact conservation efforts in the communities in which we operate.	We recognize the growing issue of water availability and quality, and our companies are working to reduce their water footprint.
Send 95 percent of our facility waste for recycling or beneficial reuse.	Minimizing waste makes us more efficient and preserves the natural resources on which our companies rely. Our companies are trying to minimize the amount of waste they send to landfills.
Reduce the amount of packaging materials in our companies' products by 5 million pounds over the goal period.	Reduce the amount of materials required to manufacture their products.

- We completed data gathering and initial analysis of Altria's first Scope 3 greenhouse gas assessment. This work will help us identify, prioritize and address environmental opportunities within our supply chains.
- Philip Morris USA reduces cigarette litter by educating adult smokers about the issue and by working with others to address the impact of litter.
- Our companies support Good Agricultural Practices that encourage growth of quality tobacco and wine grapes, reduce impact on the environment and promote efficient farming practices.
- We support efforts in tobacco growing communities to protect watersheds impacted by their farms.

### Sustainable Agriculture

Our tobacco companies established specific Good Agricultural Practices (GAP) to encourage quality tobacco under conditions that help to reduce environmental impact and improve on-farm work experience. Philip Morris USA and U.S. Smokeless Tobacco Company also implemented an on-farm GAP assessment process to help direct-contracted growers better understand laws and regulations. The assessments review growers' compliance with key GAP practices related to agricultural, environmental and labor practices. The GAP assessment also provides immediate and direct feedback that supports growers' compliance by engaging them in the process.



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### Addressing Green Tobacco Sickness

As part of the GAP focus, growers are better educated and informed about Green Tobacco Sickness (GTS). When working in tobacco fields, it's possible for farmers and their workers to come in contact with wet tobacco in the field. If not properly protected, workers can become ill if the nicotine in the wet tobacco plant is absorbed through the skin. We've taken additional steps to better educate and inform domestic growers about GTS by:

- distributing a U.S. Tobacco GAP handbook to all contracted domestic growers, which includes specific GTS protocols;
- communicating about GTS protocols through meetings with individual growers;
- requiring growers to implement specific GTS protocols as part of our tobacco companies' contracts; and
- implementing procedures to assess their adherence to these protocols.

### Conducting GAP Assessments

From 2010, PM USA and USSTC implemented a Good Agricultural Practices (GAP) assessment program with their contracted growers. From 2010 to 2013, we assessed all of our growers and established a baseline of compliance. Based on the results, we moved to a risk-based rotational process for growers that were 100% compliant in the preceding year. Each year, we will assess (a) approximately one third of the compliant growers, (b) new growers and (c) growers that were not 100% compliant in the prior year. Each year, a third party also randomly selects ten percent of the assessed growers for an independent auditor to assess. Related to GTS, we assess growers' compliance with the requirements that they provide their workers

with Personal Protective Equipment (PPE) and train them on GTS prevention, PPE use and preventing heat stress. Our representatives and third-party auditors assessed our companies' growers' efforts. The 2014 assessments revealed that more than 90% of the growers assessed complied with all of these requirements.

Our goal is to validate our process, results and effectiveness of our training and tools. We applied this approach for the first time in 2014. The chart below shows domestic grower performance.

To learn more about our efforts to promote [GAP and GTS awareness](#), visit [altria.com](#).

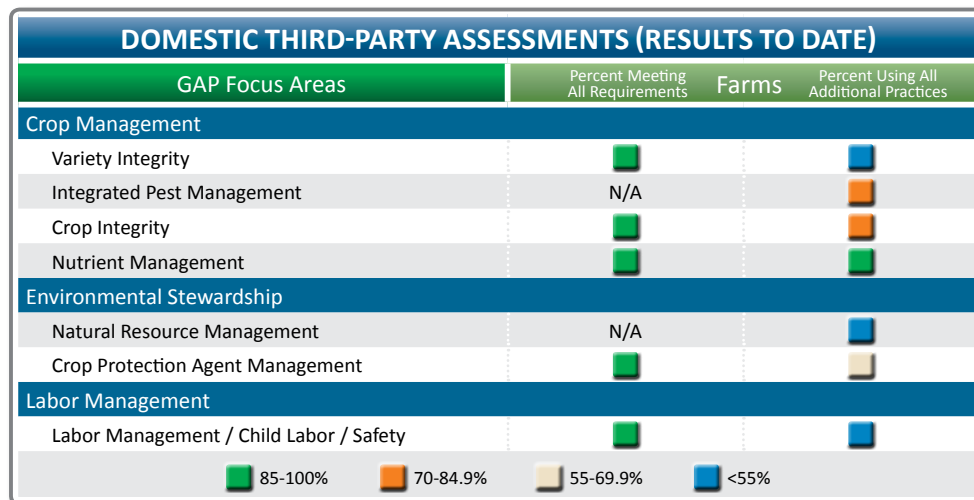
### Supply Chain Responsibility

#### Conducting Social Compliance Audits

As Altria's operating companies become more global, we continue to evaluate our social compliance framework to include new, internationally-based business operations and suppliers.

Social compliance audits, which are conducted internationally by a third party, monitor suppliers' adherence to specific elements of our Supplier Code of Conduct. In 2014, Altria re-evaluated our existing approach for performing social compliance audits based on our complex supply chain. We're piloting a risk-based approach to assess suppliers' facilities according to their risk profile within each of the major supply categories:

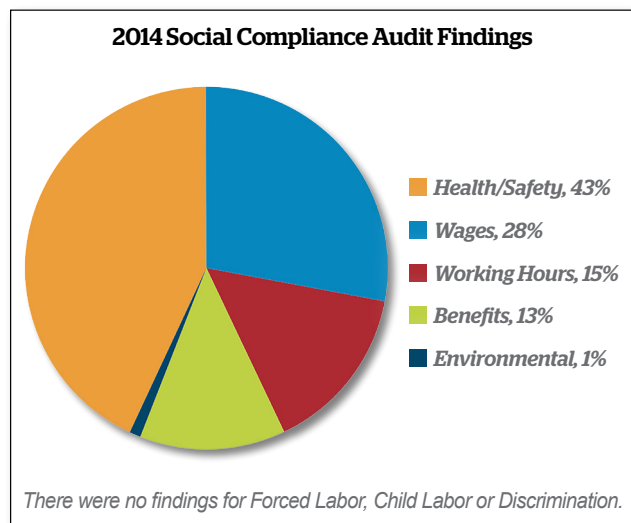
- Direct product and packaging materials
- International leaf merchants
- Contract manufacturers



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Prior to 2014, we performed social compliance assessments based on geographic risk. We are evaluating our risk assessment process to focus on assessments and remediation where there's significant country risk, supplier criticality, brand risk and where we have the greatest sphere of influence to improve supply chain compliance.

Those factories found to have material issues are required to have corrective action plans and re-inspections by third-party assessors. We continue to work with our suppliers to address findings related to the key social compliance areas.



### Our Employees

#### Building Capability

Our success depends on our ability to attract, develop and retain a diverse and talented workforce. We provide a variety of programs to help build our employees' capabilities vital to their success and ours.

Learning and development starts with an understanding of the knowledge and skills needed for success. Altria's Leadership Model and [Values-in-Action](#) prescribe required behaviors and expectations at the enterprise level. We complement these with role-specific competencies we've identified at the company and functional levels.

We develop our people through different channels. For example, salaried employees work with their managers to create a personal development plan and identify specific developmental activities as part of the Performance Partnership Process. Our Advancement Planning Process provides employees with opportunities to develop in new roles. We complement these processes with formal enterprise and function-specific development programs.

Examples include:

- Altria's Leadership Journey for Managers is a week-long experiential program for employees new to managing people at Altria.
- Altria's Executive Leadership Development System is designed to sharpen leadership skills and help our executives develop new skills required to successfully lead in the current business environment.

- Our tobacco companies' Manufacturing Leadership Development System provides salaried and hourly employees with safety and skills training, leadership development and experiences necessary to grow and develop in manufacturing and other areas of their businesses.
- Altria Group Distribution Company's "xSell" Program uses a series of classroom, online and in-field training programs for field sales force employees designed to build skills like high-impact selling and category management.

Investing in the skills and leadership development of our employees helps our businesses succeed and develops our future leaders. While it's difficult to capture every dollar spent to develop our employees and enhance their business and subject-matter expertise, this year we've worked to better capture how much we're investing in our most important resource — the human one. In 2014, we invested more than \$17 million for internal and external training, enterprise leadership development programs and employee learning events, tuition reimbursement, seminars and professional memberships to advance employees' personal and professional development. In addition, our employees and their managers dedicate time to ongoing coaching, feedback and learning on the job. Functions and departments also execute employee development and learning events. Investments in these activities are in addition to dollars measured at the enterprise level.

Engaged employees drive our business success. We use different measures to evaluate the effectiveness of our people development efforts and overall health of our organization.

### Materiality Assessment

In 2014, we examined responsibility expectations for our businesses. Our goal was to use the assessment to update our Mission Goals. The team identified and prioritized stakeholder expectations. The product was a materiality assessment that prioritizes topics important to our businesses and stakeholders. The process included several steps:

- We conducted an external scan of corporate responsibility expectations of leading companies.
- Team members completed worksheets to document top responsibility expectations that their stakeholders had of our business. They interviewed stakeholders, reflected on past engagements and/or convened small groups internally to complete the worksheets.
- Team members covered a wide range of stakeholders, including employees, consumers, growers, suppliers, trade partners, government officials, community and youth-serving organizations, public health and non-government organizations, in the worksheet exercise.
- Two company researchers qualitatively evaluated the worksheets. They developed 45 expectation themes and then refined them based on commonality.
- We conducted a general public survey to solicit additional feedback. We asked respondents to rate a series of expectations they had for how a tobacco company should operate responsibly.
- The internal team prioritized a subset of expectations, which came from the steps above, based on stakeholder importance and business impact.

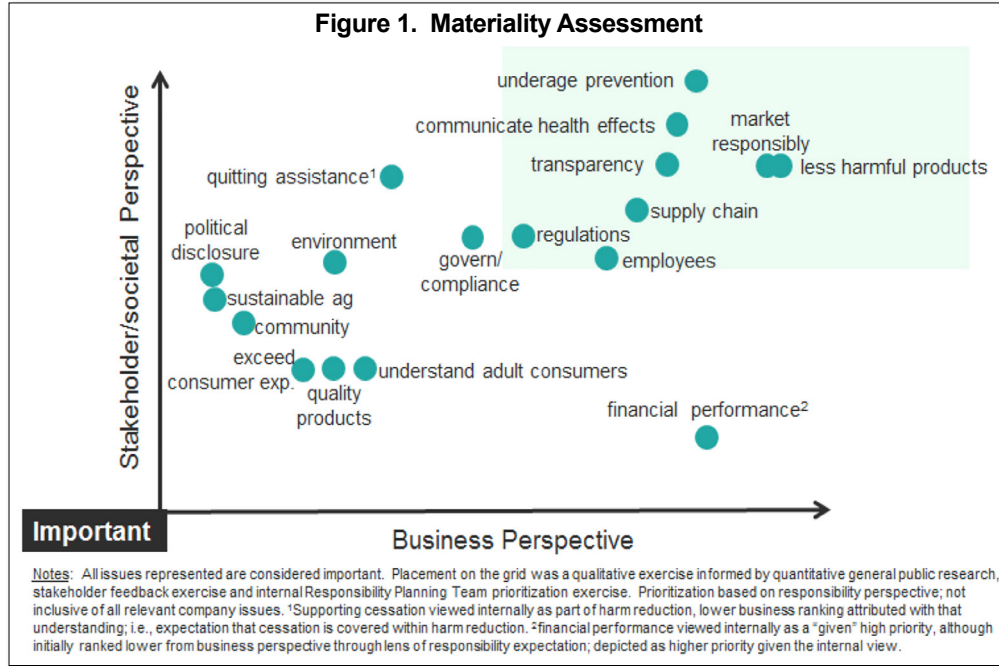


Altria

Figure 1 reflects the results of our materiality assessment. While each topic is important, the shaded region reflects topics evaluated high from both a stakeholder and business perspective.

Many of these expectations are integrated. For example, we view expectations concerning less harmful products, health effects communications, regulatory engagement, cessation and underage

tobacco prevention as aligned with the larger expectation to reduce tobacco harm. Because many of these expectations fall in the shaded region, tobacco harm reduction is one of our prioritized topics. Table 1 lists our top prioritized topics and the supporting business case for each.



**Altria**

**Table 1. Prioritized Topics and Business Case**

Topic	Business Case
<p><b>Tobacco Harm Reduction</b></p>	<p>Most of Altria’s revenue comes from the sale of its tobacco operating companies’ products. The use of tobacco products, however, is a significant public health concern, as underscored by the 2014 Surgeon General’s Report on tobacco and health. Underage tobacco use is also a significant societal concern, and society continues to expect tobacco companies to communicate about the health effects of their products.</p> <p>To address stakeholder concerns and succeed in the future, we need to continue to work to reduce tobacco harm. Developing less harmful products under the Food and Drug Administration’s oversight, communicating health effects, helping prevent underage use and supporting cessation all can reduce the harm caused by tobacco. Reasonable and science-based regulation that recognizes the importance of harm reduction will encourage product innovation and the development of lower-risk tobacco products that meet evolving adult tobacco consumer preferences.</p>
<p><b>Responsible Marketing</b></p>	<p>Tobacco products are among the most heavily regulated consumer goods in the world. These products are subject to extensive federal, state and local licensing, registration and minimum age requirements. These requirements became more extensive with the 2009 federal law – which we supported – granting the FDA authority to regulate virtually all aspects of tobacco product manufacturing, sales, distribution and marketing. Some stakeholders routinely scrutinize tobacco marketing practices and call for increased restrictions.</p> <p>Our companies build relationships between brands and their adult consumer audiences while taking steps designed to limit reach to unintended audiences.</p>
<p><b>Supply Chain Responsibility</b></p>	<p>Companies are increasingly being held accountable for the actions of their suppliers and expected to contribute to addressing societal concerns associated with their supply chains. Stakeholders have raised labor issues in the tobacco supply chain through shareholder resolutions and direct outreach with our company. In addition, our company’s supply chain continues to evolve. This ongoing change requires us to be attentive to new expectations.</p> <p>To have a secure, high-quality and reliable source of materials and services, it’s important to work to resolve risks and societal issues within the supply chain.</p>
<p><b>Employee Development and Engagement</b></p>	<p>Our companies operate in highly regulated, dynamic and, in the case of tobacco, controversial industries. The tobacco industry is changing and growing more complex. Society continues to change and become more diverse. Generational shifts are occurring, and workplace norms are changing. In addition, our employees have shared feedback on ways to improve our organization and culture.</p> <p>These changes require new skills and perspectives. We’re responding to employee feedback and equipping them to meet new challenges, including fostering a culture and building skills focused on innovation, simplification and diversity &amp; inclusion. Our success depends on our ability to attract, develop and retain a diverse and talented workforce motivated and capable of meeting business challenges today and tomorrow.</p>

This [materiality assessment](#) will inform future planning, goal setting and reporting.



**Altria**

## Appendix

In this year's CR report, we've retired several metrics that we have used for several years to track governance and compliance training progress. We realized that the previous metrics didn't completely capture all types of compliance training work completed throughout the enterprise nor did they accurately reflect our progress in an easy-to-understand way. Therefore, we've added several new metrics this year. They'll better reflect our work to reinforce our culture of compliance and report against key training measures so our employees are up to date on the compliance policies and changes they need to conduct business responsibly.

### Index of Reported Updates

- May 1, 2015 Update: Indicated certain environmental data in Facts At-A-Glance as assured by third party and added assurance letter to the Appendix.



Altria

## Independent Assurance Statement to Altria Group, Inc.

ERM Certification and Verification Services, Inc (ERM CVS) was engaged by Altria Group, Inc. (Altria) to provide assurance in relation to the GHG, water and waste consolidated data set out below and published in the '2014 Facts at a Glance' section of Altria's *Corporate Responsibility Progress Report 2014* (pages 25-27).

### Engagement Summary

Scope:	<p>Whether the consolidated corporate data (January 2014 to December 2014) for the following indicators are, in all material respects, appropriately presented:</p> <ul style="list-style-type: none"> <li>• Energy Use (BTUs)</li> <li>• GHG emissions:             <ul style="list-style-type: none"> <li>○ Scope 1 Direct GHG emissions from on-site fossil fuel combustion and refrigerant gases; and emissions from sales vehicles and company-controlled aircraft (tonnes CO<sub>2</sub>e)</li> <li>○ Scope 2 Indirect GHG emissions from purchased electricity (tonnes CO<sub>2</sub>e)</li> <li>○ Scope 3 Other Indirect GHG emissions from global air travel and rented vehicles (tonnes CO<sub>2</sub>e)</li> </ul> </li> <li>• Waste disposed to landfill (millions of pounds)</li> <li>• Waste recycled, composted, converted to fuel or reused (millions of pounds)</li> <li>• Hazardous waste generated (short tons)</li> <li>• Water Consumption (millions of gallons)</li> </ul> <p>'Appropriately presented' means we have assessed the selected data for reliability which includes: completeness (whether all relevant sources were captured); comparability (across locations and over time); and accuracy of calculations (including the use of appropriate formulae, conversion factors, estimates and assumptions).</p>
Reporting Criteria used:	Altria's internal environmental reporting processes, including GHG data based on the World Resources Institute and the World Business Council for Sustainable Development (WRI/WBCSD) GHG Protocol (2004)
Assurance Standard used:	ERM CVS's Assurance Methodology, which is based on ISAE3000 and ISO14064:3 for GHG emissions verification
Assurance level:	Limited assurance
Respective responsibilities:	<p>Altria is responsible for preparing the data in the <i>Corporate Responsibility Progress Report 2014</i> and for the collection and presentation of the information within it.</p> <p>ERM CVS's responsibility is to provide conclusions on the agreed scope based on the assurance activities performed and exercising our professional judgement.</p>

#### Our conclusions

Based on our activities, nothing has come to our attention to indicate that the 2014 environmental data for the indicators listed under 'Scope' above, published in the '2014 Facts at a Glance' section of Altria's *Corporate Responsibility Progress Report 2014* (pages 25-27), and appended to this Statement as Appendix 1, are not appropriately presented according to the reporting criteria.

#### Our assurance activities

We planned and performed our work to obtain all the information and explanations that we believe were necessary to provide a basis for our assurance conclusions.

A team of GHG and assurance specialists performed the following activities:

- Interviews with relevant staff to understand Altria's internal reporting processes, including the use of its EMIS database, for each indicator.
- Interviews with relevant staff to understand and evaluate the data management systems and processes (including data collection and internal review processes) used for collecting and reporting the data.
- A review of the calculations undertaken, including conversion factors and emission factors used
- Visits to two production facilities, including the Manufacturing Centre (MC), Ste Michelle Wine Estates (SMWE) to review environmental records and documents related to the data
- A visit to the head office in Richmond, VA, to review the EMIS database and interview relevant personnel.
- An analytical review of the consolidated year end data submitted by all sites for the relevant KPIs.

#### The limitations of our engagement

The reliability of the assured data is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

The narrative text of the CR Progress Report and any normalisation of the data are excluded from ERM CVS's scope of work.

#### Our Observations

Without affecting the conclusions presented above, we have the following key observation:

- The EMIS database used to collect and manage environmental data represents an effective means of collecting and consolidating the major data sources. However there is heavy reliance on manual data transfer from a wide variety of input sources, which presents challenges for consistency, transparency and quality control.



Partner  
 27 April 2015  
 ERM Certification and Verification Services, Inc  
 www.ermcvs.com  
 Email: [post@ermcvs.com](mailto:post@ermcvs.com)



**Declaration of Independence:** ERM CVS is a member of the ERM Group and an accredited Certification Body. The work that ERM CVS conducts for clients is solely related to independent assurance activities and auditor training. Our processes are designed and implemented to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS and the staff that have undertaken work on this assurance exercise provide no consultancy related services to Altria in any respect.



# Altria

**Appendix 1: Assured data (as reported in Altria Corporate Responsibility Progress Report 2014)**

Topic	Unit of measure	Amount
Energy use	Billions of BTUs	4,708
Scope 1 GHG emissions*	Metric tonnes	202,085
Scope 2 GHG emissions**	Metric tonnes	236,691
Scope 3 GHG emissions***	Metric tonnes	7,983
Water consumption	Millions of gallons	2,971
Waste disposed at landfill	Millions of pounds	27.7
Waste recycled, composted, converted to fuel or reused	Millions of pounds	74.3
Hazardous waste	Short tons	99.9

\* **Scope 1 Direct GHG emissions** from on-site fossil fuel combustion and refrigerant gases; and emissions from sales vehicles and company-controlled aircraft (tonnes CO<sub>2</sub>e)

\*\* **Scope 2 Indirect GHG emissions** from purchased electricity (tonnes CO<sub>2</sub>e)

\*\*\* **Scope 3 Other Indirect GHG emissions** from global air travel and rented vehicles (tonnes CO<sub>2</sub>e)

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ERM CERTIFICATION AND VERIFICATION SERVICES INC



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