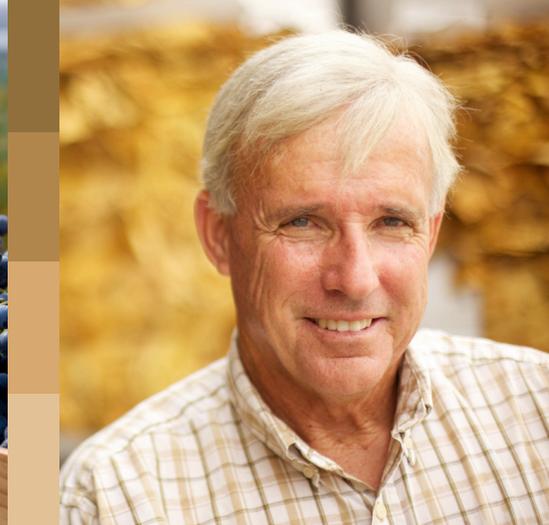

2016

Corporate Responsibility PROGRESS REPORT



Altria



About this Report

This is Altria's sixth annual corporate responsibility progress report. Our last report was published in June 2016.

Unless otherwise noted, this report includes data and progress for Altria Group Inc. and its wholly-owned subsidiaries for calendar year 2016. It covers Altria's tobacco operating companies Philip Morris USA Inc., John Middleton Co., U.S. Smokeless Tobacco Company LLC, Nu Mark LLC and wine company Ste. Michelle Wine Estates Ltd. In the first quarter of 2017, our research vendors restated the cigarette and smokeless tobacco retail databases, which affected previously released retail share results. Restated results are shared in this report. The report also covers other Altria subsidiaries including Altria Group Distribution Company, which provides sales, distribution and consumer engagement support to certain Altria operating companies, and Altria Client Services LLC which provides such services as legal, regulatory, procurement, human resources and external affairs to Altria and its companies. Philip Morris Capital Corporation, Altria's subsidiary which maintains a portfolio of finance assets, is not in scope. Altria and its companies operate principally in the United States and substantially all of Altria Group's net revenues are from sales generated in the United States.

This report is guided by Global Reporting Initiative (GRI), the leading sustainability reporting framework. It is in accordance with GRI G4 Core Option. The content is focused on Altria's four responsibility priorities: *Reducing the Harm of Tobacco Products*, *Marketing Responsibly*, *Managing Our Supply Chain Responsibly* and *Developing Our Employees and Culture*. Additional responsibility topics and progress are in Appendix D of the report. These topics, including how we are working to reduce our environmental impact, are on our website, Altria.com.

Certain environmental data presented in our GRI Index have been assured by an independent third party. See Appendix A for the assurance statement.

This report is a summary of progress on Altria's responsibility priorities and is not exhaustive of all information on these topics. Some statements may be forward-looking or aspirational, and these statements may involve a number of risks or uncertainties.

If you have questions about our report, please feel free to [contact us](#).

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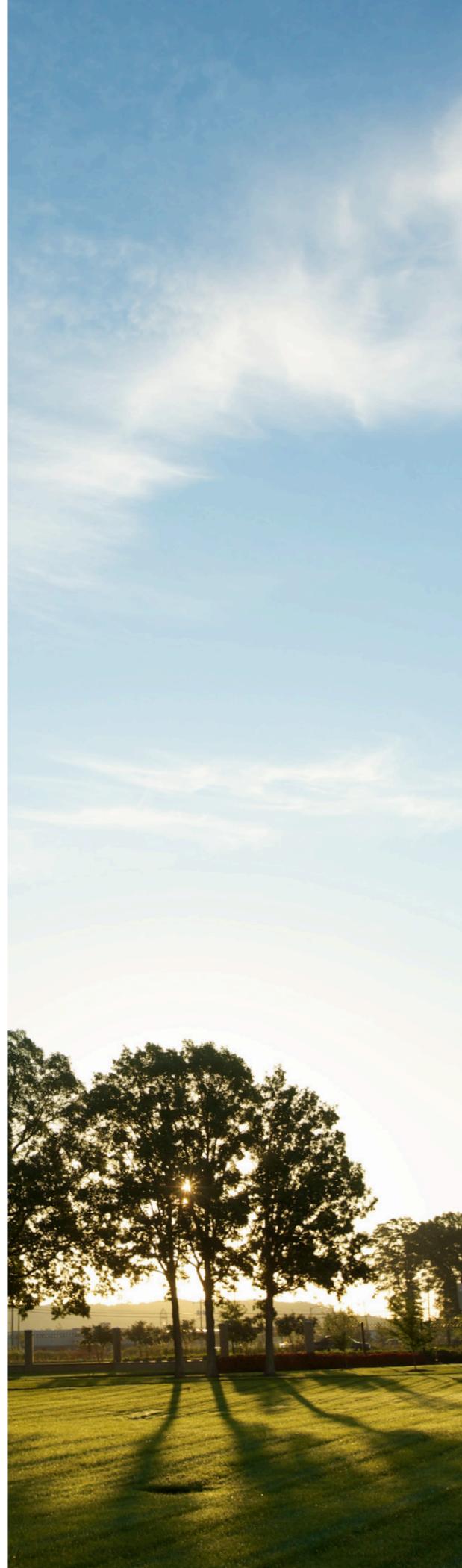
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Our Mission is to own and develop financially disciplined businesses that are leaders in responsibly providing adult tobacco and wine consumers with superior branded products.

Martin J. Barrington
Altria Group, Inc.
Chairman, CEO and President



Chairman's Letter

Welcome to our 2016 Corporate Responsibility Progress Report. Altria had another strong year including great progress against our responsibility priorities.

In 2016, we continued to build on our marketplace leadership and financial strength while remaining committed to responsibility. Our success is grounded in our culture and how we operate. Altria delivered a total shareholder return of 20.5 percent, far outpacing the S&P 500 and the S&P Food, Beverage and Tobacco Index, marking the fourth consecutive year that total shareholder return exceeded 20 percent. We rewarded our shareholders by paying out over \$4.5 billion in dividends. We also increased our dividend by 8.0 percent marking the 50th increase in the past 47 years. Philip Morris USA's (PM USA) *Marlboro* remains the preeminent cigarette brand, with 43.7 percent market share, extending its leadership position in the U.S. cigarette category for over 40 years. U.S. Smokeless Tobacco Company's (USSTC) *Copenhagen* and *Skoal* reached a combined retail share of 51.3 percent, the highest full-year combined share since Altria's acquisition of USSTC in 2009. Additionally, Altria ranked third on the "Barron's 500" – a list of companies that make the most of their assets and deliver superior operating results.

How we achieved these results is as important as *what* we achieved. Responsibility is core to our Mission and Values, which guide us. We listen to stakeholders, align our business practices and communicate progress. We believe that responsibility both mitigates risk and identifies opportunities to create further value for our consumers, employees, business partners, neighbors, shareholders and other stakeholders.

Stakeholder expectations and the marketplace continue to change. For example, the Food and Drug Administration extended its authority to regulate all tobacco products, including cigars and e-vapor products that our companies sell. Adult tobacco consumers seek new alternatives to their traditional tobacco products. The competitive landscape continues to shift.

Based on our 2014 materiality assessment, we continue to focus on four responsibility priorities that are important to our stakeholders and key to our continued success: *Reducing the Harm of Tobacco Products*, *Marketing Responsibly*, *Managing Our Supply Chain Responsibly* and *Developing Our Employees and Culture*. These priorities and the goals that we have articulated to address them represent both opportunities and challenges ahead of us. We're making progress as shown by these highlights.

Reducing the Harm of Tobacco Products. Our companies continue to focus on developing and marketing lower-risk tobacco products that appeal to adult tobacco consumers. This is one element of a more comprehensive approach to reduce the harm caused by tobacco products. Our efforts with Philip Morris International to submit modified risk and new product applications for electronically heated tobacco products is one example. If the FDA authorizes the product, PM USA will have the exclusive U.S. rights to its marketing and distribution. Reducing the harm of tobacco products is an important opportunity for our businesses and adult tobacco consumers.

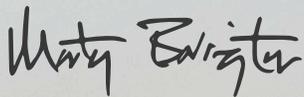
Marketing Responsibly. Our companies responsibly build connections for their brands with their adult consumers while taking steps designed to limit reach to unintended audiences. For example, *Marlboro* continues to responsibly connect with adult smokers through online and mobile engagement. In 2016, *Marlboro* connected with age-verified smokers 21+ over 100 million times through digital channels.

Managing Our Supply Chain Responsibly. We seek diverse, high-quality suppliers and work with them to innovate and address societal issues within the supply chain. A key component of our supply chain management includes monitoring and assessing our tobacco growers. In 2016, we expanded our practices to better understand workers' on-farm experiences.

Developing Our Employees and Culture. Our companies compete in a dynamic and evolving marketplace, so providing an unbeatable employee experience is important. To further strengthen our culture of diversity and inclusion, I chair our Executive Diversity Council and fully support our inclusion trainings and our Employee Resource Groups (ERGs). Our ERGs bring together groups of employees with shared characteristics or life experiences to help the company benefit from our diversity and become more inclusive. Through our ERGs, we're able to better understand and connect with suppliers, our consumers and each other.

While we closely monitor our progress, we appreciate when others recognize our work. For the sixth consecutive year, *Corporate Responsibility Magazine* named Altria one of the 100 Best Corporate Citizens, and Altria was again named one of America's most community-minded companies by The Civic 50 in 2016.

We're very proud of what our employees achieved last year and equally proud of how they achieved those results. Of course, we have more work to do, and I look forward to sharing our 2017 progress with you next year.



Marty Barrington

Altria's Responsibility Priorities and Goals



Reducing the Harm of Tobacco Products

Marketing Responsibly

Develop tobacco products that may offer lower risk for adult consumers and engage the FDA constructively about them

Support programs that help reduce underage tobacco use

Provide access to expert quitting information for those who decide to quit

Build relationships between brands and their adult consumer audiences while taking steps designed to limit reach to unintended audiences





Managing Our Supply Chain Responsibly

Work with diverse, high-quality suppliers to innovate and address societal issues within the supply chain



Developing Our Employees and Culture

Develop high-performing and engaged employees who help us continue to deliver superior results in the future



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.



Altria's companies include some of the most enduring names in American business.

Our Family of Companies



Leading cigarette manufacturer in the U.S. and has been for over 40 years.



Developer and marketer of innovative tobacco products for adult tobacco consumers.



World's leading producer of moist smokeless tobacco.



A leading producer and importer of premium wines.



Leading producer of one of the best-selling tipped machine-made large cigars sold in the U.S.

Our Financial Performance

Source: Altria 2016 Form 10-K

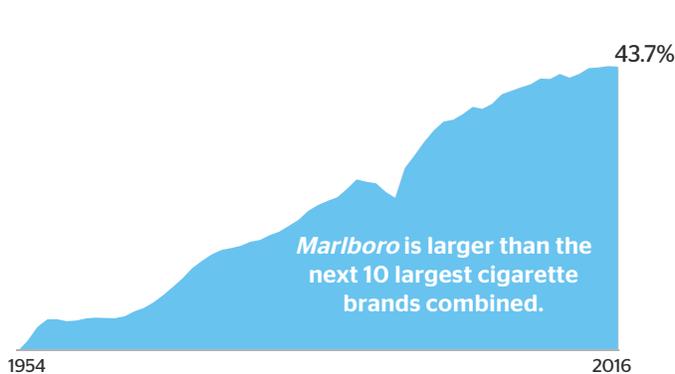
Net Revenues (\$ in millions)

\$24,522 2014 **\$25,434** 2015 **\$25,744** 2016

Annualized Dividends per Share

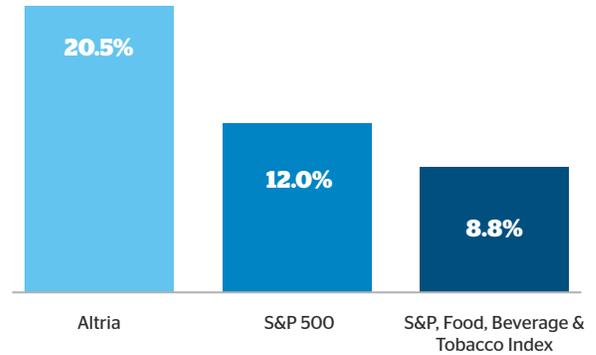
\$2.08 August 2014 **\$2.26** August 2015 **\$2.44** August 2016

Marlboro Long-Term Retail Share Growth



2016 Total Shareholder Return

Assumes quarterly re-investment of dividends as of ex-dividend date.
Source: Bloomberg Daily Return



Other Direct Economic Value in 2016



Source: Altria Group, Inc. 2016 Annual Report

Altria's companies have a strong American heritage stretching back more than 180 years. Our companies include some of the most enduring names in American business: Philip Morris USA, the maker of *Marlboro* cigarettes, and U.S. Smokeless Tobacco Company, the maker of *Copenhagen* and *Skoal* moist smokeless tobacco. We also own John Middleton, manufacturer of *Black & Mild* cigars; Ste. Michelle Wine Estates, maker of premium wines including *Chateau Ste. Michelle*, *Columbia Crest* and *14 Hands*; and Nu Mark, an innovation company that makes e-vapor products like *MarkTen*®.

Who We Support

~8,300

Employees
Over 97 percent residing in the U.S.



Hundreds of thousands of retailers
In all 50 states



U.S. farmers
Who work in the fields



Adult consumers
Who choose our products

Communities where we live and work. In 2016:

\$56M

Donated
In cash and in-kind contributions* nationally

44,000+

Hours of community service
Contributed by employees through volunteer activities

95%

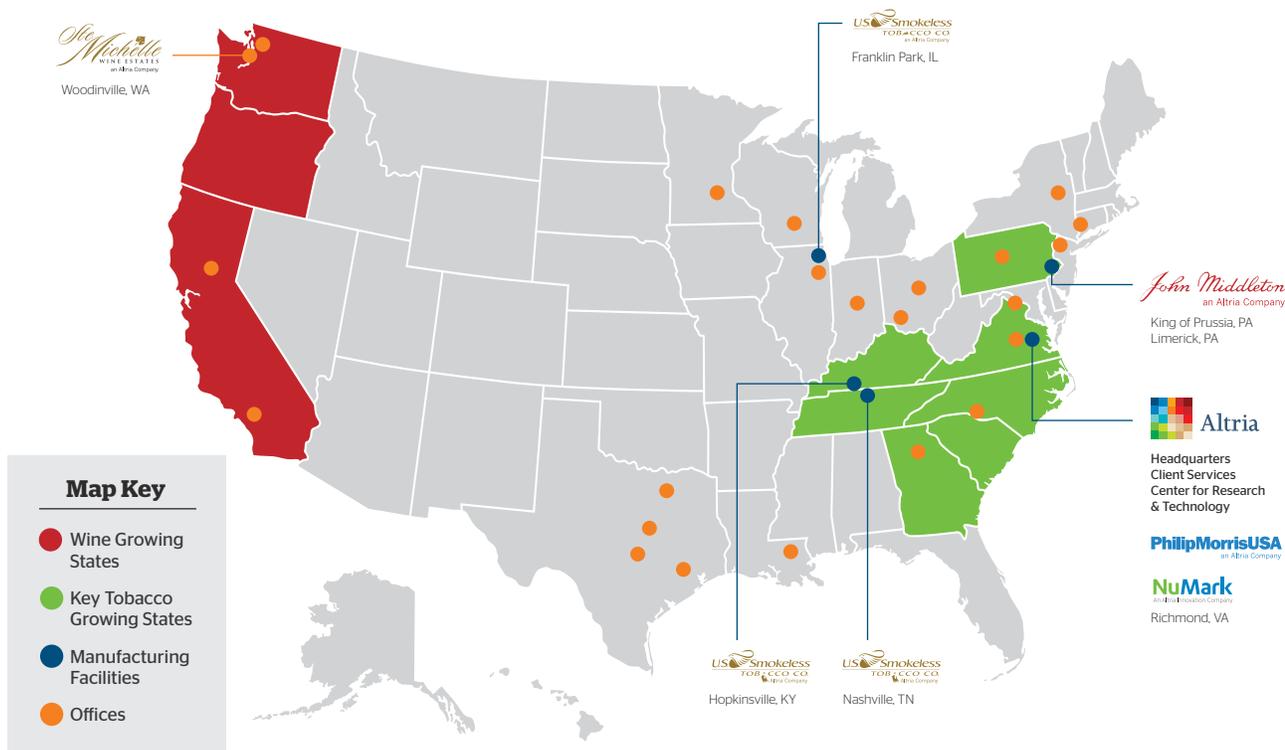
Of executives
Served on 100 non-profit boards

* Includes equipment donations, facility use, services and wine give-aways



Where We Operate

Altria and its companies operate and sell their products principally in the United States. Substantially all of Altria Group's net revenues are from sales generated in the United States.



Recognition

In 2016, Altria ranked third on Barron's 500 - a list of companies that made the most of their assets and delivered superior operating results. Altria was ranked on Forbes' America's Best Employers list.

In 2016, Altria also received the following recognitions:





Our Value Chain

Our Growers and Suppliers

American-grown tobacco is the backbone of PM USA's and USSTC's products. PM USA and John Middleton buy international tobacco leaf through third-party suppliers who purchase from farmers across the globe.

Ste. Michelle Wine Estates owns 3,959 acres of vineyards and contracts for grapes from long-term grape-growers on approximately 36,400 acres.

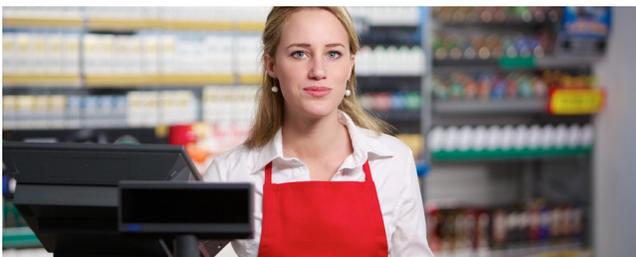
In addition to tobacco and wine growers, our companies work with over 5,000 suppliers worldwide.



Our Customers

Our tobacco companies' products are distributed to approximately 240,000 retail stores through a network of wholesalers.

Ste. Michelle principally distributes its products in the U.S. Its wines are sold and served by more than 130,000 retailers and restaurants nationwide. Outside the U.S., Ste. Michelle shipped wine through over 300 distributors globally in 2016.



Our Companies

Our companies develop, manufacture and market tobacco products and wine. Our companies provide jobs for employees in 50 states plus Washington, D.C. We work to maintain strong relationships with unions that represent about one-fourth of our workforce.



Our Adult Consumers

When you make products for adults, society expects you to market responsibly. We understand and agree. That's why our companies build relationships between their brands and adult consumers while taking steps designed to limit reach to unintended audiences.



Our Approach

VALUES

- Integrity, Trust & Respect
- Passion to Succeed
- Executing with Quality
- Driving Creativity into Everything We Do
- Sharing with Others

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

Governance and Oversight

Structure and Accountability. 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, including the goals aligned with our responsibility priorities. Our Corporate

Responsibility group advises business leaders, monitors best practices and reports progress. Altria Client Services' Senior Vice President, Communications & Corporate Citizenship, leads this group and serves on our Executive Leadership Team.

Expectations of Employees. 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.

Our Values set the tone. We describe

what each Value looks like when put into action and incorporate them into our performance assessment process.

Consistent with our Values, we pursue our business objectives with integrity and full compliance with all laws. Altria's Chairman, CEO and President, the Board of Directors and senior officers are accountable for Altria's Compliance & Integrity Program. Altria's [Standards for Compliance & Integrity](#) guide how our operating companies and corporate functions carry out compliance and integrity responsibilities, and we regularly evaluate their performance.

Compliance Is Part of How We Do Our Job, Every Day

Cheryl Throckmorton, Director, Compliance, Altria Client Services

Our success depends on employees doing the right thing whenever they are confronted with a compliance or ethical question. A strong compliance culture can help make that happen.

As the director of the Compliance and Integrity department, I focus on strengthening our culture through communications and training. We emphasize to employees that it's their duty to speak up if they see a potential compliance violation of the law, our Code of Conduct or our policies. Our leaders model and reinforce the importance of compliance to their teams.

Even if an employee is uncertain a violation has occurred, we want them to report it so my department can conduct an investigation. There are many ways to report a potential violation, including anonymously. We also make it clear that retaliation for reporting a potential violation in good faith is not tolerated.

I want all employees to understand that compliance isn't *separate* from our day-to-day responsibilities; compliance is part of *how* we do our job, every day. That's true no matter your title or where you work at Altria.

Our [Code of Conduct](#) provides specific guidance for employee behavior.

All employees receive training on the Code and how to use it in decision making. We expect them to comply with the Code and company policies relevant to their jobs.

We work hard to achieve a culture of compliance and integrity that:

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

Respect for Human Rights. Respect for people is fundamental to the way we conduct our business.

The 10 principles of the United Nations Global Compact and the International Labour Organization Declaration on Fundamental Principles and Rights at Work inform our principles and policies for employees and our expectations of suppliers. To uphold and promote these principles, we:

- respect the rights of our employees and establish a culture of respect and compliance as articulated by our Values and Code of Conduct;
- work with suppliers to promote actions that are consistent with our Values and Supplier Code of Conduct; and
- collaborate with others to address human rights issues where our companies have a role to play.

Understanding Stakeholders' Perspectives

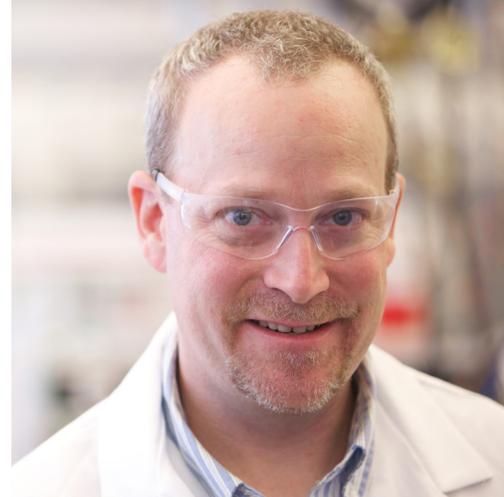
Stakeholder engagement is the foundation for our responsibility efforts. Communicating openly and honestly with

stakeholders helps us understand the issues that present risks and opportunities for our businesses.

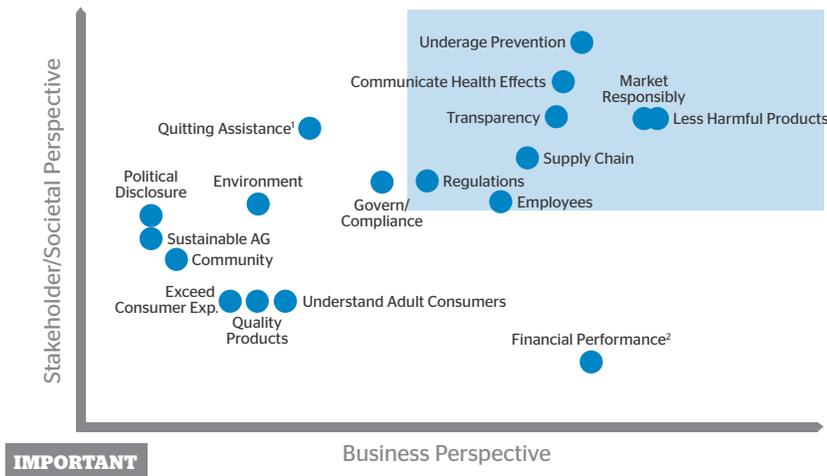
Our businesses regularly engage with various stakeholders, including employees, consumers, investors, suppliers, regulators and those in our communities. Appendix B includes examples of why and how we engage with key stakeholder groups.

Identifying What Matters Most. In 2014, we completed a materiality assessment to identify the top responsibility expectations of our companies. The process involved several steps, including:

- A cross-functional team documented stakeholders' top responsibility expectations of our business. The team interviewed stakeholders, reflected on past engagements and/or convened small groups internally to complete the exercise.
- In the exercise, team members covered a range of stakeholders including employees, consumers, growers, suppliers, trade partners, government officials, community and youth serving organizations, public health and non-governmental organizations.
- Company researchers qualitatively evaluated the output of the exercise, developed 46 expectation themes and refined them based on commonality. Based on refined themes, we conducted a general public survey to solicit additional feedback. We asked over 4,000 respondents to rate a series of expectations for how a tobacco company should operate responsibly.
- The cross-functional team prioritized a subset of expectations, with information from the steps above and based on stakeholder importance and business impact.



Altria's Materiality Assessment



Notes: All issues represented are considered important. Placement on the grid was a qualitative exercise informed by quantitative general public research, stakeholder feedback exercise and internal Responsibility Planning Team prioritization exercise. Prioritization based on responsibility perspective; not inclusive of all relevant company issues. ¹Supporting cessation viewed internally as part of harm reduction, lower business ranking attributed with that understanding; i.e., expectation that cessation is covered within harm reduction. ²Financial performance viewed internally as a “given” high priority, although initially ranked lower from business perspective through lens of responsibility expectation; depicted as higher priority given the internal view.

The diagram above reflects our materiality assessment results. From this, we identified our top four responsibility priorities – those rated high on stakeholder importance and impact to the business:

- **Reducing the harm of tobacco products**, which includes developing less harmful products, communicating health effects, preventing underage use and providing cessation support.
- **Marketing responsibly**
- **Managing our supply chain responsibly**
- **Developing our employees and culture**

Our assessment also revealed three broader themes reflecting *how* our stakeholders’ expect us to operate:

- **Leadership:** Demonstrating leadership on challenging issues and contributing to solutions.
- **Transparency:** Communicating openly and candidly about our business practices and progress.

- **Partnership:** Sharing our expertise and working with others to achieve mutual objectives.

We shared the results of the materiality assessment with Altria’s senior leaders and the Nominating, Corporate Governance & Social Responsibility Committee of its Board.

This report describes our approach and progress against these expectations. Appendix C presents additional analysis of our material topics, including identification of aspects and boundaries in accordance with the Global Reporting Initiative standards.

Aligning Business Practices

Our businesses implement strategies against long-term goals aligned to our Mission and materiality assessment. In order to continually improve and confirm alignment, they regularly evaluate their strategies against many factors, including input from stakeholders.

Understanding stakeholder perspectives informs our companies’ business practices, enhances 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.

Measuring and Communicating Progress

Stakeholders expect us to clearly communicate what we are focused on and how we are doing. We engage with them in many ways. For example, we engage in one-to-one discussions, meetings, webcasts, at conferences and through company communications, including this report.

This report shares our approach and progress against our four responsibility priorities: reducing the harm of tobacco

products, marketing responsibly, managing our supply chain responsibly and developing our employees and culture. For each responsibility priority, we describe our goals, approach, progress and metrics. In addition, we report targets for certain metrics.

On our website, Altria.com, we share progress on other responsibility topics, including how we are working to minimize our [environmental impact](#), [combat illicit trade of our products](#) and [invest in our communities](#). We also share an overview of these topics in Appendix D.



Reducing the Harm of Tobacco Products

GOALS

Develop tobacco products that may offer lower risk for adult tobacco consumers and engage the FDA constructively about them

Support programs that help reduce underage tobacco use

Provide access to expert quitting information for those who have decided to quit



“There is a very pronounced continuum of risk depending upon how toxicants and nicotine, the major addictive substance in tobacco, are delivered. Cigarette smoking is undoubtedly a more hazardous nicotine delivery system than various forms of noncombustible tobacco products for those who continue to use tobacco, which in turn are more hazardous than pharmaceutical nicotine products.”

- Strategic Dialogue, 2009, Page 325.

“There is potential for an ever-wider range of consumer-acceptable alternatives to the cigarette for smokers who will not otherwise cease their dependence on nicotine.”

- Strategic Dialogue, 2009, Page 325.

Public health authorities increasingly recognize that – with the right regulatory oversight – lower-risk products have a genuine role to play in reducing tobacco-related harm.

Despite efforts to persuade people never to start or to quit once they do, millions of adults will continue using tobacco products. For these consumers, lower-risk products offer a promising opportunity to reduce the harm associated with tobacco use, particularly cigarette smoking. Making reduced harm products available to these consumers is a critical part of our broader Tobacco Harm Reduction strategy – which also includes supporting cessation and preventing underage tobacco use.

This “Tobacco Harm Reduction” approach to public health has gained momentum in recent years.

A strong public health consensus has formed that not all tobacco products present the same risk. In fact, public health authorities agree that there is a broad continuum of risk among tobacco products, with conventional, combustible cigarettes at the highest end of that spectrum.

Continuum of Risk

Combusted Tobacco Products

Non-combusted Tobacco Products

MOST HARMFUL

LEAST HARMFUL

See, e.g., Mitchell Zeller et al., The Strategic Dialogue on Tobacco Harm Reduction: A Vision and Blueprint for Action in the US, 18 Tobacco Control J. 324, 325 (2009); Dorothy K. Hatsukami et al., Developing the Science Base for Reducing Tobacco Harm, 9 Nicotine & Tobacco Res. S537, S546 (2007).

In addition, there is now a comprehensive federal regulatory framework around all tobacco products in the U.S. This regulatory system empowers the Food and Drug Administration (FDA) to evaluate potentially reduced-harm tobacco products and to determine what reduced-risk information should be communicated to consumers. The FDA can advance this goal either by evaluating manufacturers’ requests to commu-

nicate reduced harm information about specific products or by directly communicating reduced harm information to consumers.

With this regulatory system in place, many scientists and public health officials are advocating for broader communication of reduced harm information to enable consumers to make more informed decisions.

Developing Lower-Risk Products

Our companies are committed to helping reduce the health effects of tobacco use and have invested billions of dollars over the years in developing products with lower risk. We've learned a lot from this work and we will continue to learn going forward.

Our role in a regulated Tobacco Harm Reduction environment is to understand adult tobacco consumer preferences, develop the products that meet them

and seek appropriate regulatory authorizations. In short, our companies focus on consumer insights, innovation and science.

Understanding Consumer Preferences

Adult tobacco consumers must be willing to try and like a lower-risk product in order for that product to succeed at reducing harm. Our research shows that tobacco consumers consider many

features when trying new products, including taste, performance and value.

Making sure that a potentially reduced-harm product is satisfying to adult tobacco consumers is important if harm reduction is going to work. That's why our companies' product development efforts start with their expectations in mind.

Authorized reduced-harm products that meet adult tobacco consumers' expectations have the greatest opportunity to improve public health.



Moving the Science Forward

Mohamadi Sarkar, Director, Clinical Research, Altria Client Services

Before I joined Altria, I was a professor and tenured faculty member at the Medical College of Virginia (now VCU School of Medicine). For many years, I worked on research related to smoking and health, funded by the National Cancer Institute. I joined Altria in 2002 because of Altria's scientific research on harm reduction.

We focus on developing lower-risk tobacco products for adult tobacco consumers, as part of a comprehensive approach to reduce the harm caused by tobacco products. The Clinical Research Group generates the scientific evidence needed to demonstrate that certain tobacco products result in lower exposure to harmful compounds or are lower risk when com-

pared to conventional cigarettes. We conduct clinical studies using the best practices (Good Clinical Practices) adopted from pharmaceutical clinical trials. We have been at the forefront of developing new methodologies to assess the health impact of potentially reduced harm tobacco products.

We've published extensively in this area and our work is often cited by other scientists including those at the FDA. We've also been involved in groundbreaking research to help the company and the science move forward. We share this research on a website where we invite scientific review from and dialogue with scientists and the public health and regulatory communities.

Innovation and Product Development

Our companies use consumer insights to help develop products that adult consumers want. Adult tobacco consumers today have a variety of preferences, which is why we focus on commercializing multiple innovative products for them. Failing to satisfy consumers' expectations, especially when it comes to newer technologies, will adversely affect the product's chance of reducing harm.

Our companies' efforts today span multiple product types, including:



Smokeless Tobacco Products



E-vapor and Tobacco-Derived Nicotine Products



Heated Tobacco Products



Other Innovative Products

Over the next several years, our companies intend to pursue FDA authorization of superior branded products that offer reduced risk alternatives to adult tobacco consumers.

Advancing the Science

Science and evidence are the foundation for developing potentially reduced-harm products. As regulated companies, we're required by law to demonstrate to the FDA that a product is less harmful to individual consumers as well as to the population as a whole before making any reduced-risk statements.

To support this effort, we established a rigorous scientific framework based on the FDA's guidance to evaluate potentially reduced-harm tobacco products. This framework helps us generate important data, like clinical research and perception and behavior studies, to support reduced risk product applications by:

- measuring harmful and potentially harmful compounds;
- evaluating the product's health effects;
- researching how adult tobacco consumers use the product and their understanding of its risk; and
- substantiating that the product is unlikely to appeal to unintended audiences.

Sharing Our Research

It's important to contribute to the scientific understanding of tobacco harm reduction.

We share the results of our scientific studies with the FDA and others through peer-reviewed journals, conference presentations and one-on-one meetings.

Since 2009, our scientists have published more than 100 peer-reviewed articles related to harm reduction in numerous scientific journals.

Our research is also available on a website intended for scientists and the public health and regulatory communities. This website offers information to help these stakeholders learn more about our approach and provide their perspective on the work we do.

E-Vapor

There is growing evidence that e-vapor products may be less risky than traditional combustible cigarettes for smokers who switch entirely from cigarettes to e-vapor. Unlike traditional cigarettes, which involve burning tobacco and inhaling smoke, e-vapor products create an aerosol from a nicotine solution that is heated. This difference has led many in public health to note the reduced-risk potential for individual consumers.

To date, however, the FDA has not reached any conclusions as to e-vapor products generally as a category of product, nor has it ruled on any application from an e-vapor manufacturer seeking authorization for a claim.

“Although it is not possible to estimate the long-term health risk associated with e-cigarettes precisely, the available data suggest that they are unlikely to exceed five percent of those associated with smoked tobacco products and may well be substantially lower than this figure.”

- Royal College of Physicians, "[Nicotine Without the Smoke: Tobacco Harm Reduction](#)," April 2016, Page 84

Tobacco Harm Reduction Progress Through Partnership

Philip Morris International (PMI) introduced a heated tobacco product in 2014 in international markets under the *IQOS* brand to test market concepts and understand adult tobacco consumer acceptance. Since then, PMI expanded distribution of *IQOS* and also conducted extensive non-clinical and clinical research to substantiate reduced-exposure and reduced-risk claims. Altria's subsidiary Philip Morris USA has the exclusive rights to market and distribute this product in the United States.

In 2016, we supported PMI's efforts to submit FDA applications. In the fourth quarter, PMI submitted a Modified Risk Tobacco Product Application, and PMI plans to submit a Premarket Tobacco Application in the first quarter of 2017. Altria's U.S. commercialization and marketing plans for *IQOS* continue to progress, and we are working closely with PMI to capitalize on insights from current *IQOS* markets.

Helping Reduce Underage Tobacco Use

Kids should not smoke or use any tobacco products. It's a goal we share with public health, policy makers, parents, youth-serving organizations and many others who care about young people making healthy decisions.

As the nation's leading tobacco companies, we have an important role in reducing underage tobacco use.

Over the past 20 years, we have funded a variety of [programs](#) to:

- prevent underage access to tobacco products;
- provide parents with tools to help them raise kids who don't use tobacco; and
- support youth-serving organizations that help prevent kids from using tobacco.

Since then, much has changed. For example:

- Underage cigarette smoking is at generational lows.
- Tobacco retailers are more effective at keeping tobacco products out of kids' hands.
- The FDA regulation covers nearly every aspect of how tobacco products are manufactured, marketed and sold.

The FDA also has the authority and resources to continue the progress that's been made and to address new, emerging issues associated with underage use.

While the FDA has an expanded role, our companies remain committed to positive youth development. Positive youth development theory teaches that emphasizing protective factors in kids' lives — such as positive relationships and activities — and reducing risk factors helps kids make healthy decisions and resist a broad range of risky behaviors, including tobacco use.

Altria's [Standards for Underage Tobacco Prevention](#) guide our tobacco companies' investment in programs to help reduce underage tobacco use. These efforts include:

- supporting programs and organizations that positively influence kids and their decision not to engage in risky behaviors like tobacco use;
- supporting trade programs, retailer training and legislative efforts that help prevent underage access to tobacco products; and
- taking steps designed to limit reach of their brands and marketing materials to unintended audiences.

Success360[°]

With a focus on middle school students, our Success360[°] initiative aims to promote the healthy development of kids and help them avoid risky behaviors like tobacco use.



The Evolution of Our Underage Tobacco Prevention Grant Portfolio

Amber Roos, Manager, Corporate Citizenship, Altria Client Services

We have invested in positive youth development for decades as a way to address underage tobacco use. In the last four years, we've emphasized collaboration across national youth-serving organizations to make an even greater impact. The collaboration of Success360[°] better connects in-school and out-of-school time and programming. It reduces duplication of services, increases the reach and frequency of programming for the youth who need it and maximizes impact by focusing on each organization's strengths. For example, Success360[°] combines the after school space of a *Boys and Girls Club* with *The First Tee's* program to teach character building values through the game of golf. The benefits of life skills training, caring adults and a safe place for youth are combined into one experience. This maximizes the benefit to the youth being served. This is Success360[°] and the power of collaboration.

We challenge our partners to think differently about the way they are meeting the needs of young people

and about the way they are connecting with one another. And, we are responsive to the changing data and trends in underage tobacco use. From our research on underage tobacco prevention, we saw an increase in use of e-vapor products among high school students. We were able to work with *Caron Treatment Centers* to expand the cessation programming for high school students to address e-vapor use. We also know from research that Lesbian, Gay, Bisexual, Transgender and Queer/Questioning (LGBTQ) youth engage in risky behaviors, including tobacco use, at higher rates than non-LGBTQ youth. Because we know that caring adults are critical to the success of young people, we invested \$1.7 million in *Big Brothers Big Sisters of America* and *MENTOR* to develop tools, resources and training for mentoring LGBTQ youth.

I am proud of this work and my company's commitment to supporting evidence-based programming that is improving the lives of young people.

Through this initiative, Altria's tobacco companies invest in leading youth-serving organizations such as *4-H*, *Big Brothers Big Sisters*, *Boys & Girls Clubs*, *Communities in Schools* and *The First Tee*. Success360° helps these organizations collaborate and better connect the services they provide to kids and their families in and out of the classroom.

Through Success360°, we also support proven effective adolescent substance abuse prevention and tobacco cessation programs, including *LifeSkills® Training*, *4-H's Health Rocks!* program and *RJ Caron's Project CONNECT*.

These programs are making a difference. For example, 97 percent of *Health Rocks!* survey respondents express disapproval of underage tobacco use, and 95 percent of *Boys & Girls Club* survey respondents report they are more likely to abstain from smoking.

In addition, because parents and other positive adult role models play an important role in healthy youth development, we support the National Mentoring Partnership's Quality Mentoring System, which established consistent standards for youth mentoring. We also support Search Institute's [Parent Further®](#) online resources, which help parents and other caring adults build skills to help their children succeed and avoid risky behaviors.

In 2016, Success360° investments totaled over \$221 million, representing nearly 50 percent of our total budgeted corporate contributions. Collectively, our Success360° partners reached over 16 million kids.

Underage Access Prevention at Retail

Our companies' retail programs include several requirements and financial incentives to help prevent underage access to tobacco products. The requirements include teaching store clerks how to check IDs and placing [We Card®](#) signs in their stores. We also fund We Card®, an organization that provides retailer

training and resources to help prevent underage access. Retailers participating in our programs and their employees can access free [We Card®](#) training through our retail trade website.

We've supported [We Card®](#) since it started in 1995. With our support, [We Card®](#) has trained hundreds of thousands of retail employees and distributed millions of education and training materials.



Understanding How Kids Get Tobacco Products

In the mid-1990's, the most common way kids obtained tobacco products was by buying them in a retail store. During that time, four out of ten retailers failed to turn away underage purchasers. Since then, retailers have worked hard to limit underage access by implementing rigorous age verification programs like [We Card®](#). In fact, 90 percent of stores are upholding minimum age laws.*

More work, however, remains. Government data shows social sources – like friends and siblings – continue to be the most frequent way kids get tobacco products. That's why we require retailers participating in our companies' trade programs to place signs reminding adults to not buy tobacco products for kids.

Manufacturers and retailers, however, cannot address this issue alone.

With federal regulation in place, the FDA has the opportunity to do more to address social source access and we encourage them to do so. In 2016, we engaged with the Office of Health Communication and Education at FDA's Center for Tobacco Products on underage social access to tobacco products. We shared suggestions to address the issue, such as the FDA could create a public education campaign dissuading adults from buying tobacco products for those

underage. Doing so would complement the FDA's current efforts to encourage kids to not use tobacco products.

Learn more about state and national retailer violation rates and the [Synar Program](#).



Supporting Cessation

For adult consumers concerned about the health effects of tobacco use, the best thing to do is quit.

For many, quitting can be very difficult. For those who decide to quit, we've developed [QuitAssist®](#), a website to help them be more successful.

We developed [QuitAssist®](#) with a review board of experts in the area of smoking cessation. [QuitAssist®](#) highlights the Centers for Disease Control and Prevention's "Five Keys for Quitting" and helps connect adult tobacco users who have decided to quit to expert quitting information from public health authorities and others. In 2015, we refreshed the [QuitAssist®](#) website to modernize the site design and update the resources. In 2016, we evaluated the refreshed website to assess usability and satisfaction. Similar to 2015 research results, nearly 70 percent of respondents were satisfied with the website and 85 percent found the site easy to use.

We communicate about [QuitAssist®](#) through our corporate and product websites, email and direct mail. Since its launch in 2004, the website has received over 3.3 million visits.

* FFY 2014 Synar Report

Communicating About the Health Effects of Tobacco Use

The public should be guided by the messages of the U.S. Surgeon General, the FDA and other public health authorities worldwide in making decisions concerning the use of tobacco products.

Our tobacco companies' efforts to communicate about health risks begin with ongoing compliance with federal laws and regulations requiring health warnings on tobacco products.

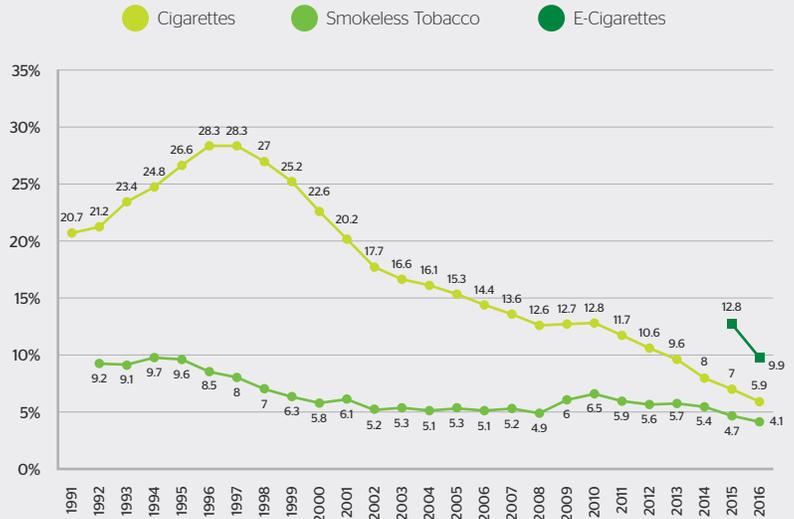
Congressionally-mandated health warnings have been on cigarette packs since 1966 and cigarette brand advertising since 1972. Similar warning requirements have been in place since 1986 for smokeless tobacco products and since 2000 for the cigars John Middleton sells. Additionally, our tobacco companies provide certain reports, such as ingredient disclosures and information about harmful or potentially harmful constituents in tobacco products to various federal and state agencies, including the FDA.

For more information about product ingredients and how our tobacco companies communicate about the health effects of their products visit, [Philip Morris USA](#), [U.S. Smokeless Tobacco Co.](#), [John Middleton](#) and [Nu Mark's](#) corporate websites.

Sources for Charts to Right: FFY 2014 Annual Synar Report | Center for Behavioral Health Statistics and Quality (2015). Behavioral health trends in the United States: Results from the 2015 National Survey on Drug Use and Health | Substance Abuse and Mental Health Services Administration (SAMHSA) : [NSDUH](#)

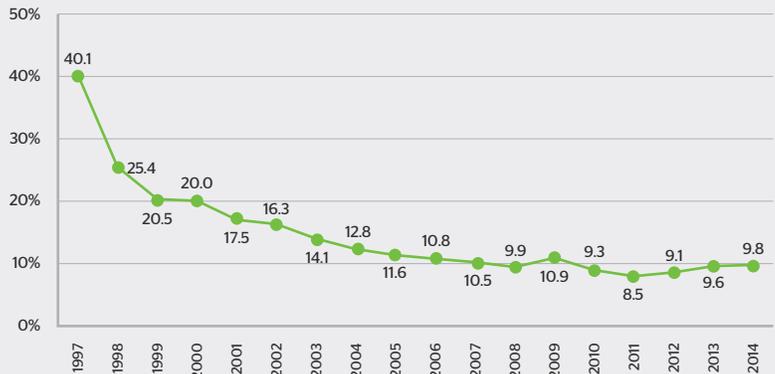
Past 30-day Tobacco Use Monitoring the Future

Among 8th, 10th & 12th Grades Combined



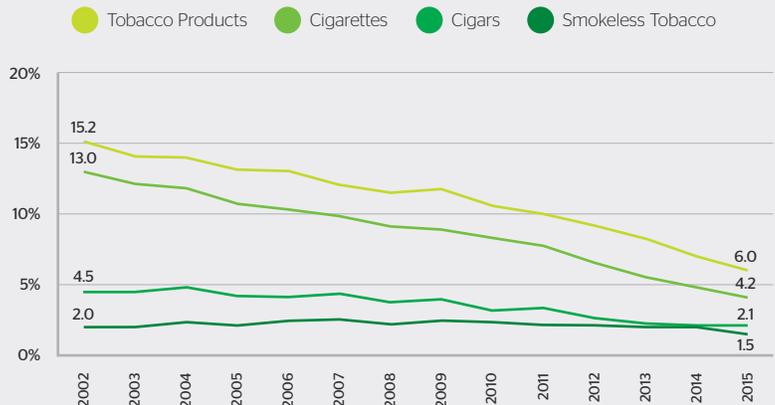
National Weighted Average Retailer Violation Rate Annual Synar Report

Underage Sales of Tobacco: National Weighted Average Retailer Violation Rate



Past Month Tobacco Use National Survey on Drug Use and Health

Among Youth Aged 12 to 17



Our Performance

Develop tobacco products that may offer lower risk for adult tobacco consumers and engage with the FDA constructively about them



Nu Mark continued its disciplined expansion of *MarkTen*. At year end, *MarkTen* was available in stores representing about 55 percent of the e-vapor category in retail.



Several company executives met with officials from FDA's Center for Tobacco Products to discuss the regulation of tobacco products.

Specifically, in October, we engaged with the Office of Health Communication and Education on underage social access to tobacco products and underage e-vapor use.



Number of engagements in 2016 conducted on the topics of tobacco harm reduction and regulatory compliance with FDA & other key stakeholders.

Continue to support programs that help reduce underage tobacco use

\$22.1M+

Amount invested in Success360° programs
50 percent of total budgeted corporate contributions

16M+

Number of kids Success360° partners reached nationwide

20,395

Number of retailers trained through *We Card*® overall in 2016

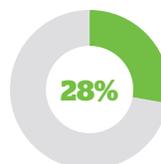
4,755

Altria-funded retailer trainings through *We Card*® in 2016

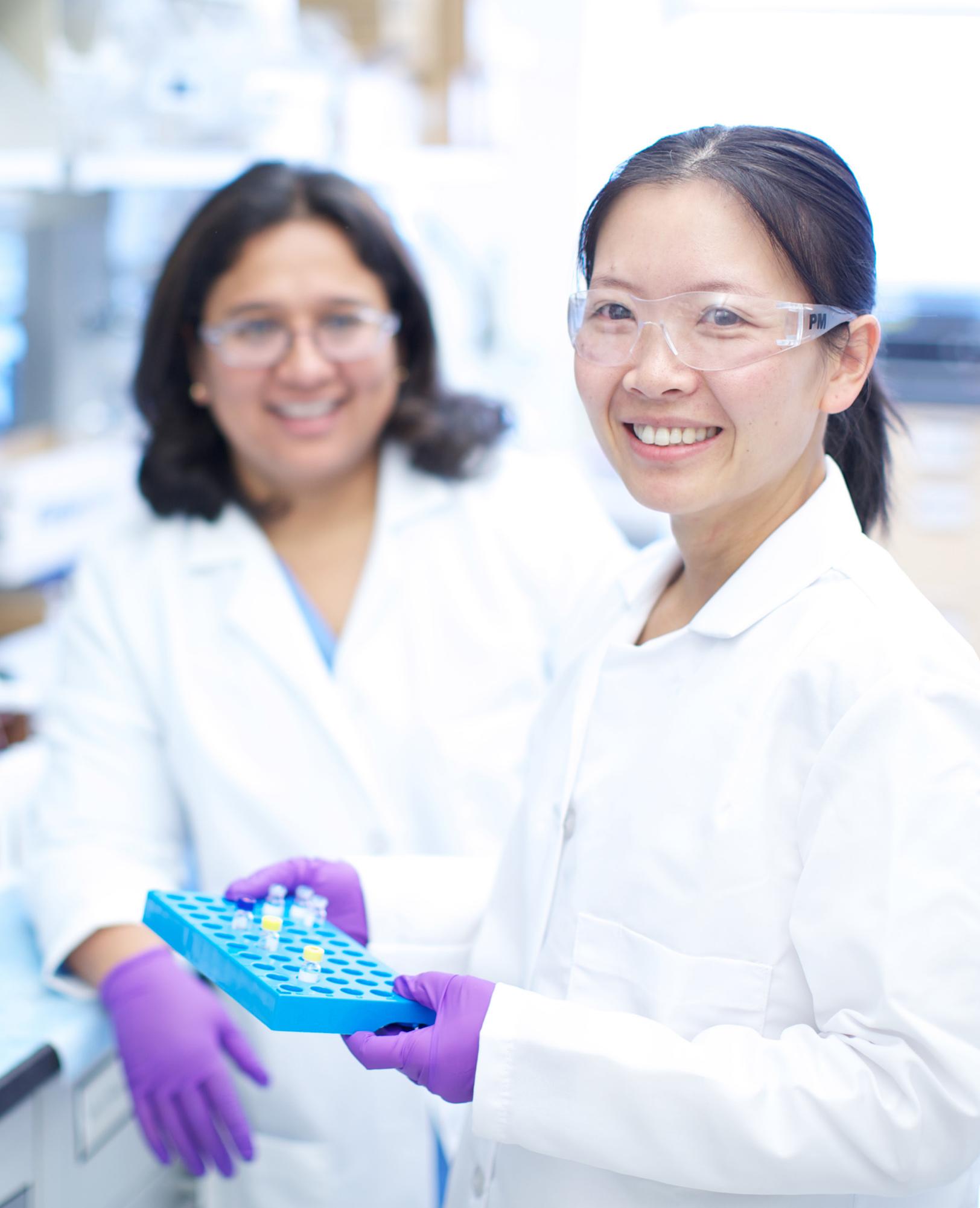
Provide access to expert quitting information for those who have decided to quit

56,512

Number of visits to the *QuitAssist*® website in 2016



Increase in annual visits from the 2015 baseline, exceeding the 2018 target to increase annual visits by 20%



Marketing Responsibly

GOAL

Build relationships between brands and their adult consumer audiences while taking steps designed to limit reach to unintended audiences

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, video games and other entertainment media

Advertising only in publications that meet the Food and Drug Administration's proposed criteria

Our companies make tobacco products and wine for adults. Society expects us to market them responsibly. We understand and agree. That's why our goal is to build relationships between our brands and their adult consumers while taking steps designed to limit reach to unintended audiences. We make progress against our goal by understanding adult consumers and connecting those consumers with our brands.

Our companies' marketing approach begins with adherence to our Mission and compliance with all legal, regulatory and internal policy requirements. Our [Code of Conduct](#) establishes the basic compliance principles for our businesses in several key areas, including marketing responsibly. We work hard to instill a culture of responsibility throughout our marketing and sales organizations and with our business partners. Marketing programs vary among our tobacco companies and their brands. But the focus remains the same – to responsibly grow market share by enhancing brand awareness, rewarding loyalty and driving competitive conversion among adult tobacco consumers.

Understanding Our Consumers

We have a rigorous approach to understanding adult consumers and their preferences through market and consumer research. For example, we've learned that adult tobacco consumers' preferences are changing, and our companies are using these insights to develop products and brand experiences that exceed their expectations.

We closely monitor consumer feedback about our brands. Since 2010, we've commissioned an annual independent brand equity review that measures equity across numerous dimensions and as an overall composite. We learned that *Marlboro's* overall equity scores, which represent the value consumers place on a brand, have strengthened yet again, rising two points off an already high base. *Marlboro's* overall equity score now stands at least 14 points higher than the leading competitive brands.

We complement our consumer insight process with a robust trend system that looks across macro-factors affecting the marketplace. Collectively through these programs, we gain a deep understanding of our consumers.

Connecting With Our Consumers

Marketing activities are intended to connect brands with their adult tobacco and wine consumer audiences by reinforcing the brand identity, positioning and value. Dedicated brand teams and the digital and marketing services team develop annual plans that use a variety

of activities, tools and channels, including a substantial age-verified adult tobacco consumer database, to engage with adult consumers.

We connect with adult consumers in ways designed to limit reach to unintended audiences. For example,

our companies use brand websites to communicate with adult tobacco and wine consumers. To gain access, we require visitors to confirm that they are adults and meet the website's minimum age requirement. Some of our companies' websites sell e-vapor products and accessories, or wine. In these instances,

our companies use an age-verification process to confirm the consumer is of legal age to purchase the products. Our companies also comply with all laws involving the sale and delivery of e-vapor products and wine.



Age Verification of Our Adult Smokers

Heather Newman, Vice President & General Manager, *Marlboro*, Philip Morris USA

At Altria, I've been in roles across our brand teams. I've seen and experienced how seriously we take age verification. Our goal is to always age verify the adult smoker before we engage with them through our age-restricted websites or direct mail.

Recently, through our age-verification process, we realized we were asking for a lot of personal information. In 2016, we enhanced the log-in process by allowing adult smokers to create a secure and unique five-digit PIN after completing the initial online regis-

tration process. The adult smoker can use this PIN when visiting our branded site on a computer, tablet or phone. This step adds convenience and functionality.

In an age-restricted environment, I feel good about the connections we make with adult smokers who have raised their hand and said, "I want to hear from *Marlboro*." That's powerful in enhancing our relationship with the adult smokers and in building our brand's equity over the long-term.

The external vendor that manages our electronic age-verification process conducts quarterly audits. In 2016, each of these quarterly audits reflected 100 percent effectiveness rate in screening out persons under the age of 21.

Our online connection with our adult consumers has been effective: The *Marlboro*, *Copenhagen* and *Skoal* websites all ranked in the top ten among 100 benchmarked websites in a 2016 third-party review for user satisfaction. In 2016, *Marlboro* connected with age-verified smokers 21+ over 100 million times through digital channels.

If our tobacco companies use print advertising, they limit these ads to newspaper, magazines and other publications that meet the criteria of an "adult publication" under the FDA's proposed definition. Under this standard, an adult publication is one:

- whose readers younger than 18 years old make up 15 percent or less of the total readership as measured by competent and reliable survey evidence; and
- that is read by fewer than two million persons younger than 18 as measured by competent and reliable survey evidence.

Ste. Michelle Wine Estates works with leading industry groups committed to the responsible promotion and sale of wine to adults, including the Washington State Wine Commission, Washington Wine Institute, Wine Institute and Wine America. Among other actions, Ste. Michelle complies with the Wine Institute's "Wine Industry Code for Direct Shipping" which addresses direct shipments of wine to adult consumers and compliance with federal and state laws. Ste. Michelle also educates its employees about age verification when serving adult consumers.

Age Verification Process

We limit access to our tobacco brand websites to adult tobacco users 21 years of age or older. No one can gain access, unless we first verify that he or she meets this requirement, either through face-to-face examination of their valid government-issued ID or through our electronic age-verification process.

Electronic age verification works by comparing personal information an individual provides against public-records databases and other third-party data sources to find matching records that independently verify the personal information, and confirm that the individual is old enough to access the website. If the individual's age cannot be verified, then he or she is denied access to the website.

To further prevent underage persons from accessing our brand websites, we have registered the sites with providers of age-filtering software. Such software is used to block access to websites considered unsuitable for children.



Connecting With the Trade

Our tobacco companies sell their products to wholesalers, who in turn, sell to retailers and other wholesalers. Altria Group Distribution Company (AGDC) provides the sales and distribution services for our tobacco companies. Wholesalers and retailers, also known as “our trade partners,” play critical roles in our product distribution network.

AGDC works with our trade partners to execute our trade programs which help them responsibly manage their tobacco category. In 2016, the breadth of our sales coverage included 240,000 retail stores, representing 90 percent of tobacco industry volume.

Our retail trade program is built on effective category management principles, including:

- merchandising our products in an organized way;

- having our brands in-stock and available;
- having our most popular brands in preferred positions;
- clearly communicating price and promotional offers; and
- deterring access by underage purchasers.

The program also includes features not required by federal law that help prevent underage access to tobacco products. These include training for store clerks on how to check IDs and requirements for retailers to place *We Card*® signs. In addition, we’ve developed rigorous compliance and training systems to govern marketing material production. In some tobacco categories, we also offer financial incentives to retailers who refrain from placing any tobacco products on top of or below the front of the selling counter.

Communicating With Our Trade Partners So We All Win Together

Claudia Mills, Associate Manager, Sales Communications, Altria Group Distribution Company

Because our communications are clear, effective and honest, they help strengthen our relationships with our trade partners.

I design and execute communications that inform and engage our trade partners in support of our tobacco companies’ initiatives. Our communications help our customers understand what’s happening with our companies and what they have to do as a result, including any actions they have to take. It’s critical that our communications are simple, clear and actionable.

Communications on our responsibility initiatives include:

- Supporting the *We Card*® program. Over 90 percent of retailers have *We Card* signage in stores.
- Providing free age-verification training for retail partners through our retailer website.
- Working with retail trade partners to verify compliance with Philip Morris USA carton limits to help prevent illicit distribution of cigarettes.
- Requiring our retail trade partners to merchandise products in a non-self-service manner.

I keep trade partners in mind while building programs, so we can all win together.



In 2016, AGDC conducted its 5th annual customer satisfaction survey with retail trade partners to identify areas where it could improve. Eighty-nine percent of national and regional multi-store operators were “very or somewhat satisfied” with the overall performance of AGDC’s

sales representatives. Six out of 10 individual store owners and managers were “very satisfied.” In 2016, some of our trade partners including Murphy USA, 7-Eleven and Speedway each recognized us for strong partnerships.

Compliance

Policies guide how our tobacco companies market their products to adult tobacco consumers. We develop, review and approve consumer advertising materials through a step-by-step compliance review process. This process includes controls to identify business or legal issues before the materials are produced. Our [Code of Conduct](#) establishes the basic compliance principles for our businesses in several key areas, including marketing responsibly.

To support this effort, employees must:

- create marketing materials and programs that comply with all legal requirements, our Code, policies, practices and commitments;
- hold advertising agencies and marketing consultants to these standards;
- never make misrepresentations about our companies' products, including the health effects of those products;
- substantiate all claims about our companies' products before making claims; and
- never market our companies' products to underage persons.



Our marketing practices comply with all restrictions and regulations in the 1998 Tobacco Settlement Agreements as well as FDA regulation. Learn more on [Altria.com](https://www.altria.com).



Convenience Stores and the Tobacco Category

Convenience stores drive over 70 percent of the tobacco volume sold, making this an important category of retailers to us. Roughly 140,000 convenience stores across the U.S. generate approximately \$575 billion in annual revenues, including gasoline. Every day, 160 million consumer transactions take place in a convenience store. About half of all convenience store shoppers are 21-39. The tobacco categories lead in revenue with 40 percent of inside convenience store sales and deliver the third highest gross profit dollars at 17 percent. Importantly, about 50 percent of the time, the average adult tobacco consumer also

purchases other items inside the convenience store – that's almost 20 points higher than the average for convenience store consumers of other product categories. Those other items round out the market basket. The average adult tobacco consumer spends just over \$12 per trip, compared to \$6.95 for non-tobacco convenience store purchases. So, many convenience store retailers rely on tobacco to increase foot traffic and boost in-store sales. We use these insights in achieving retailer alignment and support for our offerings.

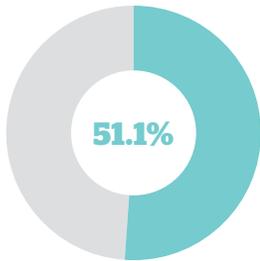
Our Performance

Understanding consumer interest and marketplace dynamics



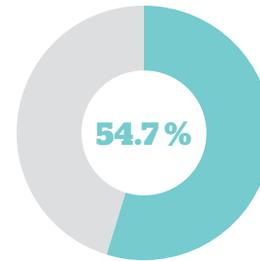
Marlboro's overall equity scores among adult smokers strengthened yet again, rising two points from an already high base

Connecting adult consumers with our brands



Retail market share achieved by PM USA's cigarette brands

Marlboro alone achieved a market share of 43.7 percent



Retail market share achieved by U.S. Smokeless Tobacco Company's brands

Behind the strength of *Copenhagen* and *Skoal* with a combined share of 51.3 percent



Nu Mark continued the disciplined expansion of its *MarkTen XL* e-vapor product in select retail chains

90+

Ste. Michelle Wine Estates received 261 ratings of 90 or better for its wines

Ste. Michelle Wine Estates received the 2016 United States Wine Producer of the Year Trophy in the International Wine & Spirits Competition



Limiting our reach to unintended audiences

100%

Of our brand employees and key business partners were trained on marketing guidelines and policies against a target of 100 percent in 2016

0

Master Settlement Agreement enforcement actions in 2016 for Philip Morris USA, against a target of 0



Managing Our Supply Chain Responsibly

GOAL

Work with diverse, high-quality suppliers to innovate and address societal issues within the supply chain

2016 Tier 1 and Tier 2 Diversity Spends:

~\$178.9 M

2016 Tier 1 Diversity Spend (Direct Spend)

~\$42.1 M

2016 Tier 2 Diversity Spend (Suppliers' Direct Spend)

“We’re proud to help Altria connect with more diverse suppliers and promote D&I within their supply chain.”

– Eric Watson, President and CEO, Carolinas-Virginia Minority Supplier Development Council, an affiliate Council of NMSDC

Our companies work hard to develop strong, sustainable supply chains by partnering with thousands of suppliers from farmers to manufacturers. Our suppliers deliver high-quality goods and services, manage business risk and find innovative solutions to tough issues. Open dialogue, shared expectations and honest feedback contribute to these strong relationships – some dating back decades like our historic partnership with the advertising agency, Leo Burnett.

We promote a strong culture of compliance and equip our employees to exercise sound business judgment when selecting suppliers. We work with suppliers who respect workers’ rights, reduce costs and their environmental impact, and comply with our contracts and laws. Employees receive communications and training on topics such as antitrust, anti-bribery and anti-corruption.

The 10 Principles of the United Nations Global Compact, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, and national laws inform our expectations of suppliers.

Our supply chain management approach includes:

- developing a diverse supplier base;
- communicating our expectations;
- monitoring and assessing supplier performance; and
- engaging with our stakeholders.

Developing a Diverse Supplier Base

Supplier diversity contributes to our companies’ success by generating new ideas, promoting different perspectives and providing a competitive advantage. We work with diverse suppliers including minority, women, veteran and lesbian, gay, bisexual and transgender-owned businesses.

For many years, we’ve supported organizations including the National Minority Supplier Development Council (NMSDC) and the Women’s Business Enterprise National Council (WBENC) to increase business opportunities for their members. We also partner with Altria’s Employee Resource Groups (ERGs) so we are more culturally aware. For example, Altria’s Asian ERG, which helps elevate Asian strengths and talents, partnered with Nu Mark to help employees understand the cultural implications of working with Chinese businesses.

In 2016, we exceeded our diversity spend goal of nine percent and received the following recognitions:

- DiversityBusiness.com ranked Altria #16 on the America’s Top Organizations for Multicultural Business Opportunities list.
- Minority Business News named Altria to its 2016 Champions of Supplier Diversity list. This list recognizes supplier diversity professionals for their efforts in driving growth in supply chain diversity and inclusion.
- WBENC named Altria on the 17th annual list of America’s Top Corporations for Women’s Business Enterprises.

Communicating Our Expectations

We communicate expectations for our suppliers through Altria’s Supplier Code of Conduct and our contracts. Our [Supplier Code of Conduct](#) addresses compliance with applicable laws, regulations and standards. The Code covers topics such as non-discrimination, child and forced labor, freedom of association, workplace safety, bribery and environmental compliance. We also address these topics in our supplier contracts and support programs that advance our supply chain performance beyond regulatory compliance requirements.

Our tobacco grower contracts:

- establish a minimum employment age of 16, with limited exceptions granted based on local, state and federal laws;
- require parental/legal guardian consent for those under 18 who want to work on the farm; and
- require growers to take [Good Agricultural Practices](#) training on a range of topics including:
 - providing information to workers on preventing Green Tobacco Sickness and heat stress;
 - keeping compliant wage records; and
 - preventing human trafficking.

In 2016, we developed supplemental guidelines for our direct-contracted tobacco growers to highlight our expectations on specific topics like labor management, non-retaliation and I-9 forms. These guidelines will be shared with those growers in early 2017.

Green Tobacco Sickness

When working in tobacco fields, it’s possible for farmers and their workers to come in contact with wet tobacco. If workers are not properly protected, they can become sick if the nicotine in the tobacco plant is absorbed through their skin, a condition known as Green Tobacco Sickness (GTS).

Our contracts require growers to follow the Occupational Safety and Health Administration’s (OSHA) recommended practices for preventing GTS, including making available recommended personal protective equipment (PPE). We also provide information on how to recognize signs of GTS and require growers to attend GTS training annually. We monitor compliance against these requirements through our assessments.

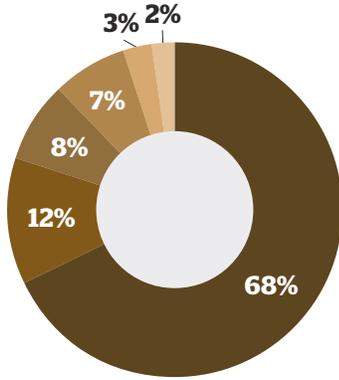
In 2016, we ran a pilot to learn more about different types of PPE, including determining the most effective materials that also worked well for on-farm workers. In 2017, we plan to distribute PPE to certain growers to learn more about usability, effectiveness and durability.

Comparison of Altria’s Tobacco Companies and U.S. Law

Provision	Altria’s Tobacco Companies’ Grower Contracts	U.S. Law
Minimum Age for Agricultural Employment	16	12
Minimum Age to Perform Hazardous Duties as Defined by the U.S. Department of Labor	18	16

Respecting Worker Rights | We respect worker rights such as fair hiring and payment practices, respect for the legal rights of employees to join or not join a union, freedom from harassment and discrimination, safe transportation and housing, and the elimination of child and forced labor.

Percent of Social Compliance Audit Findings by Category (of Audits with Findings)



- 68%** Worker Health/Safety
- 12%** Other (e.g. Record Keeping)
- 8%** Wages/Pay
- 7%** Work Hours/OT/Rest
- 3%** Environment
- 2%** Benefits/Social Insurance

Monitoring and Assessing Supplier Performance

Our monitoring programs assess our suppliers' compliance with our expectations and contracts. Our monitoring programs encourage continuous improvement, help identify areas for greater focus and could require remediation, if needed. Altria's tobacco companies conduct third-party audits of direct packaging and product materials suppliers, international leaf merchants and contract manufacturers where there's significant country risk, supplier criticality, brand risk and where we can improve supply chain compliance.

In our domestic tobacco supply chain, we execute an on-farm Good Agricultural Practice (GAP) assessment process with our contracted growers. This assessment reviews growers' compliance with practices related to crop, environment and labor management. The GAP assessment also provides immediate and direct feedback to growers. Between 2014 and 2016, all contracted growers were assessed at least once, and growers with findings were reassessed the following year.

When Ste. Michelle Wine Estates learns of supplier non-compliance, they notify the supplier and expect it to take corrective actions. In some situations, Ste. Michelle takes a continuous improvement approach and works with the supplier to improve its practices. In other cases, Ste. Michelle requires immediate action to achieve compliance, or the company terminates its relationship. In addition, Ste. Michelle worked to improve labor standards and requirements with its growers and trade organizations, including the Washington Association of Wine Grape Growers.

Internationally, we employ a third-party assessor to conduct social compliance audits, using a risk-based approach. These audits monitor suppliers' adherence to specific elements of our contracts and Supplier Code of Conduct. The audits also assess workplace practices like child and forced labor, worker registration and compensation, workplace safety, management of employee records and environmental practices. Any factory found to have material issues is required to develop a corrective action plan and will be re-inspected by third-party assessors.



Engaging With Farmers: The Benefits of Going No-Till

Conventional tobacco growing requires a significant amount of tillage which can lead to soil erosion. Through the expanded use of not tilling (no-till) a field, growers build up topsoil through the use of cover crops. The Kentucky Department of Fish & Wildlife Resources, after receiving a grant from Altria and the Natural Resources Conservation Service, offered their no-till tobacco transplanter to 60 growers across the state. Additionally, in Lancaster County, Pennsylvania, a similar grant from Altria helped expand the use of no-till tobacco farming by growers in that region. Through these programs, interested contracted growers can more easily convert to no-till tobacco for the health of the environment and sustainability of their crop, while benefiting from cost and labor savings.

Engaging With Stakeholders

We engage with our suppliers and other key stakeholders to monitor and address opportunities and concerns within our supply chain. For our tobacco businesses, we work directly with growers, regulatory agencies, key agricultural stakeholders and working groups like the Farm Labor Practices Group and GAP Connections to help growers, farm labor contractors and farmworkers better understand and comply with labor laws and regulations. We're also working to improve farm labor practices and to help address child and forced labor concerns.

For our wine business, Ste. Michelle is committed to sharing its best practices in sustainable viticulture and winemaking with partner growers and wine producers. This helps promote the delivery of high-quality grapes from its contracted growers and supports the overall industry in the regions where it operates.

Responsible Supply Chain Management of Conflict Minerals

To continue to strengthen our efforts in responsible supply chain management, Nu Mark has been actively engaged in the [Electronic Industry Citizenship Coalition's](#) (EICC) [Conflict Free Sourcing Initiative](#). The EICC is a non-profit coalition of electronics companies committed to supporting the rights and well-being of workers and communities affected by the global electronics supply chain. As an applicant member to the EICC in 2015, and an Affiliate member beginning in 2017, Nu Mark supports the Vision and Mission of the EICC and conforms to a common Code of Conduct, a set of standards on labor, health and safety, environment and business ethics. For more information on our position and SEC filings on Conflict Minerals visit [Altria.com](#) and [Nu-Mark.com](#).



Doing Business the Right Way

Jodie Clarke, Director, Direct Materials & New Technologies Procurement, Altria Client Services

There is a cost to doing business the right way and being responsible. While we want to reduce costs, we don't shortcut responsibility efforts because of the expense.

We work with suppliers on compliance with laws and the use of socially responsible labor. We or third-party auditors conduct quality assessments, evaluate labor practices of suppliers in high-risk countries, meet with our suppliers on a regular basis, and at least once a year visit facilities where we source our materials.

We partner with Research and Development to look at new printing technologies for packaging, to evalu-

ate recyclable materials, and to plan for next-generation products.

Our suppliers are very committed to the communities they live and work in. They are proud to take care of their footprint. In Maine, for example, suppliers don't buy timber from people who harvest in the spring when the land is thawing so they don't create environmental damage in the mud season.

We have a significant indirect impact on communities by buying from the suppliers who provide jobs. They are proud to supply to Altria. They don't look at Corporate Responsibility audits as one more thing to do. They embrace them.

Innovations in Our Tobacco Supply Chain

We depend on quality tobacco, which is why we focus on innovations within our tobacco supply chain. 2016 highlights include:

Enhanced Assessments | Altria Client Services engaged a third party to conduct a pilot of 186 enhanced GAP assessments. The assessments went beyond the grower to include worker interviewers. Bilingual third-party assessors interviewed workers directly about their treatment and working conditions. The enhanced assessment also included a review of wage and hour paperwork, among other topics. The chart to the right shows domestic grower performance based on the results of the 2016 third-party GAP assessments.

Growers improved their environmental stewardship and maintained crop management requirements. However, we learned there's more work to do in the area of labor management relating to record keeping of I-9 forms and time records. Our contracts set the minimum age at 16 for youth employment, which is older than U.S. law. Our assessments found two instances of employed youth who were in compliance with U.S. law, but in violation of our contract. After reviewing contract requirements with both growers, the situations were remediated. In 2017, we will consider new training for our contracted growers on topics raised during the enhanced assessments.

Worker Helpline Pilot | In recent years, our tobacco companies helped create GAP Connections, a third-party organization that develops, maintains and promotes GAP standards among growers and tobacco companies who purchase their crop. In 2016, GAP Connections piloted a worker concerns helpline among a limited number of our contracted growers and other growers. The helpline allowed the growers' workers to confidentially report any labor issues. One worker raised a concern through the helpline pilot. A third party investigated the allegation, but found it to be unsubstantiated.

Domestic Third-Party Assessments

GAP Focus Areas	Farms:	Percent Meeting All Requirements
Crop Management		
Variety Integrity		99%
Crop Integrity		100%
Nutrient Management		96%
Environmental Stewardship		
Crop Protection Agent Management		88%
Labor Management		
Labor Management / Child Labor / Safety		92%

Chart Note: The labor management section of the third-party assessments includes: labor sourcing, hours and wages, on-farm housing (if applicable), safety training and use of personal protection equipment | All findings were remediated

Our Performance

Developing a diverse supplier base



Exceeded our diversity spend goal of 9 percent

Monitoring and assessing

237 325 235
2016 2015 2014

Assessments completed by third parties, including GAP assessments and social compliance audits

100%

Percentage of completed planned GAP assessments of domestic tobacco growers



Developing Our Employees and Culture

GOAL

Develop high-performing and engaged employees who help us continue to deliver superior results in the future



Our industry faces big challenges. That's why we seek the best people to give us a talent advantage.

Our employees' leadership and passion to succeed has enabled us to create and grow some of the biggest brands in the largest tobacco categories, maintain superior trade relationships and drive shareholder value. That's why we develop high-performing and engaged employees who help us continue to deliver superior results in the future. We do so by promoting a vibrant, inclusive workplace; attracting, developing and retaining talented and diverse people; rewarding and recognizing our employees and creating a safe workplace.

Promoting a Vibrant, Inclusive Workplace

We're strengthening our culture by emphasizing diversity and inclusion,

thinking and acting innovatively and simplifying work. Over the last three years, our companies accomplished important milestones, described on the following pages.

Here's How We Support Our Employee Goal



Diversity and Inclusion

Altria's diversity and inclusion vision is to seek and value differences to drive our success. Each of us brings our own point of view to work: one that is shaped by our education, family and life experiences as well as our age, gender identity, race and sexual orientation. When we value these differences, we solve business problems effectively and have a more inclusive workplace. Our progress includes enhanced inclusion training for employees and people leaders and the development of Employee Resource Groups (ERGs). And last year, we required all of our executives to

have diversity and inclusion plans. Some executives made commitments to strengthen the existing talent pipeline by increasing the representation of women and people of color. Others made personal commitments to engage more with ERGs.

Not all differences are visible, but race and gender are two that can be easily measured. Measures of our workforce through gender and race representation allow us to understand how our companies are progressing and provide the opportunity to benchmark against peer companies. Our companies' progress on gender and race is one indicator of our

overall progress on diversity and inclusion. We understand that it is important for our company to make progress over the long-term. So we set a four-year aspiration to have the Vice President and higher ranks be comprised of 20 percent women and 20 percent people of color by 2020. Improving diversity at all levels remains one of our goals.

Additionally, we measure gender and race representation of individuals promoted within our companies to help us gauge where we stand with the diversity of our future leadership.

Representation of Women

	2016	2015	2014
All Management Levels	35%	35%	35%
Total Employees	36%	37%	36%

Representation of People of Color

	2016	2015	2014
All Management Levels	22%	20%	20%
Total Employees	33%	32%	32%

Note: The term "people of color" generally includes anyone identifying as Black/African American, Latino/a, or of Native American, Middle Eastern, or Asian/Pacific-Island descent, regardless of literal skin color. It is intended as an inclusive and respectful term, useful in broadly describing racial dynamics within groups.

Diversity & Inclusion Goals

Our leadership is diverse at all levels

All leaders seek and use differences to drive results

Everyone feels included, heard and challenged to contribute

Our community investments show our commitment to diversity and help attract diverse talent into our companies

Our suppliers' diversity contributes to our companies' success



Appreciating the Collective Genius at Altria

Andrea Archer, Senior Manager, Diversity and Inclusion, Altria Client Services

One of my goals is making certain diversity and inclusion are a natural part of how we do business. With a diverse group, everyone contributes individually and collectively to the success of an organization.

Our senior leaders are making progress by holding themselves accountable through diversity and inclusion goals and personal plans. Additionally, strong leadership from our Employee Resource Groups has created a platform for their members and all employees to discuss and share business initiatives we are trying to achieve, as well as discuss societal issues that impact everyone.

I credit Altria for providing a strong foundation for diversity and inclusion, which allows all employees to share a common understanding of these key concepts. Beyond that common understanding, many employees choose to learn more about inclusion in their own way, including reading books and articles as well as attending talks and workshops. For example, our Chief Operating Officer moderated a discussion with sales force employees on the book, *The Inclusion Dividend: Why Investing in Diversity & Inclusion Pays Off*.

In my role, recognizing the collective genius of all of us is really inspiring.

Using Our Diversity to Strengthen Our Business

Our ERGs bring together groups of employees with shared characteristics or life experiences to help the company benefit from our diversity and become more inclusive. Through partnering with our ERGs, we're able to better understand and connect with suppliers, our consumers and each other.

Cultural Awareness Partnership | Nu Mark, our company that makes e-vapor products, has manufacturing agreements with partners in China. Altria's Asian ERG, EAST (Elevating Asian Strengths & Talents), helped Nu Mark build cross-cultural understanding and strengthen relationships with suppliers at multiple levels within our companies.

EAST also helped Nu Mark employees understand the cultural implications of working with Chinese businesses. They met with suppliers and offered translation services for Nu Mark employees to help negotiate and build relationships.

Policy Advisors | When Altria Client Services designed our salaried employee parental leave benefit, it looked to ERGs to get differing perspectives. Members of Mosaic, Altria's lesbian, gay, bisexual, and transgender ERG, suggested Altria recognize different parenting situations even if they aren't recognized by the state. As a result of Mosaic's participation, Altria developed an inclusive benefit. The parental leave benefit provides mothers and fathers up to six consecutive weeks of paid parental leave at 100 percent of their salary so employees can bond with their newborn or a newly-adopted child. For salaried birth mothers, this benefit is in addition to six weeks of maternity leave benefits.

When our companies tap into our diverse employees' perspectives, we're able to positively impact our businesses. This helps us create a workplace where everyone is included, heard and challenged to contribute.

Our Employee Resource Groups

EAST (Asian)

Mosaic (LGBT)

Si! (Hispanic)

Spring (Young Professionals)

UNIFI (Black)

Women's Network

Women in Sales

Women in Manufacturing

Salute (Military)

Innovation

Innovation is more than just bringing products to market. Innovation also includes bringing new ideas, efficiencies and improvements to the jobs we're already doing. Over the past few years:

- Altria appointed a Chief Innovation Officer who oversees an innovation system focused on new product innovation, culture, capability and communication.
- We've defined key innovation behaviors and applied them to bring new services, products and programs to market.
- We developed STAR (Science & Technology Applications Roundtable) Talks, a monthly half-day event

...serving as a forum for employees to openly communicate, share information and generate new solutions to technical challenges.

Simplification

Because of today's changing marketplace, our ability to adapt and move quickly has never been more important. Our employees are taking initiative to streamline work and save time and money. For example, in 2016 we integrated our Quality Management System processes related to product quality incident investigations to reduce redundant data entry across multiple systems. The simplification combined or eliminated numerous disparate systems and will result in about 1,700 employee hours saved per year.

Attracting, Developing & Retaining Talented People

Employees want challenging, meaningful work. They want to make decisions that matter, while developing their careers. We provide these opportunities, including internships and diverse assignments designed to stretch capability.

Recruiting

We recruit people with strong leadership potential. Our companies have long-standing recruiting relationships with about twenty universities nationwide. Each year, we offer students paid co-ops or internships and many of these interns begin their careers with Altria after they graduate.

Recruiting

	2016	2015	2014
Number of Interns	151	191	197
Eligible Intern to Full-time Conversion	47%	54%	50%

Our university recruiting is complemented by our efforts to hire experienced employees with demonstrated leadership capabilities.

In 2016, Altria hired 471 new employees. 41.0 percent were women and 32.3 percent were people of color, helping improve the diversity of our workforce.

Development

We work in highly competitive, regulated industries. Our development programs prepare our employees to take on these complex business challenges.

Examples include:

- **Classroom and self-guided experiential sessions** taught by experienced company leaders or by experts in a variety of fields who challenge our assumptions and practices. For example, our people managers completed Managing Inclusion, a one-day, experiential workshop focused on understanding how inclusive behaviors help leaders and support the business by engaging all employees productively.
- **Brand Management Leadership Training:** A system of interactive training classes that teach skills to be a successful marketer with a focus on responsibly connecting our tobacco brands to adults who use them.
- **AGDC University:** A system that connects learning to development for all Altria Group Distribution Company (AGDC) employees. The system uses formal, instructor-led programming, offers online learning and connects learners via social

learning. Employees can find learning objects mapped to specific skills, competencies, our Leadership Model and cultural initiatives. Employees can align these learning objects and development activities to their development plans in a space where managers can provide feedback on their ongoing development.

- **Educational Refund Program:** A program that reinforces the importance of continuing education for employees and represents our commitment to develop individual potential and increase job skills.
- **Quality Management System Training:** A system that defines training requirements for employees based on their role to reinforce product quality and legal and regulatory requirements. In 2015, we piloted a "Culture of Quality Boot Camp" program which was expanded in 2016 to more than 600 employees, both salaried and hourly, to reinforce the importance and value of quality in everything we do.

When employees join our companies, they have immediate access to development resources. The Performance Partnership Process is at the center of our Talent System for salaried employees. Employees receive ongoing feedback from their managers about their development, performance, career advancement and growth opportunities. During this process, employees set individual performance objectives connected to our company's Mission & Values. In 2016, 100 percent of salaried employees participated in the Performance Partnership Process.

In 2016 our companies
invested approximately
\$12.5 M
in training and
development programs

Reimagine Our Workplace

In 2016, the Corporate Facilities & Real Estate team began rethinking our workplaces and planning for how we might work over the next 10 to 15 years. First, the team is reviewing amenities for all locations including those related to health and wellness, work/life balance and collaboration, and they are enhancing company amenities in a financially disciplined way. An amenities team evaluated what employees like and don't like about our environment and services including food service, break areas, shared workspaces and unique perks. Second, the team is conducting a study to evaluate Altria's corporate headquarters culture, workplace strategies and location to align with innovative business operations. The team recently completed employee focus groups and a survey about how people work, work style and efficiency.





Salaried employees create an annual development plan with their manager that helps them set and work toward career aspirations and development milestones. The plan is an investment in each employee's career and gives them an opportunity to become an active participant in the process by formalizing their career aspirations and building plans to achieve them.

Our talent planning process helps develop and measure the readiness of employees to advance into new positions and identify candidates ready to move into leadership roles. This process allows us to fill a high percentage of our openings with internal candidates, which is mutually beneficial for our employees and the company. Most of our positions filled by external candidates are for entry-level positions, to fill talent gaps identified in talent planning or to support new business initiatives. In 2016:

- 34 percent of employees who are manager level and above had specific advancement plans.
- 89 percent of open jobs were filled by internal candidates (excluding non-entry level positions).
- 10.5 percent of salaried employees were promoted.

Rewarding & Recognizing Our Employees

Our compensation program helps us attract, retain and motivate world-class talent. Depending on level, total compensation can include different elements – base pay, annual cash incentives, long-term stock and cash incentives, and benefits. Our goal is to provide total compensation packages between the 50th and 75th percentile of our peer companies.

Our employee recognition program empowers employees to acknowledge the superior work of their peers. Whether it comes as just a note or as a tangible recognition gift, we promote an environment of acknowledging hard work and results.

Creating a Safe Workplace

Our safety goal is simple – we want all employees to have an injury-free career. We're committed to occupational injury and illness prevention and to full compliance with laws and regulations relating to employee safety and health.

We continually update our policies, procedures and equipment as new developments occur in safety and

Maintaining Strong Labor Relations

Altria's operating companies provide well-paying manufacturing and production jobs for employees in nine states. We respect the rights of our companies' employees who choose to be represented by a union. In fact, 27 percent of employees within our family of companies were represented through collective bargaining agreements at the end of 2016.

Altria's operating companies have an open dialogue and collaborate with hourly employees and unions representing them. Most hourly employees operate in a team environment where

they're accountable for identifying and addressing issues affecting day-to-day work.

All union-represented employees across Philip Morris USA and U.S. Smokeless Tobacco Company are covered by Long-Term Agreements. These agreements, which are in addition to basic collective bargaining agreements, provide Altria's tobacco companies and their hourly employees with security against business disruptions that sometimes occur during labor disputes and provide annual bonuses ranging from \$1,100 to \$1,800.

health standards, as advances are made in technology and as market conditions change. Achieving this goal requires each employee to commit to an injury-free career by complying with safety requirements, performing job duties in a safe manner, and watching those around them each day.

Our "Injury-Free Career Culture" is an effort to eliminate injuries and fully engage employees in safety by:

- communicating safety through all avenues;
- applying internal safety requirements/guidelines;
- applying training in the workplace;
- participating in safety initiatives and the development of best practices;
- planning safety into the business processes;
- recognizing and celebrating strong safety performance; and
- enforcing safety fairly and consistently.

Our key performance indicators for workplace safety include:

- A 93 percent composite score for safety assessment performance in our facilities, up one percentage point from 2015.
- An Occupational Safety and Health Administration (OSHA) recordable injury rate of 2.2 and a lost day rate of 1.2, both lower than the benchmark for U.S. Beverage and Tobacco Product Manufacturing.

Recent, independent benefits benchmarking studies have confirmed that Altria and its companies offer some of the most comprehensive and competitive benefits within the Fortune 500.

Click [here](#) to learn more about our compensation and benefit offerings.



Our Performance

Delivering superior results

Operating income per employee	2016 \$1,055,663	2015 \$950,114	2014 \$846,667
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Promoting a vibrant workplace

Diversity	2016	2015	2014
VPs or higher that are women	13%	15%	15%
VPs or higher that are people of color	13%	15%	14%

81%

Percentage of salaried workforce that is engaged
Outperforming other Fortune 500 companies on an average of 10 points*

66%

Percentage of hourly and salaried employees who believe we are making meaningful progress on diversity and inclusion*

84%

Percentage of salaried employees that would recommend the company as a great place to work*

64%

Percentage of salaried employees that feel safe challenging the status quo*

* Enterprise-wide survey fielded biennially | Results from the 2015 survey

Developing talent

Our companies' investment in training and development programs	2016 \$12.5M	2015 \$10.3M	2014 \$17.6M
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Creating a safe workplace

93%

Altria's safety assessment performance composite score earned by our facilities

Up 1 percentage point from 2015

2.2

Altria's OSHA recordable injury rate

This rate is lower than the benchmark for U.S. Beverage and Tobacco Product Manufacturing

1.2

Altria's OSHA lost day rate

This rate is lower than the benchmark for U.S. Beverage and Tobacco Product Manufacturing



Appendix A: Environmental Assurance Letter

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 selected 2016 consolidated data as set out in Section 1 of 'Altria CY 2016 Environmental Metrics'.

Engagement Summary	
Scope:	<p>Whether the consolidated corporate data for calendar year 2016 set out in Section 1 of 'Altria CY 2016 Environmental Metrics' (attached) for the following indicators are, in all material respects, appropriately presented in accordance with the reporting criteria:</p> <ul style="list-style-type: none"> • Energy Use (Billions of BTUs) • GHG emissions: <ul style="list-style-type: none"> ○ Scope 1 Direct GHG emissions from on-site fossil fuel combustion and refrigerant gases; and emissions from sales vehicles and company-controlled aircraft (Metric tonnes CO₂e) ○ Scope 2 Indirect GHG emissions from purchased electricity (Metric tonnes CO₂e) ○ Scope 3 Other Indirect GHG emissions from global air travel and rented vehicles (Metric tonnes CO₂e) • Waste disposed to landfill (Millions of pounds) • Waste recycled, composted, converted to fuel or reused (Millions of pounds) • Hazardous waste generated (Short tons) • Water Consumption (Millions of US gallons) <p>'Appropriately presented' means we have assessed the selected data for reliability which includes: completeness (whether all relevant locations and 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 ISO14064:3 for GHG emissions verification
Assurance level:	Limited assurance
Respective responsibilities:	<p>Altria is responsible for preparing Section 1 of 'Altria CY 2016 Environmental Metrics' and for the collection and presentation of the data 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 2016 environmental data for the indicators listed under 'Scope' above, are not appropriately presented in accordance with 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 environmental 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
- Site visit to the Manufacturing Centre, Richmond, supported by in-depth interviews with representatives of other Altria businesses, including Nashville and 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.

Our Observations

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

- Altria faced challenges in reporting Scope 3 business travel data for 2016 due to the need to address data gaps created by a change of travel agent during the reporting year



Jennifer Iansen-Rogers, Partner

07 April 2017

ERM Certification and Verification Services, Inc.

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Email: 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.

Appendix A: Environmental Assurance Letter

ALTRIA CY 2016 ENVIRONMENTAL METRICS

Section 1: 2016 Metrics with Independent Assurance

Indicator	Amount	Unit of measure
Energy use	4,490	Billions of BTUs
Total GHG Emissions	391,809	Metric tonnes
<i>Scope 1 GHG emissions*</i>	170,442	Metric tonnes CO ₂ e
<i>Scope 2 GHG emissions**</i>	210,416 (location based) 206,622 (market based)	Metric tonnes CO ₂ e
<i>Scope 3 GHG emissions***</i>	10,951	Metric tonnes CO ₂ e
Water consumption	2,489	Millions of gallons
Waste disposed at landfill	35.5	Millions of pounds
Waste recycled, composted, converted to fuel or reused	136.9	Millions of pounds
Hazardous waste generated	268.5	Short tons

* **Scope 1 Direct GHG emissions** from on-site fossil fuel combustion and refrigerant gases; and emissions from sales vehicles and company-controlled aircraft (tonnes CO₂e)

** **Scope 2 Indirect GHG emissions** from purchased electricity (tonnes CO₂e)

*** **Scope 3 Other Indirect GHG emissions** from global air travel and rented vehicles (tonnes CO₂e)

Greenhouse gas (GHG) emissions prepared in accordance with the Greenhouse Gas Protocol.

Scope 2 GHG market-based emissions were calculated according to the market-based approach set out in the Greenhouse Gas Protocol Scope 2 Guidance, January 2015.

The market-based Scope 2 GHG emissions represent a zero emission rate from renewable energy certificates (RECs) and supplier-specific emission rates for renewable energy program purchases.

The market-based Scope 2 GHG emissions are not included in Total GHG Emissions.

Water consumption consists of all sources of water, including cooling water, and is equivalent to GRI Total Water Withdrawal.

Independent Assurance was provided by ERM Certification and Verification Services Inc. Please refer to their Independent Assurance Statement for full details of the scope, assurance activities and conclusions.

Section 2: Additional Information to Support GRI G4 Indicators

Energy Usage

Fuel Consumption from Non-Renewable Sources

Natural Gas	22,591,163	hcf
Fuel Oil	36,176	gallons
Propane	870,293	gallons
Diesel	151,743	gallons
Gasoline	2,789,801	gallons
Jet Fuel	429,381	gallons

Total Consumption

Purchased Electricity	486,392	mWh
Heating, Cooling, Steam	Multiple uses for fuel sources does not allow separating energy consumption into these categories.	

Total Sold

Not applicable.

Total Energy Consumption

Purchased Electricity	1,659,636	MMBtu	Total	4,490	Billion Btu
Natural Gas	2,317,853	MMBtu			
Fuel Oil	4,992	MMBtu			
Propane	80,067	MMBtu			
Diesel	20,941	MMBtu			
Gasoline	348,725	MMBtu			
Jet Fuel	57,966	MMBtu			

Energy data collected using utility invoices, meter readings, tank fill receipts, fuel logs, run time logs. De Minimis sources were estimated.

Appendix A: Environmental Assurance Letter

Source of Conversion Factors

Fuel energy conversion factors from U.S. Code of Federal Regulations 40 CFR 98 Subpart C; Appendix Table C-1 - USEPA Mandatory Greenhouse Gas Reporting; Default CO₂ Emission Factors and High Heat Values for Various Types of Fuel.

Greenhouse Gas Emissions

Greenhouse gas (GHG) emissions were prepared in accordance with the Greenhouse Gas Protocol. The consolidation approach for GHG emissions is operational control.

Scope 1 Direct GHG emissions [tonnes CO₂e]

Emissions from on-site fossil fuel combustion, refrigerant gases, fuel use from sales fleet and leased vehicles, and company-controlled aircraft (tonnes CO₂e).

Gases included in the calculation are CO₂, CH₄, N₂O, and HFCs.

Source of Emission Factors

Combustion fuels based on USEPA Climate Leaders document (last modified 4 April 2014).

Global Warming Potential (GWP) factors for the GHG pollutants are based on IPCC Fifth Assessment Report (AR5 – 100 years).

GHG factors for mobile fuels and combustion fuels (USEPA Climate Leaders; last modified 4 April 2014).

Scope 2 Indirect GHG emissions (tonnes CO₂e) [Location-based]

Emissions from purchased electricity.

Source of Emission Factors

Location-based purchased electricity based on eGRID2014 (Revised 1/13/2017).

GWP factors for the GHG pollutants based on IPCC Fifth Assessment Report (AR5 – 100 years).

Scope 2 Indirect GHG Emissions (tonnes CO₂e) [Market-based]

The market-based Scope 2 GHG emissions represent a zero emission rate from renewable energy certificates (RECs) and supplier-specific emission rates for renewable energy program purchases.

Market-based emissions calculated according to the market-based approach in the Greenhouse Gas Protocol Scope 2 Guidance, January 2015.

Scope 3 Other Indirect GHG emissions (tonnes CO₂e)

Emissions from global air travel and rented vehicles.

Source of Emission Factors

GHG factors for mobile fuels and combustion fuels (USEPA Climate Leaders).

GHG factors for air travel from UK Government Conversion Factors (DEFRA factors; 2016 Government Greenhouse Gas Conversion Factors for Company Reporting).

GWP factors for the GHG pollutants based on IPCC Fifth Assessment Report (AR5).

Total Waste and Disposal

Non-Hazardous Waste	(Million lbs.)	Hazardous Waste	(Tons)
Re-use	0.0907	Re-use	0.0
Recycling	108.7	Recycling	0.661
Composting	26.23	Composting	0.0
Recovery, incl. Energy	1.724	Recovery, incl. Energy	73.69
Incineration	0.0226	Incineration	194.1
Landfill	35.08	Landfill	0.0
Deep Well Injection	n/a	Deep Well Injection	n/a
On-site Storage	n/a	On-site Storage	n/a
Other	n/a	Other	n/a
*n/a=not applicable.	171.9 Total		268.5 Total

Waste Disposal Methods

Disposed of directly by organization or otherwise directly confirmed.

Information provided by waste disposal contractor.

Total Water Withdrawal

Volume by Source (million gallons)

1,218	Surface water, including water from wetlands, rivers, lakes, and oceans
596	Ground water
0	Rainwater
0	Waste water from another organization
675	Municipal water supplies or other water utilities
2,489	Total

Standards, methodologies, and assumptions used

The method of collecting water usage data is supplier invoicing and on-site meter reading.

Water usage excludes minor non-metered sources; exploring ways to estimate this usage in the future.

Appendix B: Stakeholder Engagement

Stakeholder Group	Why We Engage	How We Engage
Investors	To communicate our business results and how we achieved those results, including our approach to responsibility. We also engage with investors to understand their interests and expectations.	<ul style="list-style-type: none"> • Annual Shareholder Meetings • Investor <ul style="list-style-type: none"> • Road shows • Meetings • Conferences • Surveys • Earnings calls
Suppliers / Growers	To convey our expectations and shared goals to promote the procurement of high-quality products, services, and materials that support our business objectives. We also work to understand and collaborate on effective ways to resolve risks and societal issues within the supply chain.	<ul style="list-style-type: none"> • Supplier scorecards • Supplier meetings • Assessments, audits and surveys • Meetings between company grower representatives and growers • Workshops and training events
Government and Regulatory Agencies	To share our company's public policy positions on issues important to us. As our industries are subject to a range of laws and regulations, we engage constructively with government officials and regulatory agencies to maintain compliance and help achieve business objectives.	<ul style="list-style-type: none"> • Meetings with elected and appointed officials and staff • Regulatory submissions • Workshop participation • Facility tours • Trade associations • Public policy organizations
Public Health and Scientific Community	To understand and share research and perspectives on tobacco product issues to inform and advance our approach to tobacco harm reduction and effective regulation.	<ul style="list-style-type: none"> • Meetings • Conferences and workshops • Research publications
Trade Partners	To help our trade partners strengthen their businesses and ours by offering category management solutions that promote mutual success. We work to understand the Trade's feedback on retail and wholesale programs supporting the marketing of our products. We also work with them to better understand marketplace dynamics and the preferences of adult consumers.	<ul style="list-style-type: none"> • "Top-to-Top" meetings • Visits with retailers • Online tools • Annual trade meetings
Consumers	To listen and engage with our adult consumers to develop insights that will help deliver new and innovative products and brand experiences that exceed their expectations.	<ul style="list-style-type: none"> • Consumer hotlines • Consumer insights research • Brand and corporate websites • Direct-to-consumer communications

Appendix B: Stakeholder Engagement

Stakeholder Group	Why We Engage	How We Engage
Employees	To help employees understand the company's strategies, the competitive landscape and how they contribute to the company's success. We seek input from and engage with our employees to improve their overall work experience and inspire them to innovate, do things more simply, be more inclusive and win in the marketplace.	<ul style="list-style-type: none"> • Town hall meetings led by senior leaders • Engagement survey • Intranet communications, including interactive discussion forum • Newsletters • Functional, departmental and team meetings • Labor negotiations
Community Partners / Grantees	To collaborate on issues important to our communities so that we can invest our resources and time in a way that helps make our communities and businesses stronger. We work to address relevant social and environmental concerns in partnership with others.	<ul style="list-style-type: none"> • Meetings • Grantee forums • Service on boards and in other leadership roles • Employee volunteer service

Appendix B: Stakeholder Engagement

Examples of outcomes from some of these engagements include:

Suppliers/Growers:

- In 2016, the Altria Client Services (ALCS) Procurement team supported education and engagement events with tobacco growers on the H-2A Visa program. This program established the regulations tobacco growers must comply with when hiring temporary guest workers to help with planting and harvesting tobacco.
- Our ALCS Tobacco Grower Representatives make on-farm visits to educate growers on a variety of topics important to our growers including prevention of Green Tobacco Sickness and heat stress, compliance with I-9 and wage statements, and prevention of non-tobacco related materials. They share training materials, handouts and information on additional resources available.

Trade Partners: Our proprietary reporting system provides relevant store-level data for the tobacco categories. We can show our customers how many stores are gaining or losing market share at an aggregate and store level. Our sales team then works with the retailer on how to capitalize on those insights to build their business.

Consumers: We use market and consumer research to deeply understand our consumers and their preferences. In 2016, we enhanced the log-in process for age-verified adult smokers to access our age-restricted websites by allowing adult smokers to create a secure and unique five-digit PIN after completing the initial online registration process.

Employees: In the fall of 2016, we hosted “Be: 2016” an event where employees were immersed in our cultural initiatives through an experiential day at Philip Morris USA’s Manufacturing Center. Employees explored how the Manufacturing Center is driving innovation and strengthening operations for the future. Senior leaders shared stories about important moments in Altria’s history. And, employees networked with colleagues from across our companies. Through speakers, workshops and activities, we celebrated our success, built new skills and inspired employees to further contribute to our culture initiatives.

Community Partners/Grantees: In November 2016, we partnered with HandsOn Greater Richmond to host volunteer events at multiple company facilities to benefit veterans. As a result of these volunteer events, we were able to provide 400 lunch kits, 200 snack kits

Appendix C: Analysis of Material Topics

Reducing the Harm of Tobacco Products	Marketing Responsibly
<p>Aspects</p> <ul style="list-style-type: none"> • Product Innovation • Science and Research • Regulatory Engagement • Health Communications • Tobacco Cessation • Underage Tobacco Prevention 	<p>Aspects</p> <ul style="list-style-type: none"> • Marketing practices • Compliance
<p>Business Case and Our Focus</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.</p> <p>To address stakeholder concerns and succeed in the future, we need to continue to work to reduce the harm of tobacco products. Developing less harmful products under the Food and Drug Administration’s (FDA) oversight, communicating health effects, helping prevent underage use and supporting cessation all can reduce the harm caused by tobacco products. 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 consumers’ preferences.</p>	<p>Business Case and Our Focus</p> <p>Altria’s companies are owners of leading brands in their industries. At the same time, 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, taxation 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. Driven by underage tobacco use concerns, some stakeholders routinely scrutinize tobacco marketing practices and call for increased restrictions.</p> <p>To continue to be successful in the marketplace, our companies are focused on building relationships between brands and their adult consumer audiences while taking steps designed to limit reach to unintended audiences.</p>
<p>Internal Boundary</p> <ul style="list-style-type: none"> • Altria’s Tobacco Companies 	<p>Internal Boundary</p> <ul style="list-style-type: none"> • All Altria Companies, except Philip Morris Capital Corporation
<p>External Boundary</p> <ul style="list-style-type: none"> • Consumers • Regulators • Public Health Community • Trade Partners • Youth and Youth-Serving Organizations 	<p>External Boundary</p> <ul style="list-style-type: none"> • Consumers • Trade Partners • Marketing Suppliers

Appendix C: Analysis of Material Topics

Managing Our Supply Chain Responsibly	Developing Our People and Culture
<p>Aspects</p> <ul style="list-style-type: none"> • Relationship Management • Diversity • Standards and Compliance • Monitoring and Assessments • Labor Management and Human Rights 	<p>Aspects</p> <ul style="list-style-type: none"> • Talent Attraction and Retention • Development and Capability Building • Diversity and Inclusion • Compensation and Benefits • Safety
<p>Business Case and Our Focus</p> <p>Altria relies on thousands of suppliers to operate effectively and with quality. And, maintaining a diverse supplier base can encourage new perspective and innovative solutions. At the same time, 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, the 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>Business Case and Our Focus</p> <p>Altria's long-success is attributable to its culture and talented people. 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 and 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>
<p>Internal Boundary</p> <ul style="list-style-type: none"> • All Altria Companies 	<p>Internal Boundary</p> <ul style="list-style-type: none"> • All Altria Companies
<p>External Boundary</p> <ul style="list-style-type: none"> • Suppliers 	<p>External Boundary</p> <ul style="list-style-type: none"> • Prospective Employees

Appendix D: Analysis of Other Topics

Environmental Management	Investing in Communities
<p>Aspects</p> <ul style="list-style-type: none"> • Environmental Management Framework • Environmental Goals • Agricultural Practices 	<p>Aspects</p> <ul style="list-style-type: none"> • Corporate Giving • Employee Involvement
<p>Business Case and Our Focus</p> <p>Altria's tobacco and wine operating companies rely on agricultural products, and we understand the effect that the environment and climate change may have on our businesses. Natural disasters may have an impact on our companies' facilities and their supply chains. We are also responsive to the regulatory elements related to the environment as well as stakeholder concerns.</p> <p>To mitigate environmental risks to our business, our companies utilize an Environmental Management Framework to influence our business strategy. This framework includes setting and working against long-term goals including goals for greenhouse gas emissions and water sustainability. Goals and metrics can be viewed on our website, Altria.com, and in our submissions to CDP for Climate Change, Water and Forests.</p>	<p>Business Case and Our Focus</p> <p>Altria depends on the communities where we operate to provide a positive business atmosphere as well as to provide a talented and diverse workforce. Investing in communities helps support our other responsibility topics such as addressing underage tobacco use. Additionally, it empowers our employees to volunteer, contribute and be actively involved in helping their communities.</p> <p>To continue to make a positive influence on our communities, our companies focus on giving millions of dollars in contributions to charitable organizations, as well as supporting our employees in giving their time and service.</p>
<p>Internal Boundary</p> <ul style="list-style-type: none"> • All Altria Companies 	<p>Internal Boundary</p> <ul style="list-style-type: none"> • All Altria Companies
<p>External Boundary</p> <ul style="list-style-type: none"> • Regulators • Suppliers • Communities 	<p>External Boundary</p> <ul style="list-style-type: none"> • Communities • Non-Profit Organizations

Appendix D: Analysis of Other Topics

Combating Illicit Trade

Aspects

- Monitoring and Intelligence Gathering
- Retailer Expectations
- Supporting Law Enforcement
- Litigation
- Legislation and Regulation
- Product Security Features

Business Case and Our Focus

For Altria's tobacco companies, the illicit tobacco trade undermines our investments in our brands and in the trade channels through which our products are distributed and sold. Counterfeit products hurt our brand promise. Smuggling hurts our retailers who lose legitimate sales and governments who lose tobacco excise and sales taxes. Our communities can also suffer, as funds from the trade may support possibly violent criminal organizations.

To protect our tobacco companies and stakeholders, we continue to fight the illicit tobacco trade and dedicate resources to combat these criminal activities, such as communicating expectations to retailers and supporting law enforcement and litigation.

Internal Boundary

- Altria's Tobacco Companies

External Boundary

- Law Enforcement
 - Retailers
 - Governments
 - Consumers
-

GRI G4 Content Index

The report is guided by the Global Reporting Initiative, in accordance with the GRI G4 Core Option. The index covers Altria's four responsibility priorities: Reducing the Harm of Tobacco Products, Marketing Responsibly, Managing Our Supply Chain Responsibly and Developing Our Employees and Culture. The index has also been extended to cover the environmental impact as well and links to content on Altria.com.

General Standard Disclosures

General Standard Disclosures	Page	External Assurance	Description
Strategy and Analysis			
G4-1	Chairman's Letter (page 2)		Statement from the most senior decision-maker about relevance of sustainability to organizations
Organizational Profile			
G4-3	Altria Group, Inc.		Report on the name of the organization
G4-4	Corporate Profile (pages 6-7)		Report on the primary brands, products & services
G4-5	6601 W. Broad St., Richmond, VA 23230		Report on the location of the organization's headquarters
G4-6	Corporate Profile (page 6)		Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report
G4-7	2016 Form 10-K (Altria.com) (pages 1-4)		Report on the nature of ownership and legal form
G4-8	Corporate Profile (pages 6-7)		Report the markets served
G4-9	Corporate Profile (pages 6-7)		Report the scale of the organization, including; total number of employees, total number of operations, net revenues, quality of products, or services provided
G4-10	Corporate Profile (page 7) Developing Our Employees and Culture (pages 35, 40)		<ul style="list-style-type: none"> Report the total number of employees by employment contract and gender; Report the total number of permanent employees by employment type and gender; Report the total workforce by employees and supervised workers and by gender; Report the total workforce by region and gender; Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.
G4-11	Developing Our Employees and Culture: Maintaining Strong Labor Relations (page 38)		Report the percentage of total employees covered by collective bargaining agreements
G4-12	Corporate Profile: Our Value Chain (page 9)		Describe the organization's supply chain

General Standard Disclosures

General Standard Disclosures	Page	External Assurance	Description
G4-13	2016 Form 10-K (Altria.com) (Part 1, Item 1 Business, page 1)		Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: <ul style="list-style-type: none"> • Changes in the location of, or changes in, operations, including facility openings, closings, and expansions; • Changes in the share of capital structure and other capital formation, maintenance, and alteration operations; and • Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination.
G4-14	Environmental Management (Altria.com)		Report whether and how the precautionary approach or principle is addressed by the organization
G4-15	Human Rights Framework (Altria.com) Our Approach (page 11)		List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses
G4-16	Engaging with Others (Altria.com)		List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: <ul style="list-style-type: none"> • Holds a position on the governance body; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; and • Views membership as strategic.
Identified Material Aspects and Boundaries			
G4-17	2016 Annual Report and Form 10-K (Altria.com) (pages 1-4 of 2016 Annual Report; page 1 of Form 10-K) About this Report (inside cover)		<ul style="list-style-type: none"> • List all entities included in the organization's consolidated financial statements or equivalent documents • Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report
G4-18	Our Approach (pages 10-12) Appendix C (pages 48-49)		<ul style="list-style-type: none"> • Explain the process for defining the report content and the Aspect Boundaries • Explain how the organization has implemented the Reporting Principles for Defining Report Content
G4-19	Our Approach (pages 10-12) Appendix C (pages 48-49)		List all the material Aspects identified in the process for defining report content
G4-20	Our Approach (pages 10-12) Appendix C (pages 48-49)		For each material Aspect, report the Aspect Boundary within the organization, as follows: <ul style="list-style-type: none"> • Report whether the Aspect is material within the organization. • If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: <ul style="list-style-type: none"> • The list of entities or groups of entities included in G4-17 for which the Aspect is not material; or • The list of entities or groups of entities included in G4-17 for which the Aspects is material. • Report any specific limitation regarding the Aspect Boundary within the organization.

General Standard Disclosures

General Standard Disclosures	Page	External Assurance	Description
G4-21	Our Approach (pages 11-12) Appendix C (pages 48-49)		For each material Aspect, report the Aspect Boundary outside the organization, as follows: <ul style="list-style-type: none"> Report whether the Aspect is material outside the organization; If the Aspect is material outside the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified; and Report any specific limitation regarding the Aspect Boundary outside the organization.
G4-22	We have no restatements to report.		Report on the effect of any restatements of information provided in previous reports and the reason for such restatements
G4-23	We have no significant changes from our previous reporting in the scope and boundaries.		Report significant changes from previous reporting periods in the Scope and Aspect Boundaries
Stakeholder Engagement			
G4-24	Appendix B (pages 45-47)		Provide a list of stakeholder groups engaged by the organization
G4-25	Our Approach: Understanding Stakeholders' Perspectives (pages 10-11)		Report the basis for identification and selection of stakeholders with whom to engage
G4-26	Our Approach: Understanding Stakeholders' Perspectives (pages 11-12) Appendix B (pages 45-47)		Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process
G4-27	Appendix B (pages 45-47) Our Approach (pages 10-12)		Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns
Report Profile			
G4-28	About This Report (inside cover)		Reporting period (such as fiscal or calendar year) for information provided
G4-29	03-June-16		Date of the most recent report (if any)
G4-30	Annual		Reporting cycle (such as annual, biennial)
G4-31	Contact Us (Altria.com)		Provide contact point for questions regarding the report or its contents
G4-32	This is a GRI G4 Core Option report.		<ul style="list-style-type: none"> Report the "in accordance" option the organization has chosen. Report the GRI Content Index for the chosen option. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance, but it is not a requirement to be "in accordance" with the Guidelines.

General Standard Disclosures

General Standard Disclosures	Page	External Assurance	Description
G4-33	Appendix A (pages 42-44)	Yes, pages 42-44	<ul style="list-style-type: none"> Report the organization's policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. Report the relationship between the organization and the assurance providers. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.
Governance			
G4-34	Board Committees: Nominating, Corporate Governance & Social Responsibility Committee (Altria.com) Our Approach (page 10)		Report the governance structure of the organization, including committees of the highest governance body. Identify committees responsible for decision-making on economic, environmental, and social impacts
Ethics and Integrity			
G4-56	Our Employees: Compliance & Integrity (Altria.com) Our Approach (page 10)		Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics

Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
Category: Economic				
Material Aspect: Economic Performance				
G4-DMA	2016 Annual Report and Form 10-K (Altria.com) (pages 2-3 of Annual Report) Our Approach (page 12)			Disclosure on Management Approach for Aspect
G4-EC1	Corporate Profile (pages 6-7)			Direct economic value generated and distributed
G4-EC2	2016 Form 10-K (Altria.com) (page 29)			Financial implications and other risks and opportunities for the organization's activities due to climate change
G4-EC3	2016 Form 10-K (Altria.com) (pages 45, 60-66)			Coverage of the organization's defined benefit plan obligations
G4-EC4	We do not receive any financial assistance from government			Financial assistance received from government
Material Aspect: Market Presence				
G4-DMA	Developing Our Employees and Culture (page 34) Appendix C (pages 48-49)			Disclosure on Management Approach for Aspect
G4-EC5	Altria Weighted Ratio of entry level wage to minimum wage = 3.78	Not applicable: Significant locations of operations - nearly all employees are U.S. based		Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation
Material Aspect: Indirect Economic Impacts				
G4-DMA	Appendix C (pages 48-49) Managing Our Supply Chain Responsibly (page 28) Marketing Responsibly (pages 24-25)			Disclosure on Management Approach for Aspect
G4-EC8	Marketing Responsibly (pages 24-25)			Significant indirect economic impacts, including the extent of impacts
Material Aspect: Procurement Practices				
G4-DMA	Managing Our Supply Chain Responsibly (pages 28-32) Appendix C (page 49)			Disclosure on Management Approach for Aspect
G4-EC9	Approximately 85.8 percent 2016 domestic supplier spend out of total 2016 supplier spend, excluding SMWE, PMCC, resolution expenses, tax payments, etc. Spend with a domestic entity with an international parent is reflected as domestic spend.			Proportion of spending on local suppliers at significant locations of operation

Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
Category: Environmental				
Material Aspect: Energy				
G4-DMA	Environmental Management (Altria.com) Appendix D (page 50)			Disclosure on Management Approach for Aspect
G4-EN3	Total energy use 2016 - 4,490 billion BTU 2015 - 4,799 billion BTU 2014 - 4,708 billion BTU Environmental Management: Environmental Goals (Altria.com) CDP.net 2016 CDP Climate Response, question CC11.2, CC11.3, CC11.5		Yes, pages 42-45	Energy consumption within the organization
G4-EN6	Environmental Management: Environmental Goals (Altria.com)			Reduction of energy consumption
Material Aspect: Water				
G4-DMA	Environmental Management (Altria.com) Appendix D (page 50)			Disclosure on Management Approach for Aspect
G4-EN8	Total water use 2016 - 2,489 million gal 2015 - 2,783 million gal 2014 - 2,986 million gal CDP.net: 2016 CDP Water Response, question W1.2a			Total water withdrawal by source
G4-EN9	CDP.net: 2016 CDP Water Response, question W1.2a, 2.4a, 2.6, 2.7			Water sources significantly affected by withdrawal of water
Material Aspect: Biodiversity				
G4-DMA	Preserving the Waterway (Altria.com) Environmental Management (Altria.com) Investing in Communities: Protecting the Environment (Altria.com) Appendix D (page 50)			Disclosure on Management Approach for Aspect
G4-EN12	Environmental Management (Altria.com)			Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside the protected areas

Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
Material Aspect: Emissions				
G4-DMA	Environmental Management (Altria.com) Appendix D (page 50)			Disclosure on Management Approach for Aspect
G4-EN15	2016 - 170,442 tonnes 2015 - 183,450 tonnes 2014 - 201,325 tonnes CDP.net: 2016 CDP Climate Response, question CC8.2		Yes, pages 42-45	Direct greenhouse gas (GHG) emissions (Scope 1)
G4-EN16	2016 - 210,416 tonnes 2015 - 208,722 tonnes 2014 - 236,092 tonnes CDP.net: 2016 CDP Climate Response, question CC8.3a		Yes, pages 42-45	Energy indirect greenhouse gas (GHG) emissions (Scope 2)
G4-EN17	CDP.net: 2016 CDP Climate Response, Question CC14.1		Yes, pages 42-45	Other indirect greenhouse gas (GHG) emissions (Scope 3)
G4-EN19	Environmental Management (Altria.com)			Reduction of greenhouse gas (GHG) emissions
Material Aspect: Effluents and Waste				
G4-DMA	Environmental Management (Altria.com) Appendix D (page 50)			Disclosure on Management Approach for Aspect
G4-EN23	Environmental Management (Altria.com) Appendix A (pages 44)		Yes, pages 42-45	Total weight of waste by type and disposal method
Material Aspect: Products and Services				
G4-DMA	Environmental Management (Altria.com) Our Business Approach, Recycling and the Environment (Nu-Mark.com) Reducing Our Environmental Impact (PMUSA.com) Appendix D (page 50)			Disclosure on Management Approach for Aspect
G4-EN27	Environmental Management: Cigarette Litter Prevention Program (Altria.com)			Extent of impact mitigation of environmental impacts of products and services

Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
Material Aspect: Compliance				
G4-DMA	Environmental Management Framework (Altria.com) Appendix D (page 50)			Disclosure on Management Approach for Aspect
G4-EN29	We did not receive any fines or non-monetary sanctions for non-compliance with environmental laws and regulations.			Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations
Material Aspect: Supplier Environmental Assessment				
G4-DMA	Appendix C (page 49) Managing Our Supply Chain Responsibly (pages 30,32)			Disclosure on Management Approach for Aspect
G4-EN33	Managing Our Supply Chain Responsibly (pages 30, 32)			Significant actual and potential negative environmental impacts in the supply chain and actions taken
Category: Social				
Subcategory: Labor Practices and Decent Work				
Material Aspect: Employment				
G4-DMA	Appendix C (page 49) Developing Our Employees and Culture: Promoting a Vibrant, Inclusive Workplace (pages 34-35)			Disclosure on Management Approach for Aspect

Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
G4-LA1	<p>New Hires Total Salaried/Hourly new Hires in 2016 - 471 Female - 193 Male - 278 Under 30 - 195 30-39 - 129 40-49 - 80 50+ - 67</p> <p>American Indian/Alaskan - 2 Asian or Pacific Islander - 29 Black/Not Hispanic Origin - 77 Hispanic - 32 Two or more - 12 White/Not Hispanic Origin - 314 Not specified - 5</p> <p>Turnover Total Turnover in 2016 - 842 Female - 356 Male - 486 Under 30 - 151 30-39 - 150 40-49 - 155 50+ - 386</p> <p>American Indian/Alaskan - 4 Asian or Pacific Islander - 27 Black/Not Hispanic Origin - 136 Hispanic - 72 Two or more - 11 White/Not Hispanic Origin - 586 Not specified - 6</p>	Not applicable: Region – nearly all employees are U.S. based		Total number and rates of new employee hires and employee turnover by age, gender, and region
G4-LA2	<p>2016 Form 10-K (Altria.com) (page 45)</p> <p>Can't Beat the Experience: Compensation & Benefits (Altria.com) (Altria salaried & PM USA – hourly)</p>			Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation
Material Aspect: Labor/Management Relations				
G4-DMA	<p>Appendix C (page 49)</p> <p>Managing Our Supply Chain Responsibly (pages 29, 32)</p> <p>Developing Our Employees and Culture: Maintaining Strong Labor Relations (page 38)</p>			Disclosure on Management Approach for Aspect
G4-LA4	Per collective agreements, no notice is required.			Minimum notice periods regarding operational changes, including whether these are specified in collective agreements

Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
Material Aspect: Occupational Health and Safety				
G4-DMA	Developing Our Employees and Culture (pages 38-39)			Disclosure on Management Approach for Aspect
G4-LA5	Developing Our Employees and Culture (pages 38-39)			Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs
G4-LA6	Developing Our Employees and Culture (pages 39-40) Zero fatalities in 2016.	Not applicable: Region - nearly all employees are U.S. based		Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender
Material Aspect: Training and Education				
G4-DMA	Developing Our Employees and Culture (pages 37-40)			Disclosure on Management Approach for Aspect
G4-LA9	We currently report overall training by annual spend. Developing Our Employees and Culture (pages 37, 40)			Average hours of training per year per employee, by gender and by employee category
G4-LA10	Developing Our Employees and Culture (pages 37-38)			Programs for skills management and lifelong learning that support the continued employability of employees and assists them in managing career endings
G4-LA11	Developing Our Employees and Culture (pages 37-38)			Percentage of employees receiving regular performance and career development reviews, by gender and by employee category
Material Aspect: Diversity and Equal Opportunity				
G4-DMA	Developing Our Employees and Culture (pages 35, 40) Appendix C (page 49)			Disclosure on Management Approach for Aspect
G4-LA12	Developing Our Employees and Culture (page 35,40) Corporate Governance (Altria.com) 2016 Proxy Statement (Altria.com) (pages 56-61)	Not applicable: Significant locations of operations-nearly all employees are U.S. based		Composition of governance bodies and breakdown of employees per employee category and by significant locations of operation
Material Aspect: Equal Remuneration for Women and Men				
G4-DMA	Developing Our Employees and Culture (pages 35, 38, 40) Appendix C (page 49)			Disclosure on Management Approach for Aspect

Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
G4-LA13	Our success depends on our ability to attract, develop, and retain a diverse and talented workforce. Total compensation can include different elements – base pay, annual cash incentives, long-term stock and cash incentives, and benefits. We want to provide total compensation packages between the 50th and 75th percentile of our peer companies to recognize all employees for their outstanding work. Additional information on our progress on diversity and inclusion is within the Developing Our Employees and Culture section of the Report.	Confidentiality reasons: Salary data		Ratio of basic salary and remuneration of women to men, by employee category, and by significant locations of operation
Material Aspect: Supplier Assessment for Labor Practices				
G4-DMA	Managing Our Supply Chain Responsibly (pages 28-32) Appendix C (page 49)			Disclosure on Management Approach for Aspect
G4-LA15	Managing Our Supply Chain Responsibly (pages 28-32)			Significant actual and potential negative impacts for labor practices in the supply chain and actions taken
Material Aspect: Labor Practices Grievance Mechanisms				
G4-DMA	Appendix C (page 49) Managing Our Supply Chain Responsibly (pages 28-32) Developing Our Employees and Culture (page 34) Code of Conduct (Altria.com) (pages 16-21)			Disclosure on Management Approach for Aspect
G4-LA16	Our Employees: Compliance & Integrity (Altria.com) Code of Conduct (Altria.com) (page 47)			Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms
Subcategory: Human Rights				
Material Aspect: Investment				
G4-DMA	Managing Our Supply Chain Responsibly (pages 28-30) Appendix C (page 49)			Disclosure on Management Approach for Aspect

Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
G4-HR1	Managing Our Supply Chain Responsibly (page 29) Supplier Code of Conduct (Altria.com) (page 7) Code of Conduct (Altria.com) Human Rights Framework (Altria.com)			Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening
Material Aspect: Non-Discrimination				
G4-DMA	Developing Our Employees and Culture (pages 34-35) Appendix C (page 49)			Disclosure on Management Approach for Aspect
G4-HR3	Our Employees: Compliance & Integrity (Altria.com)			Total number of incidents of discrimination and corrective actions taken
Material Aspect: Freedom of Association and Collective Bargaining				
G4-DMA	Managing Our Supply Chain Responsibly (pages 28-32) Appendix C (page 49)			Disclosure on Management Approach for Aspect
G4-HR4	Managing Our Supply Chain Responsibly (page 29)			Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights
Material Aspect: Child Labor				
G4-DMA	Managing Our Supply Chain Responsibly (pages 28-32) Appendix C (page 49)			Disclosure on Management Approach for Aspect
G4-HR5	Managing Our Supply Chain Responsibly (pages 28-32)			Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor
Material Aspect: Forced and Compulsory Labor				
G4-DMA	Managing Our Supply Chain Responsibly (pages 28-32) Appendix C (page 49)			Disclosure on Management Approach for Aspect
G4-HR6	Managing Our Supply Chain Responsibly (pages 28-32)			Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor

Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
Material Aspect: Supplier Human Rights Assessment				
G4-DMA	Managing Our Supply Chain Responsibly (pages 30-32) Appendix C (page 49)			Disclosure on Management Approach for Aspect
G4-HR11	Managing Our Supply Chain Responsibly (pages 30-32)			Significant actual and potential negative human rights impacts in the supply chain and actions taken
Material Aspect: Human Rights Grievance Mechanisms				
G4-DMA	Managing Our Supply Chain Responsibly (pages 28-32) Appendix C (page 49)			Disclosure on Management Approach for Aspect
G4-HR12	Our Employees: Compliance & Integrity (Altria.com) Code of Conduct (Altria.com) (pages 18-21)			Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms
Subcategory: Society				
Material Aspect: Local Communities				
G4-DMA	Appendix C (pages 48-49) Appendix D (page 50) Investing in Communities (Altria.com)			Disclosure on Management Approach for Aspect
G4-SO1	Appendix D (page 50) Investing in Communities (Altria.com)			Percentage of operations with implemented local community engagement, impact assessments and development programs
Material Aspect: Anti-Corruption				
G4-DMA	Our Approach: Governance & Oversight (page 10)			Disclosure on Management Approach for Aspect
G4-SO3	Our Employees: Compliance & Integrity (Altria.com) Code of Conduct (Altria.com)			Total number and percentage of operations assessed for risks related to corruption and the significant risks identified
G4-SO4	Our Approach (page 10) Our Employees: Compliance & Integrity (Altria.com) Code of Conduct (Altria.com) (pages 33, 40, 62-63)			Communication and training on anti-corruption policies and procedures

Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
Material Aspect: Public Policy				
G4-DMA	Disclosures & Transparency (Altria.com)			Disclosure on Management Approach for Aspect
G4-S06	Disclosures & Transparency (Altria.com)			Total value of political contributions by country and recipient/beneficiary
Material Aspect: Anti-Competitive Behavior				
G4-DMA	Our Approach: Governance & Oversight (page 10) Appendix D (page 51)			Disclosure on Management Approach for Aspect
G4-S07	2016 Form 10-K (Altria.com) (pages 22-29)			Total number of legal actions for anti-competitive behavior, antitrust, and monopoly practices and their outcomes
Material Aspect: Compliance				
G4-DMA	Our Approach: Governance & Oversight (page 10) Appendix D (page 51)			Disclosure on Management Approach for Aspect
G4-S08	2016 Form 10-K (Altria.com) (pages 22-29)			Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations
Material Aspect: Supplier Assessment for Impacts on Society				
G4-DMA	Managing Our Supply Chain Responsibly (pages 28-32) Appendix C (page 49)			Disclosure on Management Approach for Aspect
G4-S010	Managing Our Supply Chain Responsibly: Social Compliance Audits (page 30)			Significant actual and potential negative impacts on society in the supply chain and actions taken
Material Aspect: Grievance Mechanisms for Impacts on Society				
G4-DMA	Our Approach: Governance & Oversight (page 10) Appendix D (page 51)			Disclosure on Management Approach for Aspect
G4-S011	Our Approach (page 10) Managing Our Supply Chain Responsibly (pages 30-32) Our Employees: Compliance & Integrity (Altria.com)			Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms

Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
Subcategory: Product Responsibility				
Material Aspect: Customer Health and Safety				
G4-DMA	Reducing the Harm of Tobacco Products (pages 14, 18) Appendix C (page 48)			Disclosure on Management Approach for Aspect
G4-PR1	Reducing the Harm of Tobacco Products (page 14) Marketing Responsibly (page 26) Tobacco Harm Reduction (Altria.com)			Percentage of significant product and service categories which health and safety impacts are assessed for improvement
G4-PR2	Marketing Responsibly (page 26) Reducing the Harm of Tobacco Products (page 14)			Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes
Material Aspect: Product and Service Labeling				
G4-DMA	Marketing Responsibly (pages 22-25) Appendix C (page 48)			Disclosure on Management Approach for Aspect
G4-PR3	Marketing Responsibly (pages 23, 25) PM USA: Our Products & Ingredients (PM USA.com) PM USA: Smoking & Health Issues (PM USA.com) PM USA: Smokeless Tobacco & Health Issues (PM USA.com) USSTC: Our Products & Ingredients (USSTC.com) USSTC: Smokeless Use & Health Issues (USSTC.com) John Middleton: Making Our Cigars & Ingredients (John Middleton.com) John Middleton: Smoking & Health (John Middleton.com)			Type of product and service information required by the organization's procedures for product and service information labeling, and percentage of significant product and service categories subject to such informational requirements
G4-PR4	Marketing Responsibly: MSA Performance Indicator (page 26)			Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes
G4-PR5	Marketing Responsibly (page 24)			Results of surveys measuring customer satisfaction

Specific Standard Disclosures

DMA and Indicators	Page	Omissions	External Assurance	Description
Material Aspect: Marketing Communications				
G4-DMA	Marketing Responsibly (pages 22-26) Reducing the Harm of Tobacco Products (pages 17-18, 20) Appendix C (page 48)			Disclosure on Management Approach for Aspect
G4-PR6	Combating Illicit Trade (Altria.com)			Sale of banned or disputed products
G4-PR7	Marketing Responsibly: MSA Performance Indicator (page 26)			Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes
Material Aspect: Compliance				
G4-DMA	Marketing Responsibly (page 25) Our Approach: Governance & Oversight (page 10)			Disclosure on Management Approach for Aspect
G4-PR9	Marketing Responsibly (page 26) 2016 Form 10-K (Altria.com) (pages 22-29)			Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services



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