

Responsibly Leading the Way

2019 Corporate Responsibility Progress Report



Altria

2019 Corporate Responsibility Progress Report

Altria's tobacco companies are the undisputed market leaders in the U.S. tobacco industry, with profitable premium products, iconic brands and a strong American heritage stretching back more than 180 years. As the leader in an evolving industry, we have the duty and opportunity to shape a better future for adult tobacco consumers, our employees and shareholders.

We'll do so through our continuous, integrated focus on leading responsibly. It's how we earn our license to operate, every day, and crucial to successfully and sustainably navigating our path forward.



Altria's Responsibility Priorities & Goals

Reducing the Harm of Tobacco Products

PAGE 15

- ➔ Offer lower risk tobacco products that will help convert adult smokers who do not quit and engage the FDA constructively about those products
- ➔ Provide access to expert quitting information for those who have decided to quit

Preventing Underage Tobacco Use

PAGE 24

- ➔ Support programs that help reduce underage tobacco use

Marketing Responsibly

PAGE 34

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

Managing Our Supply Chain Responsibly

PAGE 40

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

Developing Our Employees and Culture

PAGE 49

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

In This Report

This report includes data and progress for the calendar year 2019. This report describes our approach and progress against our main responsibility priorities, set based on stakeholder expectations.

You will notice a new chapter in this year’s report focused on “Preventing Underage Tobacco Use.” We believe underage tobacco prevention is a critical component of tobacco harm reduction. That’s why, since 2014, we’ve reported on these two topics together. Over the past year we’ve greatly expanded our efforts to address the unacceptable rise in youth vapor use. The significance of this pressing societal issue compels a greater focus from all stakeholders, and we believe it is our responsibility to disclose our holistic approach to underage tobacco prevention solutions.

Additional environmental, social and governance (“ESG”) topics and progress, including how we are working to reduce our environmental impact, are also covered in this report. These topics are also on our website, Altria.com. [Appendix B](#) presents additional analysis of our material topics, including identification of aspects and boundaries in line with GRI standards.

Reporting Disclosure

Our disclosure is guided by the Global Reporting Initiative (GRI), the leading sustainability reporting framework, and the disclosure standards set forth by the Sustainability Accounting Standards Board (SASB). This report has been prepared in accordance with the GRI Standards: Core option. You can find our [GRI](#) and [SASB](#) disclosure indices and tables on Altria.com. We’re in the early stages of aligning with the Taskforce for Climate-Related Financial Disclosure (TCFD) – primarily through our CDP Climate Change and Water Security Risk disclosures. The World Economic Forum is also in the process of finalizing its proposed draft of a common set of sustainability metrics and disclosures. We will continue to monitor these important, evolving disclosure standards and align future reporting as appropriate.

Introduction	2
<u>CEO’s Letter</u>	4
<u>Our Path Forward</u>	5
<u>10-Year Vision</u>	6
<u>Corporate Profile & Impact</u>	7
Our Approach	11
<u>Response to COVID-19</u>	14
Altria’s Responsibility Priorities: Progress & Outlook	
<u>Reducing the Harm of Tobacco Products</u>	15
<u>Preventing Underage Tobacco Use</u>	24
<u>Marketing Responsibly</u>	34
<u>Managing Our Supply Chain Responsibly</u>	40
<u>Developing Our Employees and Culture</u>	49
<u>Environmental Sustainability & Assurance</u>	59
Appendix A: Materiality & Stakeholder Engagement	68
Appendix B: Analysis of Material Topics	70
Appendix C: Governing Polices for Underage Tobacco Prevention & Responsible Marketing	72
Appendix D: Analysis of Other Topics	82

CEO's Letter

Welcome to our 2019 Corporate Responsibility Progress Report.

2019 was a year of significant change for our industry and for Altria. Ours was a year characterized by two distinct stories - the outstanding performance of our core tobacco businesses and significant progress advancing our non-combustible business platform, alongside disappointing performance from our e-vapor investment amidst unacceptable increases in youth e-vapor use. Importantly, we set our company on a new path by establishing our 10-Year Vision: to responsibly lead the transition of adult smokers to a non-combustible future. In a rapidly evolving tobacco category with opportunities and challenges, our employees accomplished more with less and responsibly delivered outstanding results. I'm incredibly proud of what our employees have achieved for our businesses. That's why, as the new CEO of Altria, I've never been more confident in Altria's future success and the positive impact we'll make on our path forward.

Our 10-Year Vision

With adult smoker demand for non-combustible alternatives, innovation and an appropriate regulatory framework, we have the opportunity to make more progress on reducing the harm caused by cigarettes in the next 10 years than we have in the past 50. In that time, I believe we will see non-combustible products surpass combustible products as the preferred choice among adult tobacco consumers.

We are actively preparing for and embracing that future. Altria's core tobacco businesses continue to provide significant profit growth and cash generation - enabling us to invest in a diversified non-combustible business model to further our tobacco harm reduction goal. And we are also pursuing a number of additional strategies that will further bolster the conditions for success, through leadership in preventing underage use of adult products, investing in our employees, stakeholder engagement, and science-based policy and regulatory solutions.



Billy Gifford

Chief Executive Officer

Responsibly Leading the Way

I have been on this journey with Altria for more than 25 years. Over those years, we've learned that operating responsibly must be our number one priority and it's foundational to how we do business. In the late 1990s, our license to operate was threatened as youth smoking rates hit record levels. We responded by launching a comprehensive youth smoking prevention effort, which along with complementary actions by many other stakeholders, helped lower youth smoking rates to generational lows.

Drawing from our experience, we know that trust and credibility are essential to the future of the industry. We must continue to build credibility through our actions and earn our license to operate every day. We know that we cannot accomplish our vision alone, and that tobacco harm reduction simply cannot be achieved if underage tobacco prevention is not a priority for all stakeholders. That's why we're proud of our advocacy for raising the legal age to purchase tobacco products to 21, and encouraged by the broad support of many, including state and federal policymakers. Today, "Tobacco 21" is now in effect nationwide.

We also recognize that the long-term sustainability of our business depends on our ability to deliver comprehensive solutions to critical environmental and social challenges impacting a broad range of stakeholders, including our employees, adult tobacco consumers, partners across our value chain and those in the communities we impact. As you will read in this report, our people are working toward solutions with an integrated approach, embedding environmental, social and governance responsibility across all facets of our business. I'm proud of their unwavering commitment to making progress against our most material focus areas, while identifying new opportunities that demand action.

I invite you to learn more,

A handwritten signature in black ink that reads "William F. Gifford, Jr." The signature is written in a cursive, professional style.

Billy Gifford
Chief Executive Officer

Our 10-Year Vision is to responsibly lead the transition of adult smokers to a non-combustible future.

Our Path Forward

In 2018, I wrote about the changing dynamics of our business and the importance of continuing to build trust and credibility. In 2019, the landscape shifted yet again - this time for all industries, as leaders around the world acknowledged a new role for corporations, beyond advancing shareholders' interests.

Global challenges – food insecurity, access to clean water, social and economic inequity, environmental deterioration - increasingly plague more of the world's population. Where governments have failed to enact solutions, society is turning to the private sector. Investors, consumers and employees are demanding more from companies. In response, through declarations from the Business Roundtable to the Davos Manifesto, corporations committed to delivering value to customers, investing in employees, supporting communities, protecting the environment, and dealing fairly and ethically with suppliers.

Altria has long-practiced this multi-stakeholder approach. And we, too, have room to grow.

We are moving to a non-combustible future for adult smokers. Our pursuit of this Vision has enormous impact for all our stakeholders. That's why today – more than ever – it's critical we evolve our approach. We must build on our foundational pursuits of "understanding and engagement," and move toward more meaningful relationships that explore what we and our stakeholders can achieve together.

Over the next 10 years, we will lead the way through our own actions *and* partnering to drive responsibility impact beyond our walls – in the marketplace, the regulatory environment, and across our value chain and communities. Our focus must include:

- Constructively engaging with the FDA, policymakers and the public health community to create the conditions for tobacco harm reduction to succeed;

Jennifer Hunter

Senior Vice President,
Corporate Citizenship



- Broadening our network of partners, and deepening existing relationships, to find new solutions to reduce and prevent underage use of products intended for adults;
- Partnering with suppliers, retailers, wholesalers, and growers to address our collective impact on environmental and social issues, such as climate change and human rights; and
- Working to advance social and economic equity within our walls, inside our operating communities, and across our value chain.

You might imagine how this letter has changed from its first draft. We can't ignore the pandemics challenging our world: COVID-19 and systemic racism. These multi-faceted pandemics demand urgent action and multi-sector collaboration. Corporations, including Altria, are answering the call to action. This must be a sustained effort to address both the causes and effects.

Through trust, partnership, and transparency we strive to drive greater impact in solving the important social and environmental challenges material to our business. In the following pages, you will read how our long-standing approach came to life in 2019, the progress we've made and the opportunities we're embracing for the future.

Thank you for your interest in our journey.

A handwritten signature in black ink that reads "Jennifer Hunter".

Jennifer Hunter
Senior Vice President, Corporate Citizenship

“... we must move toward more meaningful relationships that explore what we and our stakeholders can achieve together.”

OUR 10-YEAR VISION

It's an exciting and dynamic time for our company. As the leader in an evolving industry, we have the duty and the opportunity to shape a better future for adult tobacco consumers, our employees and shareholders. To do so, we need clarity of purpose and a Vision for where we're headed. As we navigate uncertainty and change, we'll embrace this challenge and remain steadfast in our Vision while being flexible in how we get there. This is our path forward.

Our companies have a strong legacy of leadership in traditional tobacco categories, with profitable premium products and iconic brands. And while we will continue to lead in traditional tobacco categories, we recognize that consumer preferences are changing. Today over 20 million U.S. adult smokers seek less harmful alternatives to cigarettes. This is a pivotal moment. With adult smoker demand for non-combustible alternatives, innovation and an appropriate regulatory framework, we have the opportunity to make more progress on harm reduction in the next 10 years than we have in the past 50 years. In fact, our future success depends on it. Over the next 10 years, we will invest in our business and our people to transform Altria and our industry.

**10-YEAR
VISION:**
Responsibly lead
the transition of
adult smokers to a
non-combustible future.

To achieve this Vision, we will:

- Lead the industry in operating responsibly and preventing underage use of adult products.
- Develop and expand our portfolio of FDA-authorized, non-combustible products and actively convert adult smokers to them.
- Maximize the profitability of our combustible products while appropriately balancing investments in *Marlboro* with funding growth of our non-combustible portfolio.
- Invest in our manufacturing employees and facilities to enable them to be the manufacturers of choice for all Altria's current and future portfolio of tobacco products.
- Seize leadership in the external environment through communications, engagement and science-based policy and regulatory solutions.
- Build employee capabilities to accelerate progress against our Vision and further evolve the way we work and behave.
- Help position Cronos as a leader in a highly-responsible, regulated and legalized U.S. cannabis market.
- Maximize the contribution of Altria's investments to our long-term value.



Corporate Profile

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



Our Family of Companies



Leading cigarette manufacturer in the U.S. for over 40 years and maker of *Marlboro* cigarettes



World's leading producer and marketer of moist smokeless tobacco, including *Copenhagen* and *Skoal*



A leading producer and importer of premium wines, including *Chateau Ste. Michelle* and *14 Hands*



Leading producer of one of the best-selling tipped large machine-made cigars sold in the U.S., *Black & Mild*



Provider of super-premium cigarettes and cigars, including *Nat's*



80 percent interest in Helix Innovations, LLC, provider of *on!* nicotine pouches

Our Investments



10 percent equity investment in Anheuser-Busch InBev, the world's largest brewer



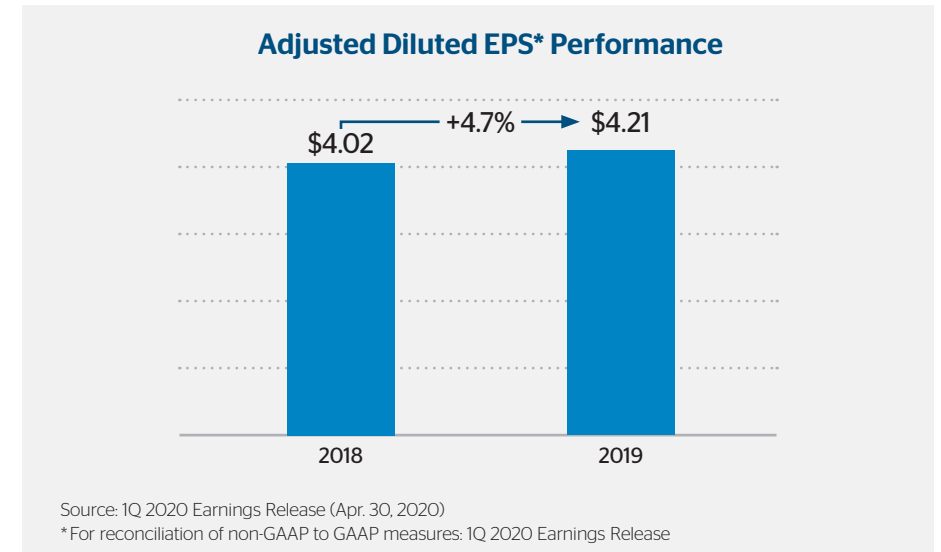
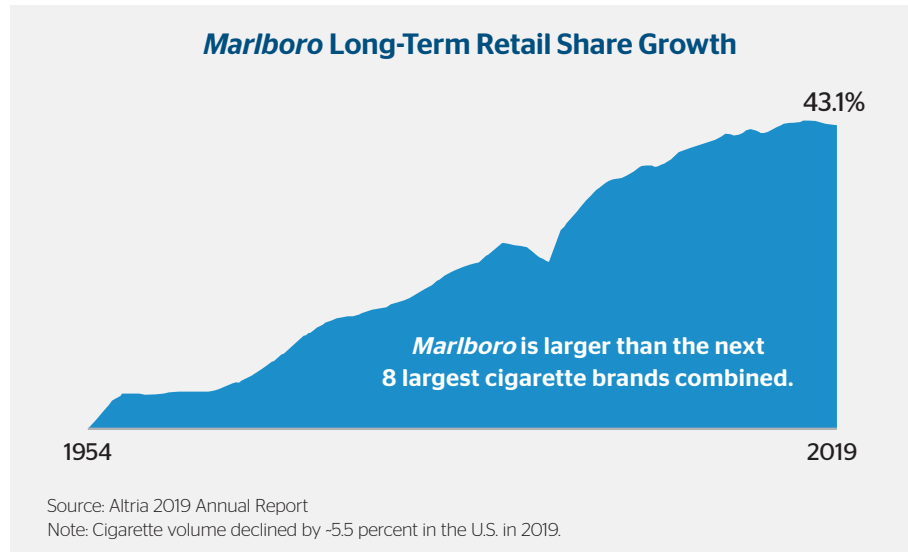
35 percent economic interest in JUUL, the U.S. leader in e-vapor



45 percent equity investment in Cronos Group, a leading global cannabinoid company

Company Performance

Source: Altria 2019 Form 10-K



Other Direct Economic Value

\$43.6
MILLION
In cash contributions to communities

\$293
MILLION
In charges for FDA user fees

\$5,314
MILLION
In excise taxes on products sold

\$6,069
MILLION
In dividends paid on common stock

\$619
MILLION
Paid against pension and post-retirement benefits

\$4,188
MILLION
In charges to state settlement agreements

Source: Altria, 2019 Annual Report

Communities Where We Live and Work

\$46.9M
DONATED
In cash contributions* to communities

37,000+
HOURS OF COMMUNITY SERVICE
Contributed by employees through volunteer activities

94%
OF EXECUTIVES
Served on over 80 non-profit boards

* includes equipment donations, facility use, services and wine giveaways

Altria

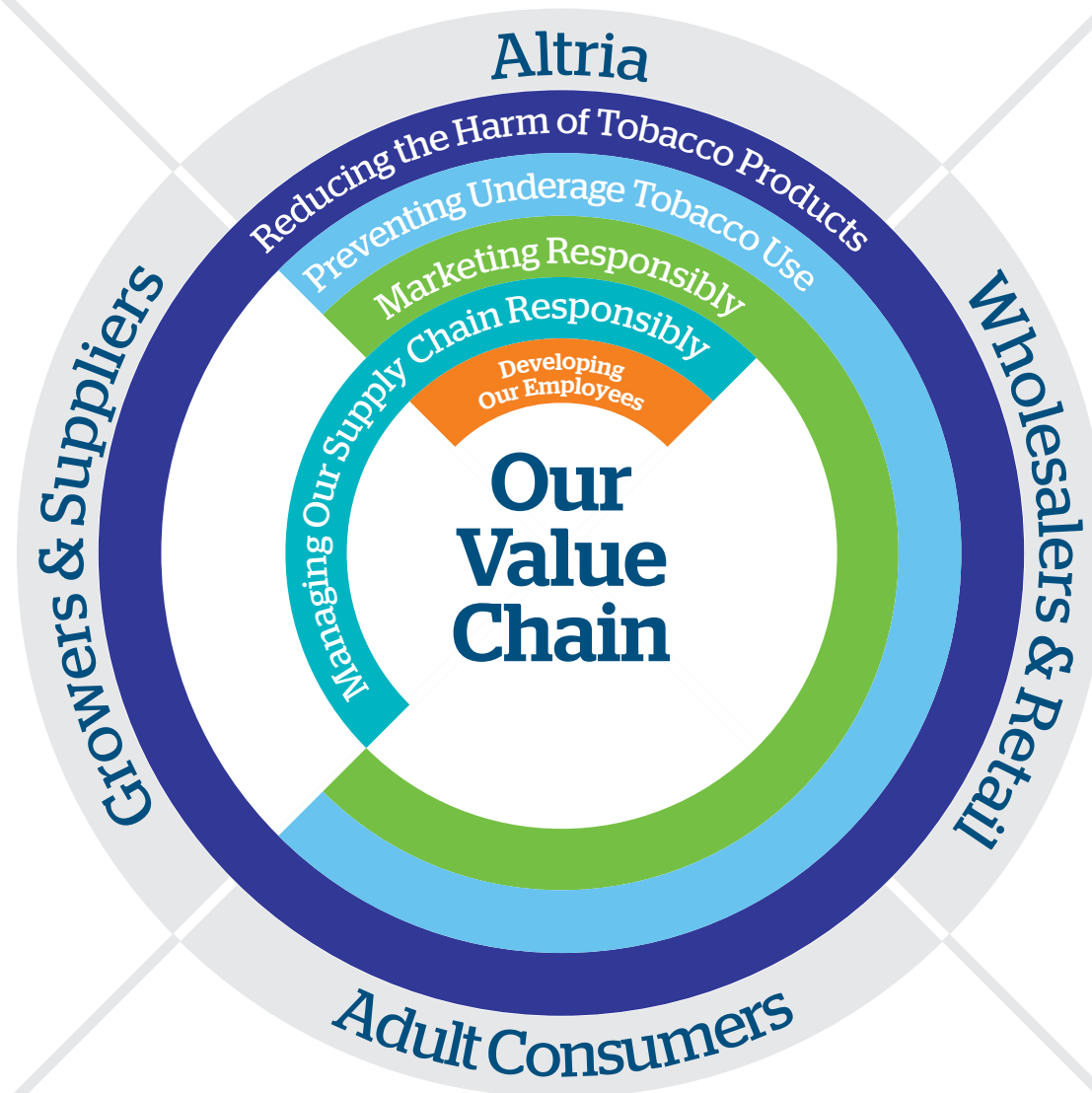
Our companies develop, manufacture and market tobacco products and wine. Our companies provide jobs for about 6,800 employees in 50 states and Washington, DC. We work to maintain strong relationships with unions that represent about one-fourth of our workforce.

Growers and Suppliers

American-grown tobacco purchased from over 1,800 growers is the backbone of Philip Morris USA's (PM USA) and U.S. Smokeless Tobacco Company'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 3,957 acres of vineyards and contracts for grapes from long-term grape growers on approximately 27,095 acres.

Our companies work with over 5,000 suppliers worldwide.



Wholesalers and Retail

Our tobacco companies' products are distributed to nearly 289,000 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 2019.

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 deep understanding of our consumers is reflected in performance. PM USA's *Marlboro* has a 43.1 percent retail market share, and USSTC's *Copenhagen* has a retail share of 33.9 percent.

Recognition 2019



Ranked 14th on *Corporate Responsibility Magazine's 100 Best Corporate Citizens List*

our **9th year** in a row being included on this list



Consumer Staples Sector Leader among America's most community-minded companies in The Civic 50



Among only 2% of disclosing global companies to be named to CDP's Water A-List for the third year in a row



Highest-ranking company in the North American Consumer Staples sector on Global Child Forum's Children's Rights Benchmark



Perfect score of 100 on the Human Rights Campaign Corporate Equality Index and recognized as one of the "Best Places to Work For LGBTQ Equality"



5th and named as a "Trendsetter" among the S&P 500 on the Center for Political Accountability-Zicklin Index of Corporate Political Disclosure & Accountability, for voluntary disclosures of political spending



The top workplaces in the Richmond area by the *Richmond Times-Dispatch* for the fifth year in a row



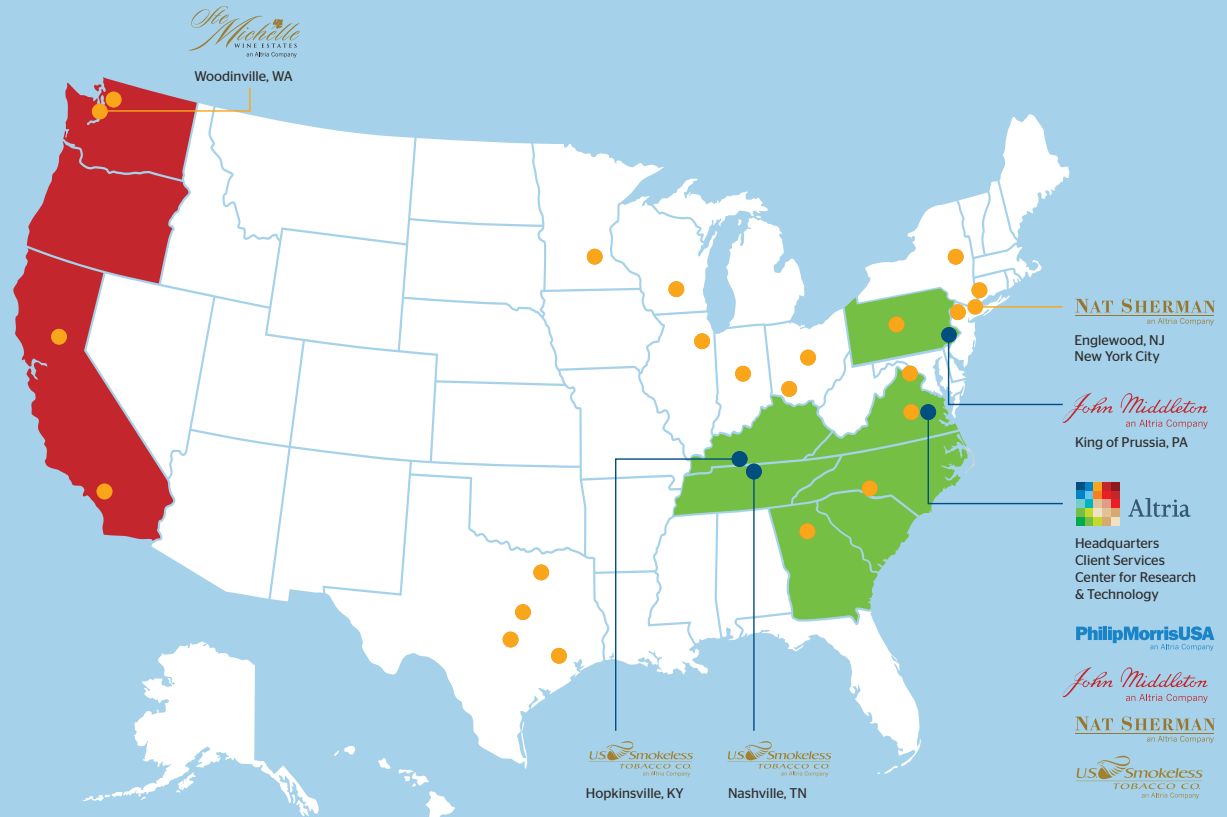
Wall Street Journal's "Management 250" well-run companies for customers, employees and investors

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.

Map Key

- Wine Growing States
- Key Tobacco Growing States
- Manufacturing Facilities
- Offices



Our Approach

We believe that operating responsibly must be our number one priority and is foundational to how we do business. Actions speak louder than words. We understand that we must build credibility through our actions and earn our license to operate every day.

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. In April 2020, then-Chairman and CEO, Howard Willard, announced his retirement. As a result, Altria's Board of Directors appointed then-Chief Financial Officer, Billy Gifford, as CEO. Tom Farrell, then the Board's Presiding Director, was appointed as independent Chairman of the Board.

Altria's CEO 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. The committee consists entirely of non-management directors all of whom the Board has determined are independent. The entire Board of Directors is also periodically briefed on responsibility efforts including topics such as underage tobacco prevention, trends in corporate responsibility, the environment and our public policy engagement.

Operating company and functional business leaders develop and measure progress against our enterprise initiatives and annual corporate responsibility plans. Our Corporate Responsibility group advises business leaders, monitors best practices and reports progress. Altria Client Services' Senior Vice President, Corporate Citizenship, leads this group and serves on our Executive Leadership Team, reporting directly to the CEO of Altria Group.

Expectations of Employees. Along with our Vision, we've created a new articulation of who we are and what we value: [Our Cultural Aspiration](#). By showing up and leading with Our Cultural Aspiration, our employees will create the organization and culture necessary to achieve our Vision. This aspiration is a set of commitments employees make to each other and to our external partners and stakeholders. We're also asking employees to make progress on Inclusion and Diversity Aiming Points, which are goals intended to promote inclusion in the workplace.

We expect our employees to set and pursue business objectives that support our 10-Year Vision, demonstrate behaviors consistent with Our Cultural Aspiration and follow compliance requirements, guided by our Code of Conduct. Consistent with Our Cultural Aspiration, we pursue our business objectives with integrity and full compliance with all laws. Altria's CEO, 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.

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.

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

The Ten Principles of the United Nations Global Compact, the UN Guiding Principles on Business and Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work guide 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 Cultural Aspiration and Code of Conduct;
- work with suppliers to promote actions that are consistent with our [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 A](#) includes examples of why and how we engage with key stakeholder groups.

Identifying What Matters Most. Altria's responsibility priorities and initiatives are guided by our materiality assessment process — a comprehensive, formal approach to identifying the most impactful environmental, social and governance ("ESG") issues a company must address for long-term sustainability and success. Through this assessment, we conduct a comprehensive review of stakeholder expectations, and determine how those expectations align with our business priorities. We then set ESG focus areas for our business, to best address current and future risks and opportunities. Through our 2014 materiality assessment, we identified four material responsibility priorities:

- **Reducing the harm of tobacco products**, which includes offering 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.

Our materiality assessment approach involves several steps, including soliciting stakeholder input; evaluating and prioritizing the top issues based on environmental, societal and business impact; and, communicating the results. We involve a variety of stakeholder groups in the process, including: employees, consumers, growers, suppliers, trade partners, government officials, community and youth serving organizations, public health, non-governmental organizations, members of Altria’s Board and the general public. And it’s critical that Altria’s executives, senior management, and Board members are fully involved – providing guidance, contributing to the analysis, setting goals and ultimately driving progress against our focus areas through functional business planning and initiatives. We’ve adopted this thorough and measured approach to conduct our most recent materiality assessment, currently in its final stages.

While our initial goal was to complete a new assessment in 2019, we postponed the process to allow for the development of Altria’s 10-Year Vision and Our Cultural Aspiration – critical guideposts for prioritizing new ESG focus areas and setting 2025 goals. We look forward to reporting our progress against these new focus areas in our next Corporate Responsibility Progress report.

Aligning Business Practices

Our businesses implement strategies against long-term goals aligned to our Vision and responsibility priorities. 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

A Culture of Compliance and Integrity

The role of the Compliance & Integrity Department is to promote a culture of compliance and integrity to drive performance of the business. To do this, we focus on three primary objectives: anticipating and mitigating compliance risks, detecting and responding to allegations of non-compliance, and promoting a culture of compliance and integrity that encourages ethical conduct and compliance with the Altria Code of Conduct, our policies and the law. Our success requires us to partner inclusively and collaboratively and communicate transparently about our compliance and integrity efforts.

I’m responsible for our risk assessment process, which is how Altria identifies key compliance focus areas and enterprise risks. Throughout this process, we engage with employees, regardless of their level, to identify, prioritize and manage significant risks – compliance, strategic, operational or financial – relevant to the business. Those risks are shared with the Risk Oversight Committee, and ultimately with our Board of Directors.

We promote a culture of compliance and integrity in many ways. For example, we identify employees from various departments to serve on Compliance Committees. These committee members serve as local ambassadors to increase awareness and resources for employees to ask question and raise concerns. Also, in 2019, we hosted our first-ever National Compliance Week that consisted of various employee engagement opportunities, including games, a scavenger hunt, and an external speaker. We also regularly communicate the importance of compliance and integrity across the enterprise. For example, many resources are available on the Compliance and Integrity intranet site including our Policy Library and we distribute routine publications highlighting different aspects of our Compliance & Integrity Program in employee communications.

We take compliance and integrity seriously and I’m proud to support Our Cultural Aspiration to “Do What’s Right.”



Joy Thorpe
Sr. Manager, Compliance & Integrity,
Altria Client Services

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;
- drive positive change;
- prioritize issues for business action and reporting; and
- build stakeholder understanding of Altria and its companies.

Our approach to stakeholder engagement and business alignment is reflected in our new charitable giving strategy, launched in 2019. Our corporate giving portfolios are

focused on key areas that align the evolving priorities of our businesses with the changing needs of our community and employee interests to help our communities thrive.

Through Success360°, our signature giving area, we continue to partner with leading national and local organizations with a proven record of helping kids in middle and high school avoid risky behaviors, including tobacco use. The investments we make through our Environment portfolio focus on responsible environmental business practices and viable supply chains that promote long-term business success and sustainability of natural resources. We also developed two new strategic giving areas, Inclusive Community & Culture and Workforce & Economic Growth – through which we emphasize the importance of vibrant

“Inclusive Communities and Culture”

In my current role, I have the pleasure of leading our new focus giving portfolio called “Inclusive Communities and Culture (ICC).” This portfolio is aimed at enhancing access and equity in our communities through our diversity and inclusion, arts and culture and basic human needs philanthropic investments. We don’t pretend we know it all – we are looking for proven effective partners who are impactful in the work that they do and care about the responsibility efforts we want to focus on. Although many of these community partners aren’t necessarily new, creation of this new combined portfolio allows us to deepen existing partnerships, explore new ones and collaborate in new and different ways.

Part of what we want to do in the ICC portfolio is expand access and equity to community members that have not been able to participate in some of these rich cultural experiences because they’re just worried about the basics – putting food on the table, clothing, shelter, etc. A lot of our partners have begun to understand that it’s important that they begin to diversify their programming, exhibitions and staffs – turning these institutions into places everyone wants to visit because they are welcoming and reflect the diversity of the community.

One way we’ve seen our aim for this portfolio come to life is through our partnership with the Richmond Symphony. As they were recently seeking their new conductor, they interviewed the most diverse candidate slate they have ever had in the history of the organization. As part of the interview process, each candidate conducted a concert. We collaborated with the Symphony and found an innovative way to provide free access to more diverse audiences from the community. We connected our own diversity-focused employee resource groups, non-profits and youth serving organizations who could see themselves reflected in those conductors, to experience the Symphony, and many for the first time. This is a perfect example of a successful partnership that resulted in exposing new audiences to some of Richmond’s vibrant cultural assets.



Immanuel Sutherland
Sr. Manager Corporate Citizenship,
Altria Client Services

diverse local culture, inclusive access to economic opportunity, and the expansion of diverse talent pipelines that meet current and future employment needs.

We continue to monitor emerging issues and to align our business practices to help solve societal issues important to our companies, stakeholders and communities.

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. Additionally, we align our reporting with the GRI and SASB frameworks, respond to surveys like CDP, including our disclosures recommended by the Task Force on Climate-related Financial Disclosures, and consider other frameworks like the UN Sustainable Development Goals.

This report shares our approach and progress against our responsibility priorities. For each, we describe our goals, approach, progress and metrics. In addition, we report targets for certain metrics. For example, we have set targets for goals that are quantitatively measurable, such as visits to our cessation website or spending with diverse suppliers.

This report also touches on progress in other important ESG areas, including how we are working to minimize our [environmental impact](#) and [invest in our communities](#). More information about these topics can be found on our website, [Altria.com](#). We also share an overview of the other topics in [Appendix D](#).



Our Response to COVID-19

Caring for each other and doing what's right is core to our company, which became even more important during the COVID-19 pandemic. Since this report focuses on our 2019 activities, and because the pandemic was still unfolding at publication, we've highlighted some of our key response activities through April 2020 below, with more details to follow in our 2020 report next year.

Employees

- The health and safety of our employees has been our highest priority, and we took a number of steps, including travel restrictions, remote work for non-manufacturing salaried employees, and contact tracing of cases.
- After we temporarily suspended operations at some of our manufacturing locations, we implemented social distancing protocols, daily temperature checks, return to work health assessment questionnaires, and additional cleaning and sanitation practices to deliberately bring facilities back online in a way that prioritized employee safety. We provided pay continuation for employees quarantined or not scheduled to work and for a period of time, provided pay for employees with a compelling reason they were unable to work. For varying periods of time, we also provided employees who reported to work with time and one-half pay and additional bonuses.
- We added and enhanced benefits and resources to support employees and their families' financial, physical, and emotional well-being, including health care benefits to pay 100% of COVID-19 testing and treatment costs and 100% of all telemedicine expenses.

Communities

- We committed an initial \$1 million to support immediate local coronavirus relief efforts in our headquarters community of Richmond, VA, and other manufacturing and grower communities. We also provided support for nationwide first responses through the American Red Cross.
- We launched an employee giving campaign to support five organizations, with a 1:1 matching donation from Altria. We also identified non-profits where employees could volunteer virtually.

- Many of our valued non-profit partners have been hard-hit by COVID-19, with disruptions to critical programs and funding streams. To help them through this time, we provided additional flexibility with the use of grant and sponsorship dollars to support general operating needs and accelerated some payments.
- In addition to financial support, our companies have offered several facilities in Richmond and Nashville for emergency preparedness purposes and have donated some specialty lab equipment and personal protective gear. One of Ste. Michelle's wineries partnered with another Seattle-based company to produce hand sanitizer.

Consumers

- We implemented plans to minimize business disruptions and their potential impact to consumers and customers.

The COVID-19 pandemic illustrates why long-term sustainability and resiliency is critical for any business. It calls for all companies, including Altria, to continue to focus on material environmental, social and governance ("ESG") risks and impacts to all stakeholders.



Reducing the Harm of Tobacco Products

Goals:

- ➔ Offer lower risk tobacco products that will help convert adult smokers who do not quit and engage the FDA constructively about those products
- ➔ Provide access to expert quitting information for those who have decided to quit



Paige Magness
Senior Vice President,
Regulatory Affairs



“For decades we have been committed to offering adult smokers better alternatives and ensuring a regulatory framework to determine if those products offer lower risk and how to appropriately communicate about them. That future is here and, at Altria, we embrace it. Across our companies, we’re

working hard to bring scientifically supported, lower risk products to market and to lead adult smokers to these new, better options. And we’re fully engaged in the science, policy and regulatory dialogue necessary to innovate and deliver the satisfying alternatives adult smokers need and want.”

Our 2019 Performance

Offer lower risk tobacco products that will help convert adult smokers and engage with the FDA constructively about those products

40

Engagements on the topic of tobacco harm reduction and regulatory compliance with the FDA and other stakeholders

1

Keynote speech

72

External posters & presentations across

26

scientific and policy conferences

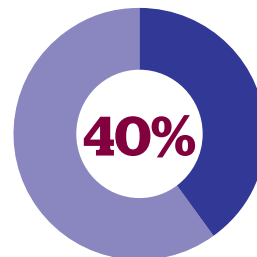
8

panel discussions

Launched IQOS in two lead markets



Brand awareness among smokers in Atlanta lead market



on! oral nicotine pouches



Worked diligently on PMTA for 35 on! products and submitted in May 2020

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



97,501
site visits

to the *QuitAssist*[®] website in 2019



2015



2020 goal to **increase annual site visits by 50%** from a 2019 baseline

exceeding the 2018 target to increase annual site visits by 20%



Progress & Outlook

Successfully converting a significant portion of adult smokers to non-combustible products represents a substantial opportunity for our adult tobacco consumers, our business, society and our shareholders. That's why, over the next 10 years, Altria's Vision is to responsibly lead the transition of adult smokers to a non-combustible future.

The percentage of U.S. adult cigarette smokers is at an all-time low – 13.7%, or 34.2 million current users, according to the Center for Disease Control's ("CDC") latest National Health Interview Survey (2018). Still, cigarette smokers represent the majority of users among the estimated 49 million U.S. adults who use any tobacco product – combustible or non-combustible. And we know that millions of adult smokers are interested in alternatives to cigarettes that reduce the risk of smoking – over half, according to the FDA's Population Assessment of Tobacco and Health (PATH) study.

In 2019 we strengthened our competitive position regarding reduced-harm products for adult smokers. We've built a diversified non-combustible business model to further our tobacco harm reduction goals. We're seeking authorization from regulators to provide adult smokers with truthful, accurate information about reduced-risk products. And we're working diligently – through responsible marketing practices, partnerships with the trade, policy advocacy, and investments supporting tobacco cessation and underage use prevention – to keep the harm reduction opportunity open for adult tobacco consumers.

FDA's Regulatory Authority over Tobacco Products

The success of tobacco harm reduction in the United States hinges on a regulatory framework that allows manufacturers to provide adult tobacco consumers with potentially reduced-risk tobacco products and communicate accurate health information about them, including information about their lower risks relative to cigarette smoking.

The foundation for this regulated marketplace exists today, as a result of the 2009 Tobacco Control Act which gave the Food and Drug Administration ("FDA") authority over nearly all aspects of the manufacturing, distribution and marketing of tobacco products. Importantly, the Act provided pathways to bring innovative, potentially reduced-harm products to market, and make reduced harm claims about new or existing products. As stated by one of the bill's sponsors, U.S. Senator Ben Cardin, "This bill gives the FDA the power it needs to help addicted smokers overcome their addiction, and to make the product less toxic for smokers who are unable or unwilling to stop."¹

¹ Press Release, Cardin Holds Press Conference to Praise Senate Passage of Bill to Regulate Tobacco (June 12, 2009), available at <https://www.cardin.senate.gov/newsroom/press/release/cardin-holds-press-conference-to-praise-senate-passage-of-bill-to-regulate-tobacco>.

Regulatory Pathways for FDA Authorization of New Tobacco Products

A new tobacco product is either a product commercially marketed in the United States after February 15, 2007, or any modification to a tobacco product commercially marketed after February 15, 2007. If a predicate product existed as of February 15, 2007, applicants can apply via the **Substantial Equivalence (SE)** regulatory pathway.

PMTA: A premarket tobacco application ("PMTA") is an application that must be reviewed and authorized by the FDA before a new tobacco product can be legally marketed in the United States.

MRTP: A "modified risk tobacco product" is a legal designation in the U.S. for a tobacco product that poses lower health risks to individual users and the population as a whole when compared to existing products on the market such as cigarettes and for which the FDA has authorized a modified risk claim.



With the FDA's expansive authority to define the tobacco marketplace, the Agency is in the leading position to create a mature, regulated tobacco marketplace that successfully reduces the harm caused by combustible cigarettes by:

1. Executing product authorization pathways to create a diverse marketplace of potential reduced risk tobacco products;
2. Communicating to address misperceptions that hinder adult smoker adoption of potentially harm reducing non-combustible products;
3. Investing in proven tactics to reduce underage tobacco use; and
4. Engaging with key stakeholders to improve upon national surveys and provide appropriate, timely and efficient information to rapidly address emerging challenges in the dynamic tobacco category.

The FDA is the only federal agency with the Congressional mandate and the necessary authority and resources to lead tobacco harm reduction efforts. That's why the Agency's ability to coordinate federal strategy and drive efficient resource allocation towards these efforts is crucial for reducing the death and disease associated with combustible cigarettes.

We have long supported the FDA's regulatory authority and believe that continued engagement between the FDA and tobacco manufacturers is necessary for progress. And as the FDA addresses the necessary regulatory conditions, it is our responsibility to be ready – with a portfolio of potentially reduced-risk products that satisfy adult smokers' evolving interests.

Nicotine & The Continuum of Risk

Unfortunately, persistent misperceptions regarding the role of nicotine and the relative risks of different tobacco products prove to be a significant obstacle to adult smokers choosing products that present potential reduced harm as compared to combustible cigarettes. For example, a 2016 study analyzing data from the Health Information National Trends Survey found “a high prevalence of incorrect beliefs about the relationship between nicotine and cancer.”¹ Specifically, the study found “Most people (73%) either incorrectly believed that nicotine is the main substance in cigarettes that causes cancer or were unsure about the relationship between nicotine and cancer.”²

While nicotine is addictive, it’s the exposure to smoke – not nicotine – that causes most tobacco-related disease. Smoke from the burning of tobacco contains thousands of chemicals that cause the vast majority of harm associated with tobacco use, including lung cancer, heart disease and emphysema. FDA and other public health authorities agree that there is a broad “continuum of risk” among tobacco products, with combustible cigarettes at the highest end of that spectrum and complete cessation at the lowest end.³ In fact, when FDA announced its Comprehensive Plan in 2017, then-FDA Commissioner Gottlieb stated FDA policy should be used as a vehicle to “move addicted smokers down that continuum of risk to these less harmful [innovative] products.”⁴ The then-Commissioner also shared his concerns regarding the widespread misperceptions around nicotine among the American public.

Continuum of Risk of Tobacco Products

Adapted from Dorothy K. Hatsukami et al., Developing the Science Base for Reducing Tobacco Harm, 9 *Nicotine & Tobacco Res.* S537, S546 (2007)

Combusted Tobacco Products
(e.g., Conventional Cigarettes)

MOST HARMFUL

Non-combusted Tobacco Products (e.g., Smokeless Tobacco, E-Vapor, Heat-Not-Burn)

LESS HARMFUL

¹ O'Brien, E. K., Nguyen, A. B., Persoskie, A., & Hoffman, A. C. (2016). U.S. adults' addiction and harm beliefs about nicotine and low nicotine cigarettes. *Preventive Medicine*, 96, 94-100. doi:10.1016/j.ypmed.2016.12.048

² Id.

³ "... we must acknowledge that there's a continuum of risk for nicotine delivery. That continuum ranges from combustible cigarettes at one end, to medicinal nicotine products at the other." Remarks by Scott Gottlieb, M.D., Protecting American Families: Comprehensive Approach to Nicotine and Tobacco (June 28, 2017), available at <https://www.fda.gov/news-events/speeches-fda-officials/protecting-american-families-comprehensive-approach-nicotine-and-tobacco-06282017>.

⁴ Id.

The Harm Reduction Opportunity

Our approach to tobacco harm reduction is informed by a deep understanding of adult tobacco consumers. We know that different segments of adult tobacco consumers are looking for a range of different product formats, flavors and nicotine levels. At Altria, our companies focus on products and brands that meet three important consumer expectations:

- Superior sensory experiences;
- Reduced health risks and accurate relative risk information; and,
- The ability to avoid social friction associated with cigarettes, such as smoke odor, ash and social isolation.

We recognize that no single product would likely satisfy all adult smokers looking for alternatives. That's why we've taken a portfolio approach – expanding choice for adult tobacco consumers across three of the most promising non-combustible product platforms with the potential to reduce harm: heated tobacco, oral tobacco and e-vapor. Our diversified model allows us to meet adult consumers where they are going and invest appropriately to support their migration and conversion from combustible cigarettes.

Communicating about the Health Effects of Tobacco Use

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's](#), [U.S. Smokeless Tobacco Company's](#), [John Middleton's](#), and [Nat Sherman's](#) corporate websites.



Oral Tobacco: Moist Smokeless Tobacco



Nearly seven million U.S. adults now use oral tobacco products. U.S. Smokeless Tobacco Company is one of the most profitable non-combustible tobacco businesses in the world. Our oral tobacco products segment – which includes moist smokeless tobacco and oral nicotine pouches – performed well in 2019, delivering more than \$1.6 billion in adjusted OCI. *Copenhagen* continues to be the leading oral tobacco brand, with a market share of approximately 34% in 2019. In fact, *Copenhagen's* 2019 performance was highlighted by the opening of the Original Snuff Shop in Nashville.

Non-combustible Platform	Our Products	What is its harm reduction potential?
<p>Oral Tobacco – Smokeless Tobacco</p> 	<p>U.S. Smokeless Tobacco Company is the most profitable moist smokeless tobacco (“MST”) company, anchored by <i>Copenhagen</i>, the leading MST brand, <i>Skoal</i>, <i>Red Seal</i> and <i>Husky</i>.</p>	<p>From a scientific perspective, based on decades of epidemiology, it is now accepted by most public health researchers that smokeless tobacco, while not safe, is a far less risky way to use nicotine than cigarette smoking. According to our analysis of government data, when looking at all causes of mortality, smokeless tobacco use is at least 96 percent less risky than cigarette smoking.¹</p>
<p>Oral Tobacco – Nicotine Pouches</p> 	<p><i>on!</i> has an unparalleled portfolio of 35 product offerings – seven flavor varieties across five nicotine strengths. <i>on!</i> is currently distributed in the top five convenience store chains by smokeless volume.</p>	<p>Because <i>on!</i> products are tobacco-free, they have lower levels of harmful and potentially harmful constituents than traditional oral tobacco products such as snus.</p>
<p>Heated Tobacco Products</p> 	<p><i>IQOS</i> is the only FDA-authorized heated tobacco system. We have exclusive rights to commercialize <i>IQOS</i> and three <i>Marlboro HeatStick</i> variants – one non-menthol and two menthol – in the U.S. through our agreement with Philip Morris International (“PMI”).</p>	<p>PMI’s extensive regulatory filings for <i>IQOS</i> present a compelling case for the product’s harm reduction potential. For example, the research demonstrates that <i>IQOS</i> reduces levels of 18 harmful and potentially harmful constituents identified by the FDA by over 90 percent and reduces levels of 15 known carcinogens by more than 95 percent versus conventional cigarettes.</p>
<p>E-Vapor</p> 	<p>We compete in the e-vapor space through our 35% strategic minority investment in JUUL, the leading e-vapor manufacturer.</p> <p>JUUL’s estimated volume share of the total U.S. e-vapor market was 39% in the first-quarter of 2020.</p>	<p>Vapor does not produce many of the dangerous compounds that combustible cigarettes do. In the U.K., the Royal College of Physicians is encouraging U.K. smokers to migrate to e-vapor, estimating that e-vapor products are likely up to 95 percent less harmful to health than smoking conventional combustible cigarettes.²</p>

¹ Fisher MT, Tan-Torres SM, Gaworski CL, Black ML and Sarkar MA. Smokeless tobacco mortality risks: an analysis of two contemporary nationally representative longitudinal mortality. *Harm Reduction Journal*. 2019; 16:27

² Royal College of Physicians, “Nicotine Without the Smoke: Tobacco Harm Reduction,” April 2016

We are excited about the latest innovation for the U.S. Smokeless Tobacco Company brand, *Copenhagen* Packs. We’ve heard from adult dippers over the years that they liked the convenience of pouched products but didn’t want to sacrifice the taste of a long cut experience. We had these consumers in mind when we designed Packs, which has a softer, more permeable pouch that allows for better manageability and long-lasting flavor. Adult dippers have described *Copenhagen* Packs as, “the perfect mix between long cut and a pouch” and like the increased size of Packs versus traditional pouches.

We have also been conducting the most comprehensive assessment of the health effects of smokeless tobacco in almost 30 years. The basis of our assessment includes our analysis of two large, independent, nationally-representative datasets from the federal government. These datasets are widely used by health researchers, including the FDA. Our analysis demonstrates that when looking at all causes of mortality, smokeless tobacco use is at least 96 percent less risky than cigarette smoking.¹

This robust scientific evidence was just one aspect of our modified risk tobacco product (“MRTP”) application submitted for *Copenhagen Snuff* in March 2018. While millions of adult smokers also use MST, many others misunderstand the risks associated with smokeless tobacco use versus cigarettes. We’ve conducted substantial research to demonstrate that the modified risk claim we’re seeking – “IF YOU SMOKE, CONSIDER THIS: Switching completely to this product from cigarettes reduces risk of lung cancer” – is supported by science and understood by adult tobacco consumers. In February 2019, an FDA scientific advisory committee reviewed our research and overwhelmingly supported the scientific accuracy of our proposed claim. We believe that providing this accurate information to adult smokers could encourage many of them to fully replace cigarette smoking with *Copenhagen Snuff*, with minimal unintended consequences among non-users and youth.

More than a year later, the *Copenhagen Snuff* MRTP application is still under review by the FDA. *Copenhagen* continues to be the leading MST brand, and we remain excited about the opportunity that authorization of a modified risk claim for the Snuff product would provide for both adult dippers and smokers.

Oral Tobacco: Nicotine Pouches



In August 2019, we entered into an agreement with the Burger Group and now hold an 80% ownership stake of our Helix subsidiary, which manufactures the novel oral nicotine pouch product, *on!*. Today, *on!* can be purchased on its premium-branded website through a robust age-verification platform – [the same](#)

[comprehensive age-verification practice](#) we employ for all our tobacco product branded websites. As of Q1 2020, *on!* was sold in over 28,000 stores including the top five convenience store chains by oral tobacco volume. The adult smoker opportunity for *on!* is illustrated by our consumer data collection at retail. Based on our analysis of adult tobacco purchases in a large convenience chain, cigarette smokers were a higher percentage of first time *on!* buyers as compared to first time buyers of its largest oral nicotine pouch competitor, *Zyn*.

Advancing the Science; Making a Difference

Over the past two decades, we've worked hard to understand the very complex issue of tobacco harm reduction and invested in multiple avenues to find solutions. My role focuses on developing scientific strategies to advance tobacco harm reduction and conducting research for regulatory filings.

I'm a physician by training. I joined Altria almost 17 years ago and was hired, specifically, to work on this issue. As a physician, I knew all too well the harm caused by smoking – I had firsthand experience treating the patients who were suffering from smoking-related diseases. I also knew that the best way to avoid harm from smoking is – and has always been – to either never start or quit tobacco all together. But the reality is that not every smoker is either willing to, or can, quit smoking. So, I was motivated to find real solutions for those individuals.

We know that offering products that deliver a satisfying nicotine experience without burning tobacco or inhaling smoke – the primary link to diseases associated with smoking – is the right thing to do. We also know that one size does not fit all. Therefore, providing multiple alternatives, such as heat-not-burn, e-vapor or oral tobacco is necessary to meet the preferences of adult tobacco consumers and support them on their journeys. If we get this right, we can have a significant positive impact on public health and the health of individual smokers. And this is what I was trained to do.

We are investing in science to arrive at the right insights, guide product development and generate the data needed to really push the whole field forward. I'm excited by my work, and proud and humbled to work with world-class scientists, engineers, product development and regulatory affairs professionals who come to work every day committed to tobacco harm reduction. I firmly believe that the work that we do today will transform the tobacco industry and will have significant benefits for public health.

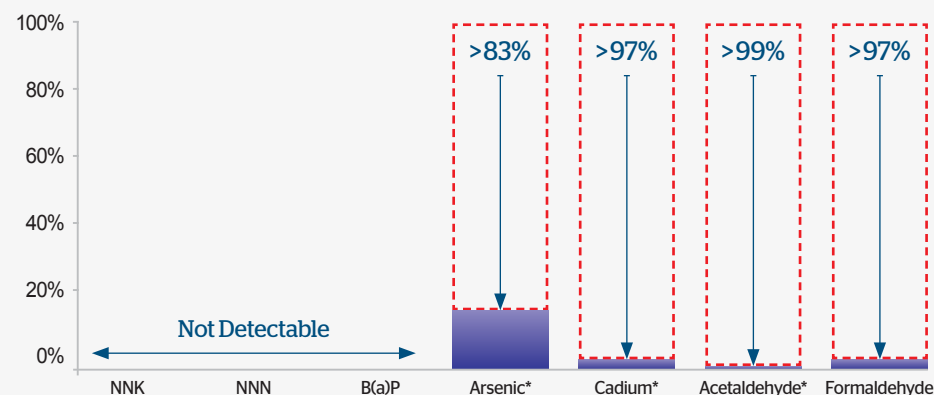


Maria Gogova
Vice President
Regulatory Sciences,
Altria Client Services

We also recently completed research in support of the *on!* PMTA that provides strong evidence of its appeal to adult smokers. In the study, adult smokers and dippers used *on!* for 6 weeks after a screening and trial period. These consumers were provided the product in various nicotine levels and flavor varieties. At the end of the study, more than a quarter of the adult smokers completely switched to *on!* products and over 70% of the adult dippers did the same. Additionally, we observed that women were just as likely as men to switch to *on!* at the end of the study. While these results must be considered in the context of study limitations, the data illustrate the promise offered by *on!* and support our belief that various nicotine levels and flavor options are important to adult tobacco consumers looking to switch to potentially less harmful products.

Finally, Helix filed a PMTA for the *on!* portfolio in May 2020 and we believe the total application makes a compelling case to FDA that the broad *on!* portfolio is appropriate for the protection of public health. For example, our research shows that when we compare the levels of harmful/potentially-harmful constituents (“HPHCs”) for the *on!* mint-flavored pouches containing 4 mg of tobacco-derived nicotine against the *General* snus products, which have been granted both market orders and authorization to be marketed with a reduced risk claim, the *on!* product has significantly lower HPHCs versus the *General* products. We're excited about the results of our PMTA research. And, as we await FDA review of the Helix submission in the coming months, our regulatory and science teams are now turning their attention toward planning a modified risk application for *on!*

Percent Reduction in HPHC levels of *on!* 4 mg Mint Product Compared to *General*® Snus in Market



* Arsenic and Cadmium were below the limit of quantification (BLOQ) in *on!* products. The limits of quantification (LOQ) were used to estimate the percentage reduction. Results show HPHC reductions in our 4mg Mint *on!* product and may vary for other SNUs.

To secure market authorization under a PMTA, U.S. federal law obligates an applicant to demonstrate that marketing of a new tobacco product is appropriate for the protection of public health and requires the FDA to consider the risks and benefits to the population as a whole, including users and non-users of tobacco products.

The Future of E-Vapor



We continue to believe that the e-vapor category holds promise for harm reduction. The growth of the e-vapor category since 2017 illustrates the willingness of adult smokers to try these products. Yet, 2019 was a dynamic and challenging year for the e-vapor category. The category experienced rapid growth in the first nine months, growing volume approximately 35%, driven almost entirely by JUUL. During 2019, regulatory action was driven by news of illnesses and deaths associated primarily with vaping illicit cannabis THC and the release of government survey data showing a significant rise in youth e-vapor use. Several states moved to ban flavored or all e-vapor products. For its part, JUUL (which is an independent company) responded by voluntarily ceasing the sale of all flavored pods except for Classic, Virginia Tobacco and Menthol. Even then, widely available, black market vapor products stepped in, providing flavored JUUL-compatible pods and other cheap, disposable forms of vapor to fill the void.

We continue to believe that the e-vapor category holds promise for harm reduction for the approximately 12 million adult vapers in the United States, many of whom are former smokers, and the millions of adult smokers looking for satisfying non-combustible products. But it's a critical time for the e-vapor category, and we believe manufacturers and the government must take responsible steps in the short term to protect the long-term opportunity that the category presents for adult smokers looking for alternatives. We believe that the e-vapor category is in the process of a reset, and we believe the most important next steps to create a sustainable path forward are 1) enforcement of the FDA's

Engaging with Policy Makers on the Science of Potentially-Reduced Harm Tobacco Products

The issue of tobacco harm reduction and the FDA's regulatory framework for tobacco products is complex. It's my team's job to engage with federal policy makers to talk about what tobacco harm reduction is, educate them about innovative new tobacco products, and the process by which FDA will authorize them – that is to say, helping introduce FDA-reviewed tobacco products, with the potential for less harm, to adult tobacco consumers.

Having conversations grounded in the science and rigor of the FDA's process is incredibly important. The FDA reviewed the science in the IQOS application and made the determination that this product is "appropriate for the protection of public health" – which is a very high bar. When you walk policy makers through that – when they can see the robust research that shows a reduction of harmful constituents [for IQOS, compared to a combustible cigarette], and the FDA's requirements for surveillance and reporting once the product is out on the market – it's eye-opening. It gives policy makers a level of assurance.

Millions of adult cigarette consumers want to transition to a potentially reduced-risk tobacco product and we have a pipeline of innovative, non-combustible products to meet their interests. These products will have to go through that very rigorous FDA process to meet the threshold of "appropriate for the protection of public health." That's exciting because for the first time, FDA will be able to provide clarity for the marketplace, tobacco consumers and policy makers.



Phil Park

Vice President Government Affairs,
Altria Client Services

guidance removing most flavored e-vapor products from the market; 2) FDA's review and ultimate decisions on PMTA filings; and 3) enforcement of laws that raised the legal age of purchase of tobacco products to 21 and continued efforts to drive down youth usage of e-vapor.

We believe it is important to preserve e-vapor as an alternative for adult smokers in the future, and that the category needs:

- a market ultimately consisting solely of FDA authorized products;
- clear FDA marketing guidelines and ongoing post-market surveillance to help ensure that products do not reach unintended audiences;
- pro-active regulatory enforcement against noncompliant

manufacturers and new entrants trying to avoid pre-market regulatory requirements; and

- uniform rules and regulations that apply to all e-vapor types, manufacturers and retail trade classes.

We're approaching the September 2020 deadline for all e-vapor manufacturers to submit PMTA filings to the FDA. Altria's regulatory affairs team is committed to helping JUUL achieve this critical milestone, supporting JUUL with preparation of its PMTA submission. As we've previously stated, the PMTA standard sets a high bar that requires a manufacturer to submit significant scientific data that demonstrate their product is "appropriate for the protection of public health." We think such a standard is warranted and is one of the reasons we originally supported this tobacco regulatory framework.

In the meantime, we believe we're well-positioned for future success with our exclusive license for *IQOS* in the U.S. We believe adult smokers are looking for alternatives to cigarettes beyond just the e-vapor category. While many adult smokers have used e-vapor products to transition away from cigarettes, third-party research indicates that approximately 40% of current U.S. adult smokers have tried, but ultimately rejected e-vapor products. We believe *IQOS* is a satisfying alternative for adult smokers who have rejected e-vapor, and we're excited about our commercialization plans for this brand.

IQOS & Adult Smoker Conversion: Testing and Learning

Our *IQOS* consumer journey framework focuses on the adult smoker from awareness to conversion. Our lead markets provide the ideal spaces to test different approaches and learn what may work best for adult smokers in the U.S..



Awareness

We're using multiple channels to generate adult smoker awareness for *IQOS*, including paid media, communications using our adult tobacco consumer database, and retail touchpoints at both our boutiques and trade partner stores. After just a few months in Atlanta, we have 40% brand awareness among adult smokers in the area. To put this in context, *IQOS* awareness is nine points higher than adult smoker awareness of the recent *Marlboro* Smooth Ice cigarette expansion.

Engagement & Trial

We have a number of unique consumer touchpoints to drive engagement and trial in Atlanta. Our flagship boutiques and nearby kiosks are designed to generate adult smoker awareness and provide them with the opportunity to engage fully with the brand. *IQOS* mobile infrastructure, which includes pop-ups and pods, allows the *IQOS* team to meet adult smokers in different locations, such as at events or outside retail stores. *IQOS* Corners, which are set up within select retail stores, engage adult smokers where they normally purchase their cigarettes. Finally, we have a network of over 100 trained *IQOS* experts who can provide guided trials across these and other locations.

Through our early marketing efforts, we've found that more than half of adult smokers who engaged with *IQOS* continue to the guided trial process. We know that guided trial is critical for explaining how to use the *IQOS* device, its non-health benefits and its taste profile.

We're encouraged that more than half of adult smokers who tried *IQOS* have ultimately purchased the product. The early adult consumer profile shows that *IQOS* is appealing to a wide variety of age cohorts. In fact, over half of the adult smokers who purchased *IQOS* are ages 21-39.

Heated Tobacco Products



IQOS has been the most successful next generation product converting adult smokers globally, and, according to PMI, there are more than 10 million adult smokers who have stopped smoking and switched to *IQOS*.

IQOS has been available in the Atlanta, Georgia and Richmond, Virginia markets since Q3 and Q4 2019, respectively, where we've focused on the consumer journey from awareness to conversion. Before these stores closed temporarily, as a result of safety precautions due to the global COVID-19 pandemic, our *IQOS* team tested a variety of approaches in these markets to learn how to best convert adult smokers and apply these learnings to efficiently scale our efforts. The key learning from our lead markets is that *IQOS* is resonating with adult smokers – we're encouraged that many adult smokers have found relevance in the *IQOS* proposition of real tobacco, less odor and no ash. The feedback from Atlanta and Richmond has been valuable and we are excited to apply these learnings to our next lead market in Charlotte, North Carolina.

We chose Charlotte as our third *IQOS* market because it is a growing metropolitan region and North Carolina is one of few states that has enacted legislation to lower excise tax rates for products that receive a modified risk claim from the FDA. Our Charlotte expansion will include several enhancements from our earlier launches. Specifically:

- a newly designed retail fixture to drive awareness and trial;
- the use of more mobile retail infrastructure to broaden our reach among competitive adult smokers; and
- a centrally located boutique.

Importantly, as part of the PMTA order granting authorization to market *IQOS* in the United States, the FDA imposed several ongoing surveillance and reporting obligations related to our marketing, adult smoker engagement and advertising efforts. This includes providing FDA copies 30-days in advance before using labeling, marketing, advertising or promotional materials. Additionally, we are required to provide quarterly and annual reports summarizing U.S. sales and distribution data, product purchaser data, certain consumer research studies on details on implementation of marketing and advertising executions.

Finally, we are encouraged that PMI submitted a supplemental PMTA for *IQOS* 3. The upgraded device charges more quickly than the currently authorized 2.4 device, which should address some of the consumer feedback concerning the charging time. PMI's modified risk application for the *IQOS* 2.4 device, submitted in 2016, remains pending with the FDA, and we remain optimistic about its authorization.

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 offer, *QuitAssist*[®] an online resource to help them be more successful. Developed with a review board of smoking cessation experts, *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 2019, we refreshed the *QuitAssist*® web content with Public Health resources specifically designed to support adolescent tobacco cessation, for any adult tobacco user who is also seeking resources for the young people in their lives.

We communicate about *QuitAssist*® through our corporate and product websites, email and direct mail. In 2019, we advocated for, and 13 states passed, laws changing the tobacco legal age of purchase for all tobacco products to 21. And in December 2019, the legal age of purchase moved to 21 at the federal level. Passage of the federal legislation – which was effective immediately – impacted 18, 19 and 20-year old tobacco users who are no longer of legal age to purchase tobacco products. Anticipating that many current adult tobacco consumers 18+ may decide to quit under these new circumstances, in October 2019 we invested in digital advertising and online search to raise awareness of the expert tips and resources located on *QuitAssist*®.

Since its launch in 2004, the website has received over 3.5 million visits. Following the new digital advertising placements, monthly visits increased more than 300% compared to the 12 months prior average – with over 27,000 visits in December 2019. We will continue to invest in advertising the *QuitAssist* website, with a new goal to increase visits to *QuitAssist* in 2020 by 50%, from a 2019 baseline. To support this goal, we will focus on modernizing the site with the most up-to-date tobacco cessation resources and add more inclusive and relatable testimonials representing a broader range of adult tobacco consumers who have successfully quit tobacco use.

Looking Forward

Adult smokers are more willing than ever to switch to non-combustible tobacco products. At Altria, we are poised to meet them with a diversified non-combustible portfolio that is unmatched in the United States. With the opportunity for tobacco harm reduction more achievable than at any other time in history, and armed with decades worth of experience maintaining our license to operate in the tobacco category, we are well positioned to responsibly lead the industry and adult smokers to a non-combustible future. We also recognize that the concepts of tobacco harm reduction and youth tobacco prevention are directly linked, and we remain steadfastly committed to both as we lead the adult smoker transition to non-combustible products. Yet, for tobacco harm reduction to succeed, industry, policymakers, the FDA and the Public Health community must work together to create the conditions: a well-regulated market made up of only FDA-authorized tobacco products, consistent enforcement for illicit tobacco products and clear pathways for the development of innovative reduced-risk products.



Preventing Underage Tobacco Use

Goal:

- ➔ Support programs that help reduce underage tobacco use

A Broader Vision of Success: To lead industry in preventing underage use of products intended for adults 21 and over while contributing to the healthy development of youth ages 12-18.

Jennifer Hunter

Senior Vice President Corporate Citizenship,
Altria Client Services



“Today, youth use of all traditional tobacco products is lower than it’s been since the government started tracking. This kind of progress takes a village – parents and caring adults, policymakers and regulators, public health experts, positive youth development organizations and manufacturers. And I am incredibly proud of Altria’s contributions over the past two decades.

We know, from this experience, that we must help solve the societal issues created by our products to fully realize the promise of tobacco harm

reduction. It’s intentional that the first strategy supporting how we will achieve our vision is to lead the industry in operating responsibly and preventing underage use of adult products. Standing at the crossroads of today’s youth vaping epidemic, we know that trust and credibility are essential to how we will navigate and make progress in reducing youth use of e-vapor.

I know it won’t be easy – or happen overnight. But we have more than 20 years of experience and strong partners. And I’m confident that, together, we will drive positive change.”



Our 2019 Performance

Continue to support programs that help reduce underage tobacco use

\$25+ million Invested in **Success360°** programs

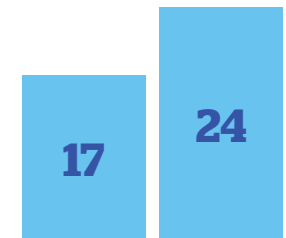
More than **60%** of total budgeted corporate contributions

17 million Kids reached by **Success360°** partners nationwide

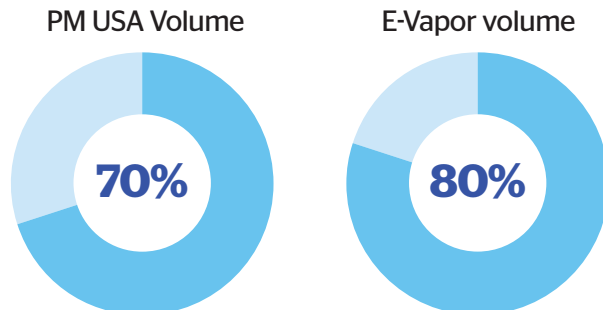
Success360°



Extended partner reach from 17 to **24 states**



Responsible retailing incentive program to encourage adoption of age-verification technology in **~120,000** stores representing:



Deepen our trade partners' support of youth access prevention and establish retail as the most trusted place to responsibly sell tobacco products.

~31,000 retailers trained through **We Card™**

6,193 Altria-funded retailer trainings through **We Card™**

Tobacco 21 Laws

Minimum age purchase laws enacted in **13 states** and nationwide by federal law

307,000 Social access prevention point of sale materials distributed to retailers



104 million cumulative reach
260,000 actions

Online and print advocacy campaign

50+ Local and national media interactions on underage tobacco prevention and support for legal age of purchase 21

We Card™ & social access prevention signage distributed to



40,000 Retailers in **11** States with new **Tobacco 21 laws**



Progress & Outlook

Today, underage use of conventional tobacco products is at the lowest levels in a generation. In fact, the latest Monitoring the Future study estimates youth smoking rates to be 3.7% in 2019, an 87% reduction from its 1997 peak. Retailer compliance rates with legal age of purchase laws have risen over the past 20+ years and, today, the compliance rates hover around 90 percent. And FDA regulation covers nearly every aspect of how tobacco products are manufactured, marketed and sold. However, youth use of e-vapor continued to rise in 2019, and this trend threatens to undermine the hard-fought gains made in preventing underage use of conventional tobacco products. Tobacco manufacturers, regulators and policy-makers must act collaboratively and with urgency to do more to reverse this trend.

Altria is committed to being part of the solution. To address the youth vaping epidemic, preserve the opportunity for adult tobacco harm reduction, and ensure youth use of traditional tobacco products remains at generational lows and continues to decline, in February 2019 we announced our plan to spend an incremental \$100 million dollars toward underage tobacco prevention. And, as part of this effort, we've identified a broader vision of success: to lead industry in preventing underage use of products intended for adults 21 and over while contributing to the healthy development of youth ages 12-18.

Deepening Our Commitment

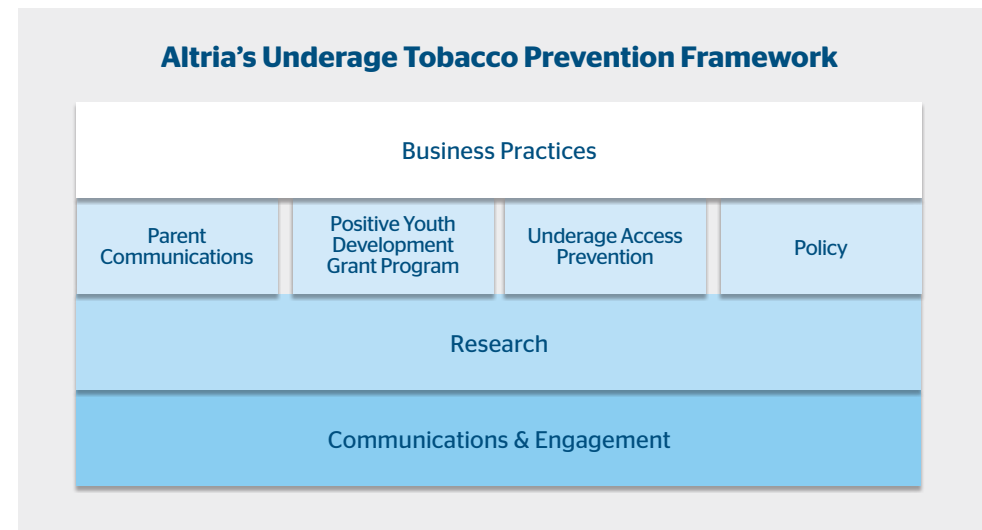
For more than two decades, Altria's tobacco companies have made significant investments to prevent kids from using tobacco, guided by our Standards for Underage Tobacco Prevention and underage tobacco prevention framework. These efforts include:

- supporting programs and organizations that positively influence kids and their decision not to engage in risky behaviors like tobacco use;
- providing parents with tools to help them raise kids who don't use tobacco;
- 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.

Our underage tobacco prevention framework has served as an important anchor for how we contribute to reducing underage use rates of tobacco products. As we approached the challenge of helping reduce youth e-vapor use, and preventing use of other novel or traditional tobacco products, a cross-functional team examined existing activities inside of our framework and identified specific opportunities to deepen our efforts across:

- Foundational research;
- Policy advocacy and regulatory engagement;
- Underage access prevention, including supporting responsible retailing and addressing social source access; and
- Positive youth development, through our Success360° grant portfolio.



Accountability & Oversight

In accordance with our [Standards for Underage Tobacco Prevention](#), each tobacco operating company and service company affiliate works to identify, support, develop and execute programs to help prevent underage tobacco use. Annual Underage Tobacco Prevention plans outline the concrete steps each operating company will take to help prevent underage tobacco use. See our Annual Plan strategies and 2019 activities in [Appendix C](#).

Jennifer Hunter, Altria's Senior Vice President Corporate Citizenship, has direct oversight for all of Altria's

enterprise responsibility efforts, including strategies for underage tobacco prevention. She reports directly to Altria's CEO and provides regular updates on the activity and progress in her purview to Altria's Board of Directors' Nominating, Corporate Governance and Social Responsibility Committee. In 2019, each of these updates contained elements related to underage tobacco prevention and three of the four meetings' agendas were specifically designed for Board members to go deeper on the topic. In addition, Ms. Hunter provided monthly updates to Altria's executive leadership team on progress

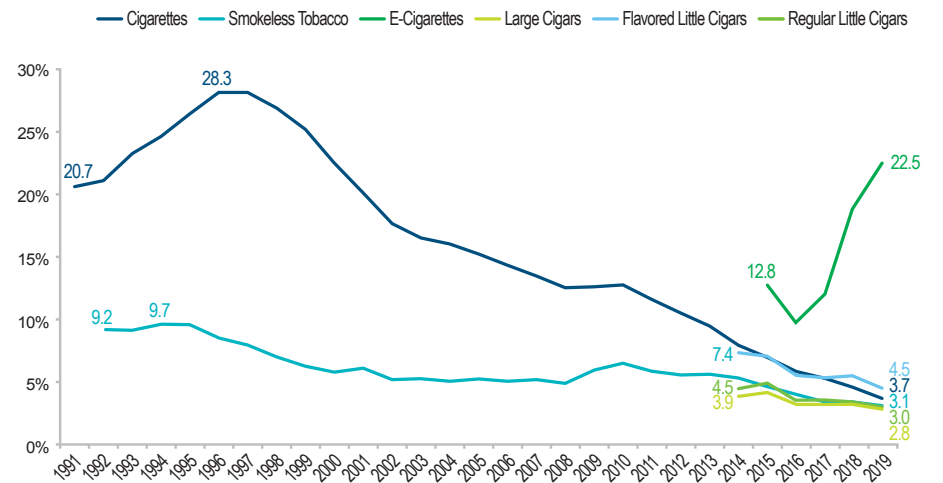
with respect to Altria's underage tobacco prevention strategies and associated activity.

In addition to extensive Board and leadership team oversight, policies guide the daily activities of our employees who have responsibilities for underage tobacco prevention, including with respect to how our tobacco companies market their products to adult tobacco consumers. Learn more about our [responsible marketing practices in the next chapter](#), and check out our policies in [Appendix C](#).

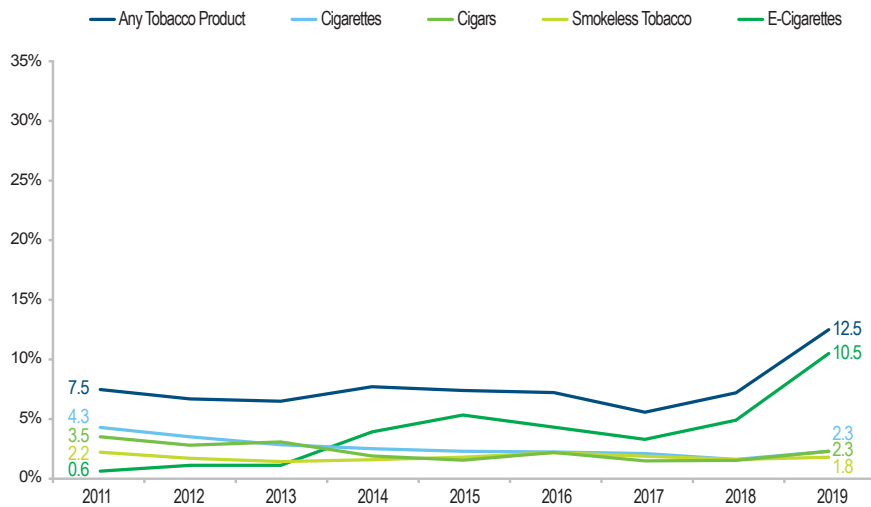
Underage Sales of Tobacco:
National Weighted Average Retailer Violation Rate
Annual Synar Report



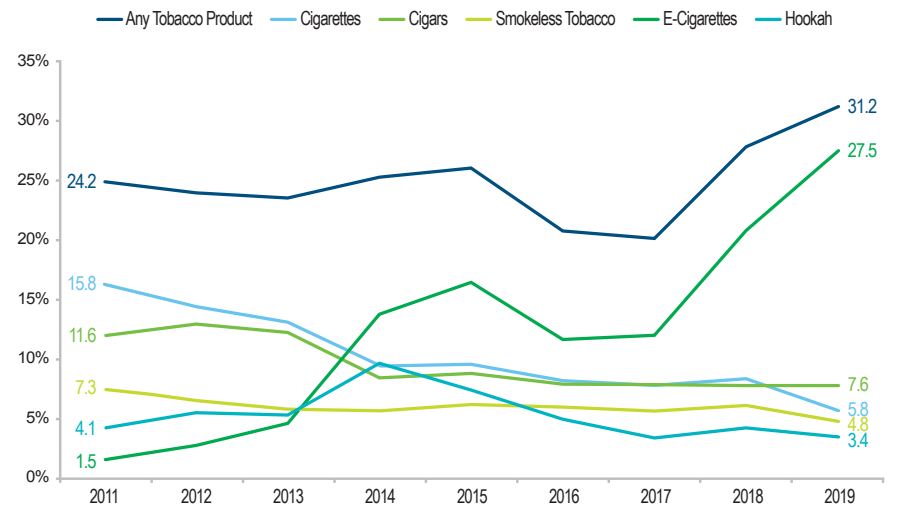
Past month tobacco products use among 8th, 10th & 12th grades combined
Monitoring the Future



Past month tobacco products use among middle school students
National Youth Tobacco Survey



Past month tobacco products use among high school students
National Youth Tobacco Survey



Sources for Charts Above: Substance Abuse and Mental Health Services Administration (SAMHSA): [State Synar Rate Tables](#) | 2018 University of Michigan [Monitoring the Future Report: Trends in 30-Day Prevalence of Use of Various Drugs for 8, 10 and 12 Combined](#) | [National Youth Tobacco Survey](#) (2018)

Foundational Research

Research continues to be foundational to guide any action we take in our underage tobacco prevention efforts. In early 2019, a Regulatory Sciences research team created a new approach for this research portfolio to deepen our understanding of demographics, use patterns and risk and protective factors of e-vapor and other new products to inform our prevention and cessation strategies. The plan is guided by strategies to increase the timeliness and quality of surveillance and target and accelerate learning from relevant stakeholder perspectives. The Research team continues to conduct ongoing surveillance of published literature and national survey data.

Improving Dissemination of Government Research to Quickly Address Emerging Challenges



The 2018 National Youth Tobacco Survey data demonstrated a spike in underage e-vapor use and served as a powerful driver to both FDA and manufacturer action. We believe that successfully combating underage use and other issues will require increased data transparency, timely information-sharing, and collaboration between key stakeholders.

Further, we also believe there are opportunities for the FDA to work with other federal health agencies to enhance the quality, utility, and clarity of national surveys.

1. To be effective, national surveys must evolve to reflect continual changes in the marketplace. For example, although oral tobacco-derived nicotine pouch products have been available in the U.S. since 2016, NYTS does not collect data on youth use of these products.
2. The government should facilitate flexible and transparent data sharing practices and strive for more timely dissemination of data, especially when government agencies, like FDA, use survey data as a launching point for immediate regulatory actions.
3. While federal agencies should work to condense the time between the close of survey fielding and the release of initial data, there are several steps that FDA and others can take to engage key stakeholders, including industry. For example, the government should consider sharing preliminary findings as data becomes available, and/or hosting stakeholder workshops to review and discuss new information.

We take advantage of the opportunity to regularly share our views with the FDA and CDC. For example, in March 2020 we sent a letter to CDC in regard to the National Youth Tobacco Survey and included much of the above perspective.

Contributing to Underage Prevention through Research-Driven Insights

I joined Altria just two years ago to work in Regulatory Sciences. I came from The National Cancer Institute – not because I wanted to work in tobacco, but because I wanted a really good research opportunity. This one caught my attention because it was focused on studying the underage tobacco use landscape to provide insights for underage tobacco prevention. Since coming here, I've been really impressed with the level of rigor that's involved in the research and the commitment to making sure that youth are protected from harmful products that adults have the right to use.

We analyze national data sets, like the National Institutes of Health, FDA's PATH study and the CDC's National Youth Tobacco Survey, and also conduct our own research to help us better understand issues related to tobacco use. When Altria announced the additional \$100 million to address the youth vaping epidemic, we wanted to make sure we had a solid foundation of knowledge that would help to guide Altria's activities. We wanted to enhance the work Altria had been doing in underage tobacco prevention, but we needed to have data to help support key decisions. For example, if we can improve our understanding of what types of resources parents and caring adults need to help kids not use e-vapor, we can be more effective in supporting our Success360[®] partners.

While some of the research we've done has been in response to the rise in youth e-vapor use, it also helped us think ahead – to what we might need to understand early on, to prevent youth use of newer tobacco products that become available for adult tobacco consumers. I'm excited by the opportunities to approach our field of research in innovative ways that will deliver even more useful insights in the future.



Natasha Knight

Sr. Scientist II Regulatory Sciences,
Altria Client Services

They have also completed several qualitative and quantitative research projects to glean new insights from key stakeholders, including:

- With parents and caring adults to understand knowledge and perspectives of underage tobacco use and underage tobacco prevention information, as well as identify needed educational resources; and
- With adult tobacco consumers (ages 21-55) to understand perspectives on underage social access prevention and appropriate messaging and messengers for communications related to underage tobacco prevention.

Findings and insights from these projects are helping to inform more comprehensive solutions across other focus areas, such as underage access prevention and with partners in our Success360° positive youth development grant portfolio.

In 2020, Altria will pilot a new underage tobacco use monitoring tool designed to provide timelier data covering more product categories, as compared to current survey tools. This Underage Tobacco Use Survey will help us meet stakeholder expectations – made clear through interactions with FDA personnel evaluating product and claim authorizations, the Tobacco Product Scientific Advisory Committee, investors, public health groups and others – that we and other tobacco manufacturers need to understand the latest product-specific underage tobacco use trends. The rapidly changing tobacco landscape demands that our underage tobacco prevention strategies be informed by the latest available information and this survey will generate actionable information on a more frequent, timely basis than what is currently provided through the government and Public Health national data sets.

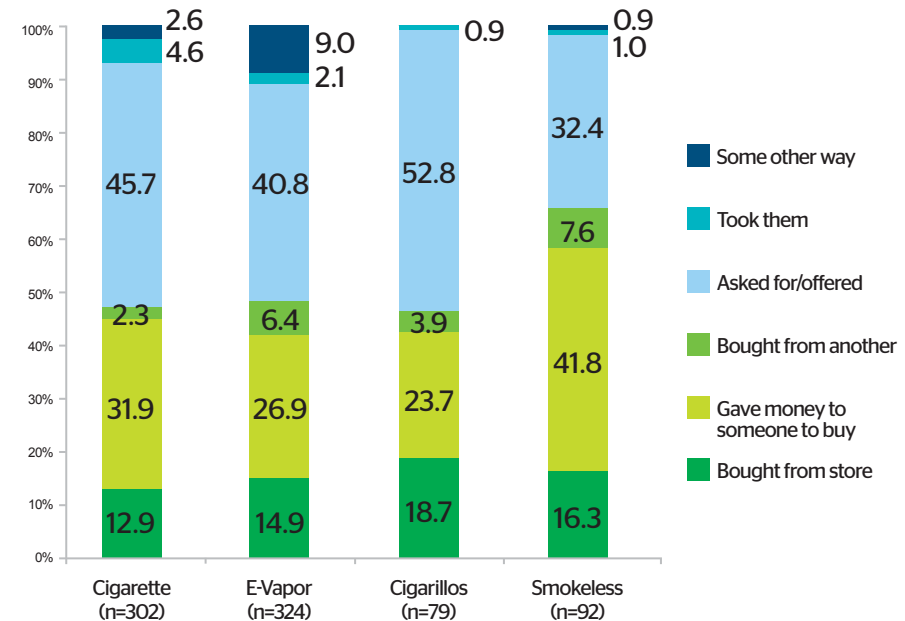
Policy Advocacy & Regulatory Engagement

Our policy efforts focus in two areas:

1. Promote policies that address tobacco harm reduction for adults while addressing underage use of tobacco products; and
2. Promote policies that contribute to the healthy development of youth ages 12 to 18.

In 2019, we championed legislation to raise the legal age of purchase for tobacco products to 21 at the state and federal levels. As of April 2020, 24 states and Washington D.C. had enacted laws raising the minimum age and we are

Usual source of access to tobacco products among past month tobacco users age 12-17 (percentages)



Source: FDA PATH Wave 4 Study (Oct 2016 – Oct 2018)

pleased with the December 2019 Federal action to enact “Tobacco 21” nationwide. We believe this is essential to reducing youth tobacco use, especially within the e-vapor category. Data shows that youth under 18 get tobacco products – including e-vapor – primarily through social sources, like friends or siblings who are 18 or older. Many high school students in the U.S. turn 18 years old before they graduate. By raising the minimum age to 21, high school students should not be able to purchase tobacco products legally.



We also encourage FDA to continue taking comprehensive, industry-wide action. We are supportive of the FDA’s

February 2020 guidance, declaring that they will use their enforcement powers to pull off the market: all flavored cartridge-based e-vapor products (other than a tobacco or menthol flavor), any e-vapor product with marketing targeted to minors, and all other e-vapor products for which the manufacturer has failed to take adequate measures to prevent youth access.

While pod-based products have received much of the recent attention from the media and FDA, we believe the 2019 National Youth Tobacco Survey highlights the need for uniform rules, regulations and enforcement across all e-vapor products. In the latest survey, over a third of youth e-vapor users report using vapor devices other than pod-based products, including refillable tanks, mod systems and disposables. These systems were excluded from FDA’s recent ENDS guidance but are still subject to the September 2020 PMTA filing deadline.

Partnering to Support Responsible Retailing

We Card began in 1995, when manufacturers, wholesalers and retailers of age-restricted products unified their efforts to identify and prevent the underage sale of tobacco. Today, we continue our mission, and have been serving the nation’s retailers ever since with training, education materials, mystery shopping services and in-store signage.

Altria is a founding sponsor and has played a major role since day one. They’ve helped us reach retailers and encourage responsible practices, by supplying retailers with the online training, equipping them with in-store signage and encouraging their use of age calculation tools to promote compliance through positive retail-centric programs. And as the landscape of underage access has evolved, Altria has been a leading collaborator in helping us consider new ways we can make a positive impact.

As we think about the next 25 years, we see more opportunity to address underage access. We recognize people under legal age get tobacco and vaping products in other ways outside of the traditional commercial access, mostly through adult purchases for minors, or borrowing or sharing or “bumming”. It’s called “social source access”. We see a role for *We Card* to help educate retailers, adult customers and the public about the need to address this issue and engage them in solutions.

Our work over the past two decades has helped to significantly drive down underage access to tobacco products at retail. I’m particularly proud of the role we’ve played in that. And optimistic about the impact we can have over the next 25 years to prevent underage access to age-restricted products.



Doug Anderson
President,
We Card Program, Inc.

Additionally, though social sources are the primary point of access for underage tobacco users, 8.3% of youth users reported sourcing their e-vapor products from stores, including convenience stores and vape shops in similar numbers. We’re hopeful that all retail trade channels will meet this urgent call to action so that we can successfully reduce underage vaping.

Underage Access Prevention

With the new federal minimum age law, retailer compliance will be critically important in preventing anyone under legal age from being able to access tobacco, including e-vapor products. Through the Altria Group Distribution Company (AGDC), we call on nearly 213,000

retailers across the country. Our goal is to deepen our trade partners’ support of youth access prevention and ensure that retail remains the most trusted place to responsibly sell tobacco products.

In October 2019, AGDC announced a new retailer incentive program to further encourage responsible retailing through age validation technology at the point of

purchase. To participate in the incentive program, retailers must implement a technological solution at a store’s point(s) of purchase, requiring the electronic scan of a consumer’s government-issued identification (e.g., driver’s license) to complete a sales transaction involving the purchase of a tobacco product, including tobacco-derived or nicotine-containing products.

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

As of April 2020, 120,000 of eligible stores have been presented the program, representing 70% of Philip Morris USA cigarette volume and 80% of e-vapor category volume. AGDC will validate store-level fulfillment of the program’s requirements in the back half of 2020.

“No Tobacco Sale Order” Penalties

FDA’s retail compliance check inspections process monitors retail stores for violations related to tobacco regulations and illegal sales to persons under the legal age to purchase tobacco products. If violations are found, FDA issues increasing levels of monetary penalties, up to and including termination of a retailer’s ability to sell tobacco products – a “No Tobacco Sale Order” (NTSO). Altria AGDC’s Industry Engagement team monitors FDA’s reporting for NTSOs on a weekly basis. If one of our contracted stores receives an NTSO, we withhold retail program incentives. In alignment with the FDA penalization process, if a store receives a third NTSO the FDA will permanently revoke its ability to sell tobacco products.

NTSO	1st	2nd	3rd
Timing	1 Quarter	2 Quarters	Termination
Penalty	Suspend Merchandising Support	Suspend Merchandising Support	
No. Issued in 2019	9	0	0

Collaborating for Retail Access Prevention Solutions

I work in AGDC and over the past year I've been part of an agile team – made up of people across our companies – to figure out how we holistically deepen our support for underage tobacco prevention. This issue is personal for me – I have younger siblings who are still in high school – so it's been impactful to be part of this work.

In 2019, we looked at what more we could do to support the Trade in enhancing their underage tobacco prevention efforts and make sure that retail remains the most trusted place to sell and buy tobacco products. Our primary goals are to raise awareness around social source access and drive new retailer behaviors to continue to limit youth access to tobacco products at retail. We created new underage tobacco prevention signage and gave the signs to all of our retailers to post. We also developed a new responsible retailing program to incentivize retailers to invest in age-verification technology – where they can scan a consumer's ID upon every tobacco transaction and help eliminate most of the human error that could be involved in ID checks. We're learning from retailers about what works and how to enhance the program as we expand it.

We're moving quickly. The agile team meets frequently to make sure everyone's updated about the external environment and the workstreams. We bounce ideas off of each other to collaborate on solutions and drive meaningful progress. And the decision-makers are on the team so we can quickly execute. I'm proud to be able to talk to my siblings about all the great things we're doing as a company to address the underage issue, and that I'm a part of it.



Logan Son
Manager Trade Marketing,
Altria Group Distribution Company

Our companies' longstanding retail programs also include several requirements and financial incentives to help prevent underage access to tobacco products – via retail sales and social sources. The requirements include teaching store clerks how to check IDs and placing *We Card*[™] or equivalent signs in their stores. We also require retailers participating in our companies' trade programs to place signs reminding adults to not buy tobacco products for people under the legal age of purchase. AGDC employees validate display and placement of these required signs on every visit to the store, using image recognition technology to measure and validate compliance. Currently, 93% of the retailers supported by AGDC – over 198,000 stores – are under contractual obligation to fulfill these requirements as part of one or more of our operating companies' retail trade programs.

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. With our support, *We Card* has trained hundreds of thousands of retail employees and distributed millions of education and training materials. We are working with these retailers to support enforcement of Tobacco 21 laws and providing "Move to 21" kits including updated *We Card*[®] signage and training resources in all states.



Positive Youth Development

As we take additional steps to reduce youth vaping, addressing underage use of traditional tobacco products remains our priority. And the most important way we can make sure kids don't use any tobacco products is to limit access and appeal. That's why we'll continue to be guided by positive youth development theory, which 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.

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.

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. Collectively, our partners reach more than 17 million kids with a range of programs, including mentoring, proven effective adolescent substance abuse prevention and tobacco cessation programs.

We are working with our Success360° prevention and cessation grantees to expand their evidence-based programs into new geographies and beyond middle school into high schools. The geographic footprint is expanding from 17 to 24 states. And through the University of Colorado Center for the Study and Prevention of Violence, LifeSkills Training will be implemented in high school in 16 states — reach in the first year of implementation will include 44 school districts, 97 schools and 20,000 students. We are also encouraging and supporting our prevention and cessation program grantees to ensure they establish evaluation protocols aligned with pursuing Blueprints for Healthy Youth Development certification.

Why the Focus on “Positive Youth Development”?

Q&A with M. Amanda Lain, M.A., Project Director, Blueprints LifeSkills Training, Center for the Study and Prevention of Violence, University of Colorado — Boulder

Why is positive youth development important in helping position young people to thrive and not engage in risky behavior like tobacco use?

Positive youth development promotes a course of healthy adolescent growth and supports young people to reach their full potential by building on youths' strengths rather than focusing on deficits. By increasing youths' skills to avoid risky behavior, like tobacco use, and building protective factors, we can decrease undesirable behavioral outcomes and mental health issues and increase prosocial and pro-health behaviors. Societal costs of risky behavior are enormous. Investment in positive youth development reduces risky behavior and results in mature adults able to build a safe and healthy society.

What are protective factors? Why do they matter?

Protective factors are characteristics or conditions that can safeguard against risk that may arise in the context of individuals, peers, families, schools, and communities. For instance, coping skills, prosocial friends, caring adults, and being bonded to school can protect against negative influences. Protective factors are important because they can defend against multiple problem behaviors.

How do protective factors affect risky behavior? How many protective factors does a young person need?

Protective factors can be found in every area of a young person's life — individual, peer, family, school, and community — and these skills, resources, and supports increase youth's ability to withstand adverse circumstances. Just one protective factor can significantly buffer risk for problematic behaviors such

as delinquency, crime, substance abuse, and violence, and accumulating protective factors offers exponential defense.

What is evidence-base and why does it matter?

Evidence-base implies rigorous scientific evaluation with results shown to have positive, long-lasting outcomes. Implementing programs based in evidence are the best utilization of scarce resources because they are proven through science to build protective factors and prevent risky behaviors.

What is Blueprints for Healthy Youth Development?

Blueprints for Healthy Youth Development is a project within the Institute of Behavioral Science at the University of Colorado Boulder that identifies and recommends interventions that, based on scientific evaluations, have strong evidence of effectiveness. It also produces publications on the importance of adopting high scientific standards when evaluating what works and serves as a resource for governmental agencies, schools, foundations, and community organizations trying to make informed decisions about their investments in crime prevention and social interventions. The ultimate goal of the Blueprints initiative is to reduce antisocial behavior and promote a healthy course of youth development and adult maturity.



Amanda Lain

M.A., Project Director, Blueprints LifeSkills Training, Center for the Study and Prevention of Violence, University of Colorado — Boulder

Partnering to Support Youth Nicotine Cessation

Caron Treatment Centers is a nonprofit leader in behavioral health and addiction rehabilitation. Our goal in Caron's Education Department is to provide comprehensive supportive services along the full continuum of care, from prevention to recovery. We work with students, families and the professionals who support young people, and focus on evidence-based and innovative strategies to address the trends that are impacting youth today.



Caron has partnered with Altria since 2001.

This partnership initiated with a focus on providing nicotine cessation support to help young people quit using cigarettes. This has evolved over the years, resulting in a comprehensive approach working with young people, and supporting parents and caregivers through professional training. In addition to the PREP professional training and Project Connect's youth nicotine cessation program, we also have trained peer leaders to share our prevention methods through our program, Clear Facts.

The youth nicotine cessation programming would not be possible without Altria's funding.

The reach and impact of Caron's programs is broadened through the Success360° network of national, proven-effective youth serving organizations. We have built strong partnerships and provide professional development training to leaders in these networks – I love the fact that although we each do our programs a little differently, our missions are so connected. We each work to position young people to thrive, increase resiliency, and reduce their engagement in risky behaviors.

Recently through Altria funding, we launched a digital learning platform for students, parents and professionals to broaden the reach and sustainability of programs beyond our current geographic footprint. There is so much potential here – all the resources are free, designed to be interactive and engaging, and focus on what is most important to the end user. There are courses for parents and caring adults that can be done at their own pace. The 5-week youth nicotine cessation program, Connect 5, offers a variety of experiences that support personal cessation goals, which are designed through individual "plans for success" that the youth create themselves. It also helps in other areas of their lives, like stress reduction, mindfulness and creative ways to express feelings. These are things that they can take with them through their lifetime. We are promoting this digital platform in new ways – attending conferences, social media, training through webinars, and developing a podcast series. We are excited at the potential to reach more youth, parents and professionals through these free, digital resources.

Every day, we are contributing to young people pursuing a brighter future – by helping to prevent a young person from using a nicotine product or quit using if they are addicted.



Tammy Granger
VP of Education at Caron
Treatment Center

Looking Forward

For more than 20 years Altria's tobacco operating companies have worked to prevent underage use of tobacco products.

The approach we have taken alongside multiple stakeholders has contributed to reducing youth use of cigarettes. Yet the tobacco market continues to evolve with new non-combustible products important from a harm reduction perspective and intended for adults. And we know that the tobacco harm reduction opportunity for adults simply cannot be achieved if underage tobacco prevention is not a priority for all stakeholders.

The most critical issue for our business in 2019 was the continued rise of youth vapor use. We know from experience that progress will take the sustained efforts of many – industry, regulators, policy makers, public health, parents and caring adults – over a number of years. Evidence-based approaches that focus on access prevention and promote protective factors for youth will continue to be critical to help reduce youth use of new and traditional tobacco products. That's why we're working urgently, engaging across multiple stakeholders, to help reverse the youth vaping rate trend, contribute to broader youth tobacco prevention solutions and support the healthy development of youth ages 12-18.

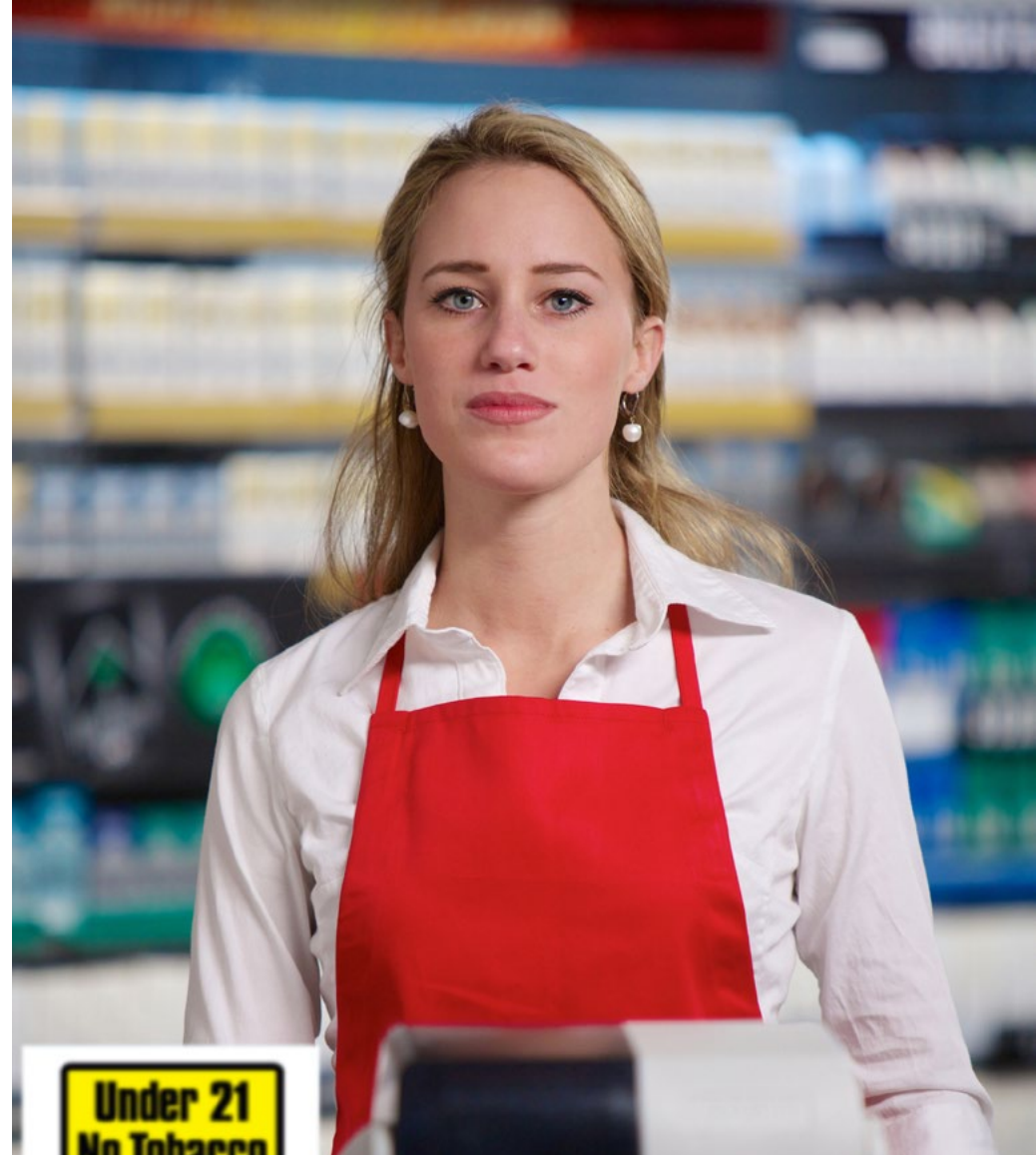
Marketing Responsibly

Goal:

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



Jon Moore
President & CEO,
Philip Morris USA



“Over the next ten years, we will responsibly lead the transition of adult smokers to a non-combustible future. I’m confident that our deep experience in understanding and connecting with our adult tobacco consumers will be an important asset for our success. But as we explore new ways of engaging with adult consumers on their conversion journeys, maintaining a lens of responsibility is critical – our number one priority and foundational to how we do business.

As we look to the future, we’ll anchor to the proven and effective responsibility practices that have served us well. And we’ll identify new approaches – that consider current circumstances, anticipate how the industry will and must evolve, and engage all stakeholders toward comprehensive solutions that best address the expectations of our adult tobacco consumers and society.”

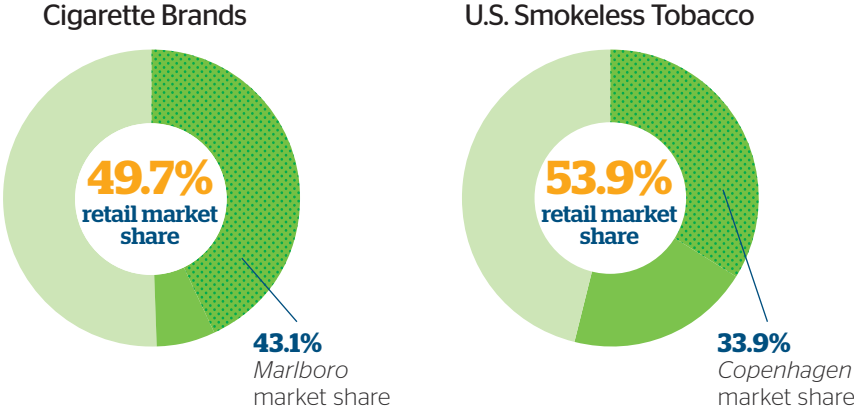
Our 2019 Performance

Understand consumer interest and marketplace dynamics



Overall equity score among adult smokers is **15 points higher** than the leading competitors

Connect adult consumers with our brands



2.6 million Adult smokers enrolled in *Marlboro Rewards*, our innovative digital loyalty program

200 million Pack codes entered on *Marlboro Rewards* websites since launch

Limit our reach to unintended audiences.

100% training Brand employees and key business partners trained on marketing guidelines and policies (achieving 2019 target).

0 Enforcement Actions No Master Settlement Agreement enforcement actions in 2019 for PM USA (achieving target).



Progress & Outlook

Our companies' marketing approach is guided by our Vision to responsibly lead adult smokers into a non-combustible future. "Responsibly leading" means we must limit reach, access and appeal to unintended audiences, including youth and adults who don't use tobacco. In fact, "marketing responsibly" is a key pillar of our underage tobacco prevention framework, and imperative to our success in transitioning adult smokers away from harmful combustible cigarettes and fully achieving tobacco harm reduction. That is why our responsible marketing practices are also referenced throughout the previous chapters of this report – our progress in these areas is interdependent. In this chapter, we specifically outline the policies, processes and practices that govern our brands' approach to responsible marketing and connecting with consumers, and the important ways our trade partners help us limit reach to unintended audiences.

The cornerstone of our approach to marketing responsibly is compliance with all legal, regulatory and internal policy requirements. 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 – all while limiting our reach to unintended audiences, including non-users and those under the legal age to purchase tobacco products.

Connecting with Our Consumers

Marketing activities are intended to connect brands with their adult tobacco and wine consumers 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, including Helix and Ste. Michelle's wineries, sell age-restricted products through branded e-commerce websites. In these instances, those websites use an age-verification process to confirm the consumer is of legal age to purchase. Helix and Ste. Michelle also comply with all laws involving the sale and delivery of tobacco and wine. We also carefully consider responsible marketing practices as we venture into third-party e-commerce partnerships for our innovative, non-combustible tobacco products. As those partnerships continue to evolve, we are exploring how best to codify our responsibility expectations and monitor adherence to responsible marketing practices.

The external vendor that manages our electronic age-verification process conducts quarterly audits. In 2019, each of these quarterly audits reflected 100 percent effectiveness rate in screening out persons under the minimum age.

Marketing Accountability & Oversight

Policies

Our Code of Conduct establishes the basic compliance principles for our businesses in several key areas, including marketing responsibly. Specific advertising and communication policies guide the daily activities of our employees who have responsibilities for how our tobacco companies market their products to adult tobacco consumers. These policies can be reviewed in [Appendix C](#). 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.



To support these efforts, 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.

Compliance Audits

Each fall, Altria's Corporate Audit department conducts a detailed risk assessment process, considering auditable risks across the Enterprise and determining how to prioritize Audit resources for the coming year. High-risk areas are audited on a three-year schedule; whereas medium-risk areas are audited every six years. Audits are scoped using a risk-based approach and may focus on any number of issues such as marketing policy non-compliance or data security risks, depending on the greatest risks identified. Over the past three years, the department has conducted 10 audits that touch marketing compliance risk areas, including process and partners for: age verification, controls around our Adult Tobacco Consumer Database, retail compliance, online fulfillment services, the *Marlboro Rewards* platform, third-party retail and merchandising services, mobile coupons, third-party sweepstakes and contest services and adult tobacco consumer direct marketing. Where identified as an auditable risk, none of these audits surfaced findings related to marketing policy non-compliance. It is important to note that as the ways we interact with consumers continue to evolve, our policies and audit processes will evolve as well, based on new risks identified.

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;



denying requests to use their brands in movies, television, video games and other entertainment media; and



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

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.

Our consumers want to engage online and participate in loyalty programs so in early 2019, we rolled out an innovative digital loyalty program called *Marlboro Rewards*. Adult consumers enroll in *Marlboro Rewards* on *Marlboro.com*. Those consumers can then purchase *Marlboro* cigarette packs in retail stores featuring a unique code that can be redeemed online for points. Adult consumers can also earn points on *Marlboro.com* through activities like watching videos and completing surveys. They can redeem those points for electronics, *Marlboro* coupons, non-branded adventure gear, or a non-profit donation. To encourage responsible consumption, adult consumers are limited to entering no more than 30 pack codes per month. The program is resonating with adult smokers. Approximately

2.6 million loyal *Marlboro* adult smokers have enrolled in the program, entering 200 million pack codes since it launched in 2019.

If our tobacco companies use media 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.

Social media has become a powerful channel for companies to stay connected to their consumers. Most of our tobacco companies do not use social media to market or otherwise display product or brand imagery. However, as a new-to-market product, authorized by the FDA, *IQOS* has taken a measured and responsible approach to educate and engage adult smokers and *IQOS* consumers 21+ via these channels. PMTA authorization requires *IQOS* to share all marketing assets with the FDA for review 30 days prior to placement, which includes all marketing assets used on *IQOS*'s social media pages on Instagram, Facebook

and Twitter. *IQOS*'s age-gated (to 21+), branded pages on Instagram and Facebook provide a channel for *IQOS* to share product awareness, education and customer support. These pages also offer a venue to foster a sense of community and provide positive encouragement among adult *IQOS* users and smokers 21+ interested in transitioning to *IQOS* by re-enforcing a message of complete cigarette cessation. *IQOS* also has a Twitter presence, but as this medium cannot be age-gated, it is used strictly for customer care should an adult *IQOS* consumer have a question about the product. As new communication channels continue to shift how people communicate with brands and companies, we will consider the implications for how we responsibly engage with our adult tobacco consumers. As always, we will be guided by our current marketing practices, including taking steps designed to limit reach to unintended audiences.

Over time, our category-leading brands have demonstrated that we can responsibly and effectively engage the adult tobacco consumers our products are intended for, through targeted channels that limit reach to unintended audiences. For example, 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 score, which represents the value consumers place on a brand, is 15 points higher than the leading competitive brands.



Age Verification on Brand Communication & E-Commerce Websites

We limit access to our tobacco brand websites to adult tobacco users. We require consumers to confirm that they are adults and meet the website's minimum age requirement. In order to purchase product on an owned e-commerce site, or to access

branded marketing materials on our websites, consumers must meet this age 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 confirms that the individual is old enough to access the website. If the individual's age cannot be verified, then they are denied access to the branded marketing portions of our tobacco brand websites, and such consumer cannot purchase products on our e-commerce websites.

To further prevent underage persons from accessing our tobacco brand websites, our sites are compatible with age-filtering software. Such software can be used to block access to websites considered unsuitable for children.

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.



Protecting our Consumers – Data Security

We collect personal information as part of our age-verified adult tobacco consumer database and we take protecting that data seriously. We continue to make investments in administrative, technical and physical safeguards to protect our information systems and data from cyber-threats, including human error and malicious acts. Our safeguards include employee training, testing and auditing protocols, backup systems and business continuity plans, maintenance of security policies and procedures, monitoring of networks and systems, and third-party risk management.

Responsibly Marketing Innovative Tobacco Products

Our companies' commitments to responsible marketing extend across our product portfolios, to include innovative products like *on!*® nicotine pouches. New products that have already received FDA authorization, like *IQOS*, are subject to FDA's advanced review of marketing materials and post-market surveillance requirements. These regulatory requirements reinforce our standards for responsible marketing and serve as affirmation of our companies'

adherence to our commitments. However, FDA has not issued regulations to broadly restrict manufacturer marketing practices of newer tobacco products, like oral nicotine pouches. In absence of these regulations, we believe all manufacturers have a responsibility to limit reach to unintended audiences, including non-users and people under the legal age to purchase tobacco products. Doing so will help ensure that these innovative tobacco products do not cause unintended societal harm and preserve the viability of these products as potential pathways for adult tobacco consumers interested in transitioning away from cigarettes.

That's why Helix Innovations, manufacturer and marketer of *on!*® nicotine pouches, is focusing marketing communications to adult tobacco consumers 21+ and taking specific actions to prevent access and awareness among youth and non-tobacco users. Helix also holds retail partners – including third-party e-commerce sites – to high standards of responsibility while providing tools and resources to prevent underage access. We believe Helix's approach leads the oral nicotine pouch category by example, in the absence of FDA-issued marketing regulations.

Approach for *on!*® Product Marketing & Responsible Retailing



- connect with adult tobacco consumers 21+ through direct mail, email, and age-affirmed and age-verified owned website
- conduct 1-to-1 consumer engagement events in adult-only facilities and age verify every adult tobacco consumer is 21+
- electronically age verify before allowing product purchase on owned e-commerce site
- require non-self service product placement at retail
- ensure interior retail signage is placed near the tobacco fixture
- impose quantity limits for e-commerce and traditional retail channels
- systematically review all marketing materials for compliance prior to distribution
- limit marketing material exposure to unintended audiences and avoid youth appeal
- train all internal/external marketing partners on policies and practices, including third-party e-commerce partners



- feature models who are under 25 years of age. All models must be 25 years of age or older **and appear so**
- showcase product use while engaging in athletic activities
- allow more than 1 can per person in any marketing material photography

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. The breadth of our sales coverage includes nearly 213,000 retail stores, representing approximately 94 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.

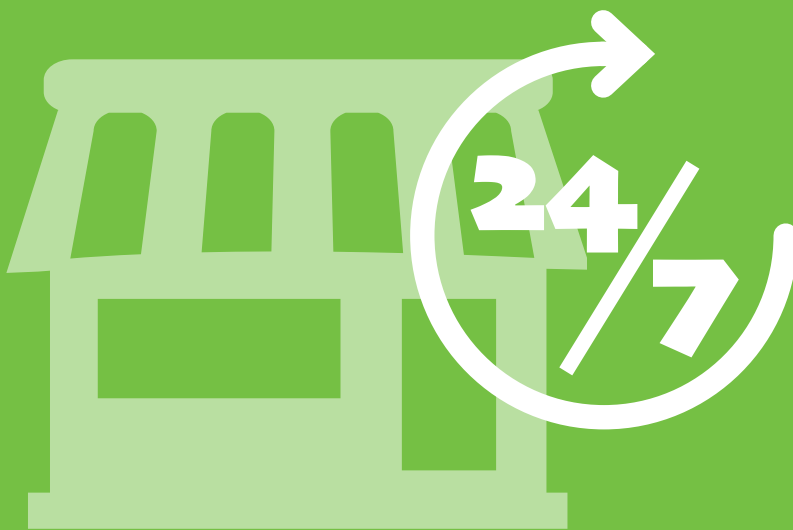
As described in the [previous chapter](#), “Preventing Underage Tobacco Use,” the program also includes features not

required by federal law that help prevent underage access to tobacco products, such as store clerk training and access prevention signage. 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.

We believe it’s important for us to gain a deep understanding of our trade partners’ expectations and concerns, as it relates to the tobacco category and our business, specifically. That’s why our AGDC teams work to build deep relationships with our trade partners, including executive teams and CEO’s of major chains, and regularly meet with them to understand the challenges they’re facing and how we can engage on solutions. For example, there is a great deal of consolidation within the retail space so some of our retailers ask Altria to help them differentiate their brands, their offers and their stores to better connect with consumers. We do that through our business enhancement funds, through our loyalty options, and crafting our trade programs to meet the needs of a variety of different sized retailers.

Looking Forward

Our companies’ focus on the adult tobacco consumer is and will be essential to meet and exceed their changing expectations – whether through new products, new ways of connecting with our adult consumer or new experiences at retail. We will continue to be guided by our long-standing responsible marketing practices, taking steps designed to limit reach to unintended audiences. And we are committed to evolving those practices to ensure we remain leaders in marketing responsibly, as we focus on new approaches to transitioning adult smokers to non-combustible products like IQOS and on! nicotine pouches.



Convenience Stores and the Tobacco Category

Convenience stores drive about 70 percent of the tobacco volume sold, making this an important category of retailers to us. Roughly 153,000 convenience stores across the U.S. generate approximately \$647 billion in annual sales, including gasoline. Every day, 165 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 34 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 \$6.52 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.

Managing Our Supply Chain Responsibly

Goal:

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



Jodie Clarke
Vice President, Procurement

“Our industry and our businesses are evolving. So are marketplace dynamics and societal expectations of strong and sustainable supply chains. We remain focused on developing flexible, end-to-end supply chains that are collaborative, secure and provide a competitive advantage

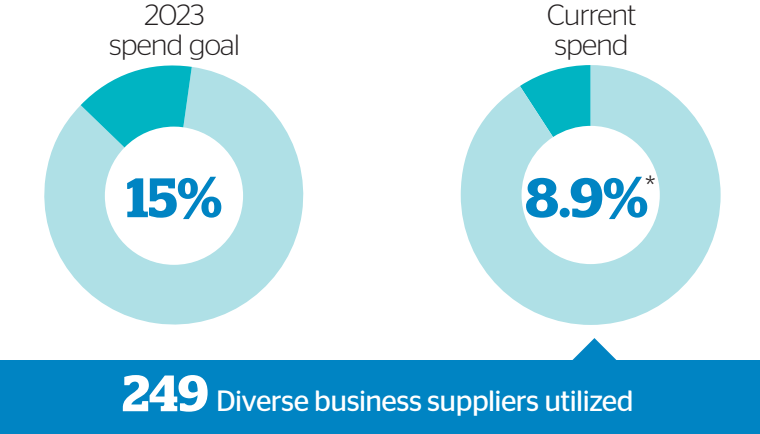
for Altria’s companies. I am proud of the progress we continue to make, including our focus on fostering diversity and inclusion in our supplier base, and ongoing collaboration with stakeholders who are key to our supply chains. I invite you to learn more about our journey.”



Our 2019 Performance

Supporting supplier diversity

(minority, women, veteran and LGBTQ-owned businesses)



2019 Tier 1 and Tier 2 diversity spend

~\$176M Tier 1 Diversity Spend (direct spend)

~\$38M Tier 2 Diversity Spend (indirect spend)



Communicating our expectations

Supplier Code of Conduct Our internal code sets our contractual expectations for all suppliers. We strive to go above and beyond all legal obligations to ensure we are good corporate citizens.

U.S. Law: Above & Beyond

Our supplier standards exceed U.S. Department of Labor law.

Minimum Age Provision	Contract Tobacco Growers	U.S. Dept. of Labor Law
Agricultural Employment	16 years	12 years
Perform Hazardous Duties	18 years	16 years

Monitoring and assessing suppliers

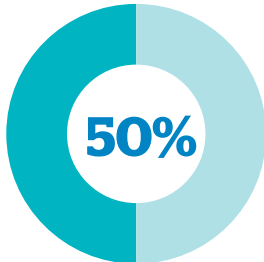
1,039 Assessments completed by third parties, including GAP assessments† and social compliance audits



Completed planned GAP assessments of domestic tobacco growers



Domestic contracted growers assessed once, at a minimum, over a three-year period



Contracted growers GAP Connections-certified **toward 2021 goal of 100%**



Contracted growers completed Good Agricultural Practices (GAP) training

* Percent of controllable spend
 † Growers who obtained GAP Connections Certification were not required to be assessed by the third-party auditing firm hired by ALCS

Progress & Outlook

Our companies work hard to develop strong, sustainable supply chains by partnering with thousands of suppliers from growers 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.

We promote a strong culture of compliance and equip our employees to exercise sound business judgment when selecting and managing suppliers. We only work with suppliers who respect workers' rights, help protect the environment, and comply with our contracts and laws. Employees receive communications and training on topics such as antitrust, anti-bribery/anti-corruption and third-party vendor management to help guide their work with suppliers.

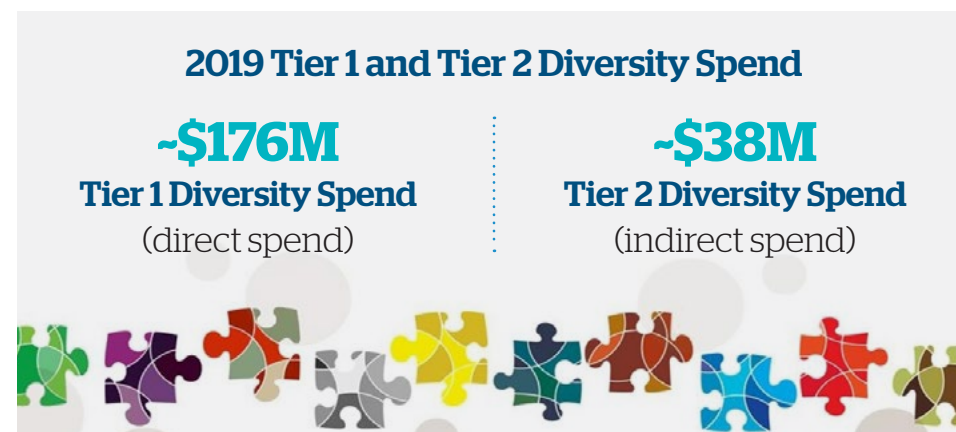
The Ten Principles of the United Nations Global Compact, the UN Guiding Principles on Business and Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, and national laws guide our expectations of suppliers.

Our supply chain management approach includes:

- supporting supplier diversity;
- communicating our expectations;
- assessing supplier performance and requiring suppliers to remediate findings; and
- engaging with our stakeholders.

Supporting Supplier Diversity

Supplier Diversity contributes to our companies' success by generating new ideas, promoting different perspectives and providing a competitive advantage. We support the utilization of diverse suppliers, including minority, women, veteran and LGBTQ-owned businesses. We are also proud that like Altria, several of our key suppliers continue to be recognized by the Human Rights Campaign's Corporate Equality Index for championing LGBTQ equality in the workplace.



The Supplier Diversity & Inclusion (SD&I) program at Altria is not owned by one employee; but all employees. Our SD&I department sets the strategy and partners with national and local certification agencies, chambers of commerce, Altria's Employee Resource Groups (ERGs), our Procurement organization and a network of champions from across Altria's family of companies to drive progress towards our goal to increase overall diverse supplier spend utilization to 15 percent or more by 2023. In 2019, our utilization rate increased to 8.9 percent with plans to continue increasing diversity spend by:

- implementing Supplier Diversity's 2020 Focus Areas of Awareness, Engagement and Education to broadly communicate our supplier diversity goals through engagement with executive leadership and the enterprise, utilizing internal marketing campaigns and various communications channels including Yammer and Procurement's intranet site;
- continuing dashboard reporting to provide functions quarterly overviews of their diverse spend percentage;
- encouraging Tier 2 diversity spend through engaging with strategic suppliers to increase diversity reporting and tracking supplier training; and
- continuing to identify diverse contract growers and incorporating domestic tobacco growers into utilization metrics.

The SD&I team also works with Altria's ERGs to stay culturally aware, as ERG members provide valuable perspectives that are incorporated in our engagements and strategies with diverse suppliers.

Beyond internal initiatives, we've continued our support of organizations including the National Minority Supplier Development Council, the Women's Business Enterprise National Council, the Hispanic Chamber of Commerce and the National LGBT Chamber of Commerce (NGLCC) to increase business opportunities for their members, while providing Altria with resources for supplier selection. Supplier education and ongoing dialogue are critical to achieving our 15 percent diverse supplier utilization goal. For instance, in 2018, we began identifying educational programs to build the capabilities of diverse suppliers to help them effectively compete in the bidding process. As an outcome of this work, two of our diverse suppliers were initiated through the Carolinas-Virginia Minority Supplier Development Council (CVMSDC) into the University of Richmond's Minority Business Enterprises Executive Management program in 2019. We will continue to identify opportunities for other diverse suppliers to participate in this program in 2020.

We have also engaged supply chain experts including North Carolina State University's Supply Chain Resource Cooperative to help benchmark our efforts and identify opportunities for improvement. Going forward, we are working to build greater awareness, engagement and education to encourage the use of diverse suppliers for sourcing and contracting activities.

Respecting Worker Rights We expect growers to provide their workers with fair and safe working conditions and these expectations are implemented under our “Good Agricultural Practices” (GAP) program for domestic contracted tobacco growers and international tobacco suppliers.



Communicating Our Expectations

We communicate expectations for our suppliers through Altria’s [Supplier Code of Conduct](#), our Tobacco Good Agricultural Practices Supplemental Guidelines and our contracts. Our Supplier Code of Conduct addresses compliance with applicable laws, regulations and standards. The Code covers topics such as non-discrimination, non-retaliation, child and forced labor, environmental compliance and workplace safety. Our [Tobacco GAP Program Supplemental Guidelines](#), communicated to our over 1,800 tobacco growers in 2019 through handouts and one-on-one conversations with Altria Grower Representatives, highlight our expectations for our contracted growers on topics like using registered farm labor contractors and respecting their worker’s rights to join or not to join a union.

In our tobacco grower contracts, our requirements exceed the law for certain provisions. For example, the 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:
 - preventing Green Tobacco Sickness and heat stress;
 - keeping compliant wage records; and
 - preventing human trafficking.

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 years	12 years
Minimum Age to Perform Hazardous Duties as Defined by the U.S. Department of Labor	18 years	16 years

In 2019, 100 percent of contracted growers completed Good Agricultural Practices (GAP) training hosted by GAP Connections, a third-party organization focused on developing, maintaining and providing leadership for agriculture standards and practices in domestic tobacco production.

Recognizing our Business Partners

Suppliers are important to Altria because we believe our suppliers are our business partners, and they directly help the success of our companies. As with any business partner, we think it’s important to show appreciation for our relationship, so this past year, we decided to pilot the return of our supplier recognition program. We wanted to recognize suppliers for going above and beyond their normal call of duty.

We identified three different award categories that we wanted to highlight suppliers for their achievements in, after collaborating with internal stakeholders. The first was around supplier diversity. Is the supplier contributing to our enterprise supplier diversity and inclusion initiative of 15% in five years, either directly through their own company or downstream indirectly? The second award was around innovation – how is the supplier helping us to think outside the box? Are they bringing us new ideas? And then the third was around focused resources. Is the supplier helping to contribute to any kind of efficiencies or any simplification efforts? But then ultimately, are they bringing back productivity or cost savings that get passed back to both our businesses?

Once we established these categories and criteria, we extended the nomination process out across the enterprise. Our Procurement organization, supplier managers that sit in the business and our network of champions for supplier diversity were encouraged to submit nominations for their supplier partners. From these nominations we selected the top 10 and invited them to an award ceremony where we had executive leadership in attendance as well as numerous internal business departments.

It was a great event, and we were very proud of the day once everything was said and done. Our suppliers in attendance were so happy and very appreciative that their work was getting noticed. They all have a lot of pride, passion and integrity. The recognition was important to them and seems to have started creating healthy competition among our suppliers. They’re really looking forward to seeing how the program evolves and how they can contribute.

We’re hoping to include our internal supplier scorecard to inform nominations going forward, and expanding nomination categories to potentially include quality, cost savings and corporate social responsibility. It’s amazing what a simple thank you can do and it’s important because our suppliers really are an extension of our businesses and contribute to our overall success at Altria.



Emily Ornelas
Sr. Analyst, Procurement,
Altria Client Services

We continued to publish a grower newsletter that is distributed to all domestic contracted growers. The 2019 newsletter highlighted growers with demonstrated sustainability leadership, safety requirements, GAP Training, and critical buying standards. Additionally, we utilized the newsletter to communicate to the grower base our goal of achieving 100 percent of all domestic contracted growers certified by GAP Connections by 2021.

Assessing Supplier Performance and Requiring Suppliers to Remediate Findings

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

Enhancing Our Tobacco Supply Chain Monitoring

In our domestic tobacco supply chain, on-farm monitoring is a core mechanism to facilitate conversations with our grower base to make improvements in an impactful way. To enhance our supply chain monitoring program, we have committed to the following over the last three years:

1. Assess all contracted tobacco growers at least once using our internal GAP Assessment Program, assessing, at a minimum, one-third of the grower base each year.
2. Collaborate with tobacco industry stakeholders to develop a certification program for all growers to be recognized by the industry.
3. Transition our tobacco supply chain monitoring process to a fully certified grower base.

Over a three-year period, we executed an on-farm GAP assessment program to assess our contracted growers' compliance with our contract requirements and best practices related to crop, environment and labor management. The GAP assessment provides direct feedback to contracted growers on their practices and areas they may need to improve to meet our expectations.

For contracted growers with hired labor, they are assessed against relevant labor management laws by a third-party auditor, or in very limited cases, an Altria employee. This assessment includes a review of the grower's records, such as wages paid to their workers, reimbursement of their worker's H-2A travel fees¹ and certifications for their workers' housing. In addition, bilingual third-party auditors interview the growers' workers to inquire about topics such as the wages the grower paid them, working and living conditions, and freedom to join or not to join a union.

Growers also had the opportunity to voluntarily participate in the GAP Connections Certification Program. The GAP Connections Certification Program was developed in conjunction with our industry peers, government agencies, NGOs, grower organizations and GAP Connections offers a set of standards that promote best management practices in crop production, environmental stewardship and labor management. It offers a single program that recognizes growers committed to a higher standard and provides infrastructure for monitoring compliance with program standards, such as on-farm audits. These audits identify areas in need of improvement and includes clear remediation plans to encourage continuous improvement.

The GAP Connections Certification Program was developed to be a three-year, continuous monitoring cycle with all assessments completed by a third-party auditor, governed by the [GAP Connections Compliance Guide](#). In year one, growers are required to participate in a full, on-farm audit including worker interviews. In year two, growers complete a site visit without worker interviews. In the final year, growers may participate in a desktop review on-farm or online with the expectation that they meet all standards selected for year three.

Grower's participation in the Certification program gives their workers access to a Worker's Concern Helpline, managed by a third-party, and GAP Connections provides resolution assistance. The program also gives growers access to a Human Resources hotline, free of charge, should a grower have questions regarding labor laws.

Since the launch of the GAP Connections Certification program in 2018, we have actively encouraged our growers to participate. As an incentive to become certified, all grower operations that successfully completed GAP Connections Certification were offered an \$800 incentive. This incentive program covers most, if not all, application and audit fees for the first year.

Additionally, we took steps to transition into a new monitoring approach for our domestic tobacco supply chain. We announced our goal to have all domestic contracted growers certified by GAP Connections by 2021. In 2020, all flue-cured and dark tobacco growers will be contractually required to be GAP Connections Certified.

Tobacco Supply Chain Assessment Review

In 2019, we concluded the final year of a three-year assessment cycle during which 100 percent of contracted growers were assessed at least once, either by our internal GAP Assessment Program or the GAP Connections Certification Program. Because of our growers' participation in the GAP Connections Certification Program, in the last two years of the three-year assessment cycle, we exceeded our own expectations to assess one-third of the grower base annually. In 2018, over 40 percent of our grower base was assessed by a third party, and in 2019, over 55 percent of our grower base was assessed by a third party.

¹The H-2A program allows employers to bring foreign nationals to the U.S. to perform temporary or seasonal agricultural work. As part of this program, employers are required to reimburse H-2A employees for travel fees related to the employment.

While the chart below shows domestic grower performance in the results of the 2019 internal GAP assessments conducted by a third-party, the following provides several key outcomes, from both our internal GAP Assessments and the GAP Connections Certification Program:

2019 Monitoring Statistics	The GAP Connections Certification Program	Domestic Third-Party GAP Assessments
Percent of Domestic Growers Monitored	50%	5%
Percent of Growers Achieving Certification or No Remediable Findings from Assessments	99%	54%
Top Reasons for Certification Denials / Top Notable Findings from Assessments	<ol style="list-style-type: none"> 1. Failure to provide wage statements 2. Failure to complete remediation in 30-day time limit 	<ol style="list-style-type: none"> 1. Failure to have all or complete I-9's for workers 2. Failure to take soil samples once every two years

Form I-9's, Employment Eligibility Verification, are required to be completed by law by U.S. employers to verify the identity and employment authorization of each individual they hire after November 6, 1986, for employment in the United States.

Additional Internal GAP Assessment Findings:

- Two growers refused to participate in their planned assessment. Their contracts were terminated prior to the sale of any tobacco.
- 14 growers had inadequate training records for Green Tobacco Sickness (GTS) prevention. However, 100 percent of interviewed farmworkers were able to explain the appropriate use of Personal Protective Equipment while working with wet tobacco to prevent GTS.
- 13 growers failed to provide written pay slips to employees. These growers received communication to reinforce our expectation of providing complete and accurate wage statements to all their workers. All growers were either able to remediate the findings or sign a corrective action plan to implement this requirement in the 2020 season.
- Three growers failed to show they had a process in place for reimbursement of travel fees. These growers received communication to reinforce our expectation on the topic. These findings were remediated, and all growers were able to provide proof workers received reimbursement.

Domestic Third-Party Assessments	
GAP Focus Areas	Percent of Farms Meeting All Requirements
Crop Management	
Variety Management	92%
Crop Integrity	100%
Nutrient Management	83%
Environmental Stewardship	
Crop Protection Agent Management	79%
Labor Management	
Labor Management/ Child Labor/Safety	81%
I9/Wage/Fees	75%

Chart Note: The labor management section of the third-party assessments includes: labor sourcing, hours and wages, on-farm housing (if applicable), safety training, use of personal protection equipment and reimbursement of H-2A travel fees | All findings were remediated

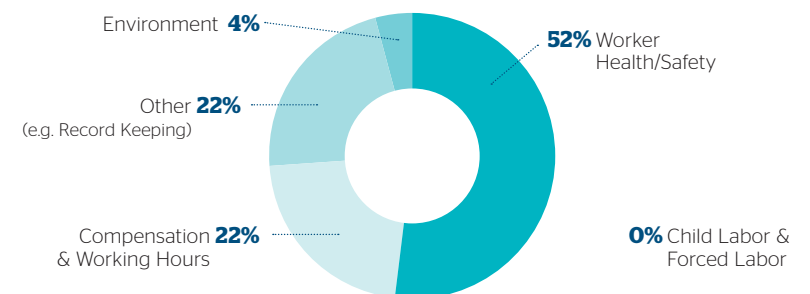
In addition to findings from the Internal GAP Assessments, there were some findings from the GAP Connections Certification Program that required additional remediation.

- One grower was denied certification for the employment of one 13-year-old. This instance followed U.S. Law, but was out of compliance with GAP Connections Certification Standards and our contractual minimum age requirement of 16 years of age. The grower no longer employs the individual, but contract requirements were reiterated to the grower to ensure their understanding of the contractual minimum age requirement.
- 4 growers were denied certification for failure to provide wage statements to workers. These growers received communication to reinforce our expectation of providing complete and accurate wage statements to all their workers. Growers were either able to remediate the findings or signed a corrective action plan to be implemented next season.
- One grower was denied certification for reports of verbal abuse. The grower received communication to reinforce our requirement that growers treat their workers with respect to help foster a collaborative working environment.

All contracted growers with findings from our internal GAP Assessments and GAP Connections Certification Program will be reassessed in 2020. Dark and flue-cured growers are contractually required to participate in the GAP Connections Certification Program. Burley growers with remediable findings will be reassessed by participating in an internal GAP Assessment using GAP Connections Standards or by voluntarily participating in the GAP Connections Certification Program.

Internationally, we employ a third-party assessor to conduct social compliance audits using a risk-based approach for our direct packaging and product materials suppliers as well as our tobacco suppliers, who source through direct relationships with growers. 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 supplier factory that has a finding is required to develop a corrective action plan and provide evidence of plan implementation. In 2019, third-party assessors completed 100 percent of planned international direct packaging, product materials and tobacco supplier audits.

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



Grassroots Collaboration to Create an Industry Standard

When the first iteration of GAP Connection standards were created, we had growers, companies, farm bureaus and departments of agriculture all in the room. It was very much a grassroots effort building this program to create something that really worked for the industry, growers and farm workers. Today, there are several ways GAP Connections continues to engage stakeholders. We frequently meet one-on-one with grower groups, labor interest groups and regulatory authorities to discuss questions or issues that would improve our training or our monitoring activities, or help us advise our growers on compliance. The focus of GAP Connections is not just on monitoring activities such as audits, but on trying to enhance the information training of growers and workers so that they can be successful.

We also have working committees that involve key stakeholders, including a Grower Advisory Committee made up of growers from 13 different tobacco growing regions, and a Farm Worker Advisory Committee, made up of members representing migrant education programs, labor NGOs and the US Department of Labor along with other organizations from the farmworker community. Both committees meet at least quarterly to help advise on projects, issues and ideas along with topics and organizations to include during our annual training and educational events. Their input and involvement in these programs is critical to the success we've had year over year.

Our annual farm safety events for farm workers and grower trainings could not happen without our partnerships with university extension programs, migrant health clinics, foreign consulates, regulatory authorities and other NGOs. Their participation not only increases the information growers and farm workers have but allows them to hear from the experts on these topics and learn more about the resources that are available to them and ask questions directly. Overall, stakeholder engagement is a critical piece to our success as our goal is to be an evergreen program that adjusts to the industry's needs year after year.

When you look at the success for the GAP Connections Certification Program just in these first two years, you see that many growers have embraced the program and the many resources that it has to offer. Altria has played a pivotal part in the success of GAP Connections and the Certification program. They talk about the program routinely with their growers, and we have a great working relationship with their grower representatives that work one-on-one with their grower base. We both have the goal of having these growers successfully obtain certification and we certainly could not do what we do without their support for our activities, including training and resource development.

I think what excites me most about the future of the GAP Connection Certification Program is where we can go from here. What we have accomplished within six years with the cooperation of an entire industry and the partnerships we have formed with outside stakeholders has been amazing. I think that GAP Connections will continue to grow the Certification program and other services to help tobacco growers and farm workers in the industry. And then maybe in the future we could see another crop join GAP Connections' efforts.



Jane Chadwell

Executive Director, GAP Connections

In addition to this third-party assessment process, in 2019, we began participating in the Sustainable Tobacco Programme 1.2, an industry-wide initiative managed by AB Sustain, a third-party supply chain management organization which assesses international tobacco suppliers and growers against Good Agricultural Practices standards. In 2019, all international leaf and processing suppliers were required to complete a self-assessment of their performance against four pillars: Crop, Environment, Governance, and People. All tobacco purchasing regions, with exception to North America, outperformed industry benchmarks for those areas. Each supplier's self-assessment scores are carefully reviewed to develop informed discussions on how to improve in low-performing focus areas. A snapshot of our suppliers' performance can be found at right.

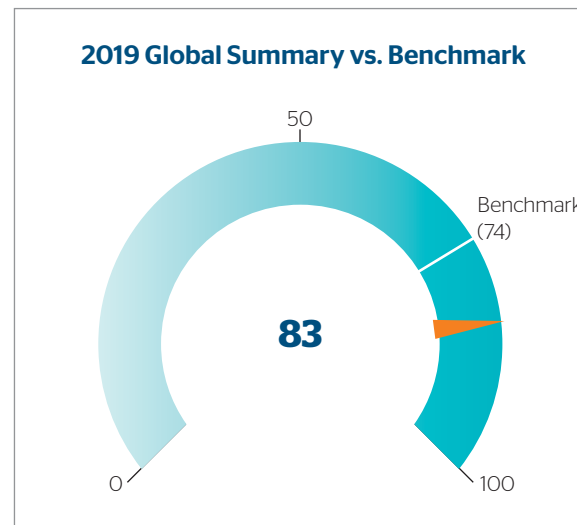
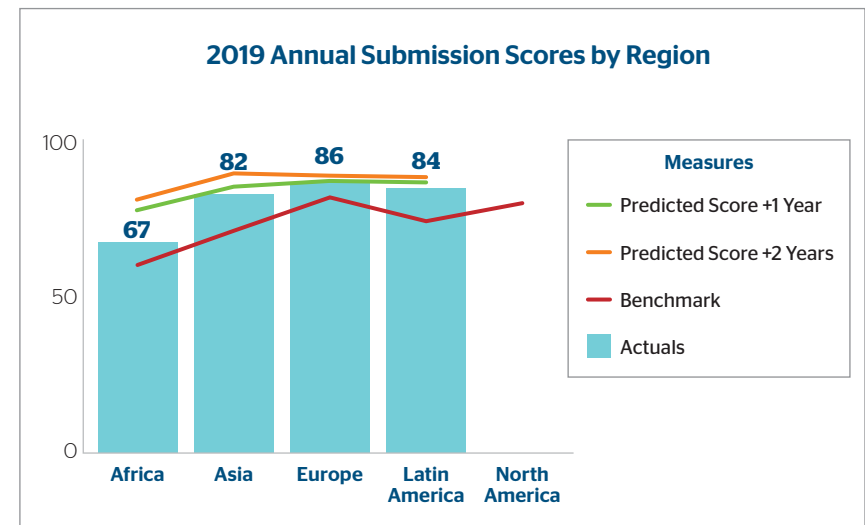


Chart Note: North American Actuals are not included as North American contracted growers are assessed as part of our internal GAP Assessments and GAP Connections Certification Program



Third-Party Due Diligence Training

In 2019, we continued to train our employees on our risk-based, third-party due-diligence assessment process utilizing new, online training tools. This process helps determine whether a supplier presents a specific legal, compliance or reputational risk that requires more in-depth due diligence. If the supplier is higher risk, we require additional contract provisions and monitoring procedures. We consider supplier country of origin, beneficial ownership, and the type of services the supplier will be providing in our risk assessment. Outcomes from this assessment are incorporated into the social compliance audit schedule.



We also conduct an internal supplier scorecard process, in which we evaluate some of our key product materials and service suppliers on their level of support, cost management, innovation, quality, service and supplier diversity initiatives. Beginning in 2020, we plan to invite a number of these suppliers to provide a 360 feedback on how we are supporting their performance in similar categories, so we can focus on continuing to strengthen our relationships. We are additionally looking for ways to utilize this process to recognize suppliers for their leadership in these areas, encouraging continuous improvement going forward.

Responsible Supply Chain Management of Conflict Minerals

As part of the Dodd Frank Act, some materials that are sourced from the Democratic Republic of Congo cannot be used in the manufacturing of products that come to the United States. Annually, we work with our suppliers to identify from where those materials are sourced, all the way to the smelter, and report this information to the SEC. Our goal is to ensure that all raw materials are sourced responsibly. For more information on our position and SEC filings visit Altria.com.



When Ste. Michelle 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 Wine Estates works to improve labor standards and requirements with its growers and trade organizations, including the Washington Winegrowers Association.

Engaging with Stakeholders

We engage with our suppliers and other stakeholders to monitor and address opportunities and concerns within our supply chain. For our tobacco businesses, we work directly with growers, regulatory agencies, agricultural stakeholders and working groups to help leaf suppliers, growers, farm labor contractors and farmworkers better understand and comply with labor laws and regulations.

Some highlights of our 2019 stakeholder engagements include:

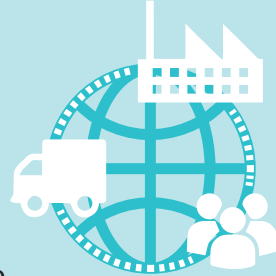
- recognition of 10 suppliers for their achievements in diversity, innovation, and efficiency and simplification efforts within our business partnership;
- collaboration with a direct materials packaging supplier to produce a serialized print solution to support our innovative digital consumer loyalty program, *Marlboro Rewards*;
- conducting strategic supplier engagements with direct materials suppliers focused on developing sustainable supply chain capabilities to address evolving business needs;
- continuation of engagement with growers and grower organizations about rising costs of the H-2A program;

We recognize the H-2A program's contribution to sustainability and productivity of the tobacco supply chain. Additionally, grower's direct hire of H-2A workers enhances on-farm compliance transparency. In 2018, we began an incentive program to provide \$0.02 per pound to growers that directly hire H-2A farm workers. In 2020, we will expand the program to provide \$0.04 per pound.

- participation in United States focused industry forums, including GAP Connections Board of Directors and the Farm Labor Practices Group (FLPG);
- engagement with the North Carolina Agribusiness Council to pilot the educational curriculum of a Farm Labor Contractor (FLC) certification program;
- engagement with various grower associations and institutional investor organizations to update them on the continued progress of the GAP Connections Certification Program and to listen to these stakeholders' concerns about growers' sustainability;
- continued membership in North Carolina State University's Supply Chain Resource Cooperative (SCRC), a thought leader in the supply chain industry which documents and disseminates new supply chain management knowledge to help companies, practitioners and university students engage in dialogue and knowledge-sharing of business innovations and best practices;
- maintained several partnerships with state university agricultural extension agencies, to provide publicly available research on tobacco production, with the goal of promoting long-term crop sustainability and guide best practices for the industry; and
- continued a recognition program for our contracted growers who have demonstrated leadership in the tobacco community. Twenty-five growers received \$10,000 each for their accomplishments in farm safety, labor management, and/or leadership within the

Our Supply Chain and the Environment

We work with our suppliers to find ways to reduce costs and their environmental footprint. We understand the effect that nature, including changes to our climate and water quality and availability, may have on our companies and their supply chains. In 2018, Altria formally committed to the Science Based Targets Initiative and began working to establish new long-term goals to continue to reduce our environmental impact. As part of these goals, we have set a Scope 3 goal to reduce our carbon footprint by 18 percent throughout our value chain by 2030. More information on our goals and progress can be found on [Altria.com](https://www.altria.com) and [page 59](#).



farmworker community or the industry. AgSafe chaired an independent selection committee to award these recognitions which totaled \$250,000 overall.

Additionally, in 2019, we joined the Sustainable Tobacco Program (STP). The STP is an industry initiative with a vision to become leaders in driving sustainable agriculture. After the implementation and use of STP 1.2, the industry recognized the opportunity to update the current platform to further advance sustainability by proactively and continuously working to improve agricultural practices, improve industry environmental and social footprints, enable transparent

communication of responsible practices across the supply chain, and contribute to Sustainable Development Goals (SDGs). As a member of the STP Steering Committee, we are actively contributing to the development of the new STP Platform which will include:

- Standards framed with an overarching industry policy commitment on the themes of the program which link and reference relevant Sustainable Development Goals as well as global standards, guidelines and reporting frameworks such as ISO, WHO, the UN Guiding Principles on Business and Human Rights, ECLT Pledge, ILO, GAP US, OECD-FAO and CDP;
- a process with a set of stages following a standardized continuous improvement cycle that includes risk assessment, self-assessment with validation, prioritization, in-depth assessment, dialogue, implementation of actions, measuring impact and reporting on progress; and
- development of a new technical system that supports these process stages, ensuring consistent data over time, risk assessment result, in-depth assessment and audit reports, actions and impact logs.

For our wine business, Ste. Michelle remains committed to sharing its best practices in sustainable viticulture and

winemaking with partner growers and wine producers. Since spearheading the creation of VineWise in conjunction with the Washington Winegrowers Association in 2007 – a resource which provides wineries with information and tools to help evaluate business practices and implement sustainable management strategies – Ste. Michelle has begun integrating a VineWise self-assessment into its grower relationships. While the majority of the assessment areas are already included in long-term contracts – the contracts plus routine on-site visits by Ste. Michelle’s team means that growing practices are constantly being reviewed and improved. This helps promote the delivery of high-quality grapes from its contracted growers and supports the overall industry in the regions where it operates.

Corporate Citizenship in our Grower Communities

Our grower representatives work one-on-one with our contract tobacco growers every year, with some of these relationships dating back decades. We understand the issues facing our growers and their communities, and the positive impact that local nonprofit organizations can play in building and sustaining thriving communities. We are proud to continue our support of local emergency response, hunger relief, arts and culture, community outreach and positive youth development organizations in the communities our growers call home.

Looking Forward

As marketplace dynamics, our industry and our businesses continue to change, we remain committed to enhancing our supply chains to provide a competitive advantage for our companies. Through continuing to support diversity and inclusion within our supplier base, and ongoing collaboration with key stakeholders, we will be able to evolve our supply chains to be flexible, secure and sustainable for the long-term. Strong, sustainable partnerships with our supplier base and trade partners are critical to our future success and achievement of Altria’s 10-Year Vision. Responsibly sourcing the raw materials and services for our companies’ products and ensuring they are sold only to Adults 21+ will enable us to meet our commitment to deliver for our consumers and customers as a responsible leader in the transition to a non-combustible future.

Developing Our Employees & Culture

Goal:

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

Michael Thorne-Begland

Vice President Talent & Culture,
Chief Inclusion and Diversity Officer



“To achieve our 10-Year Vision to responsibly lead the transition of adult smokers to a non-combustible future, we need to inspire all employees to perform their best, which means investing in them. With our talent and culture initiative, we’re trying to enable the right environment, defining the culture and behaviors we want,

so that all employees can reach their maximum potential. We know employees want to see more than a commitment; they want to see action. So we are setting more near-term objectives and holding everyone accountable. This is essential to our business success, it’s essential to the happiness of our employees.”



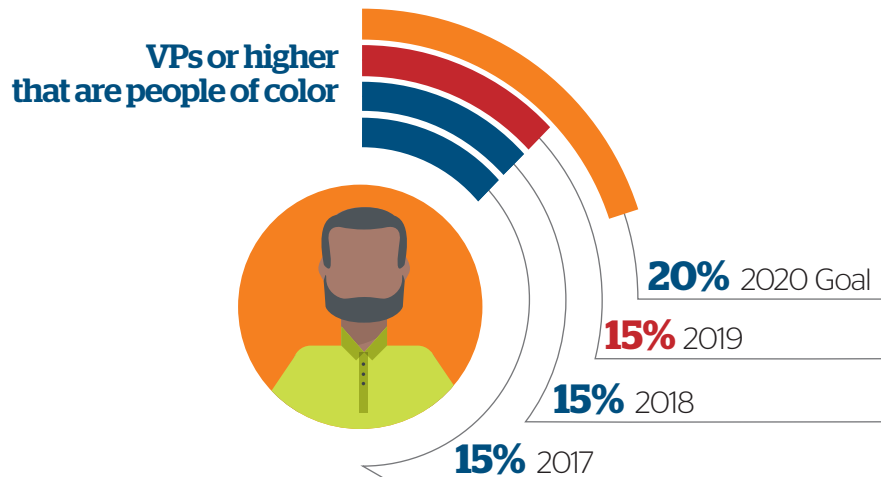
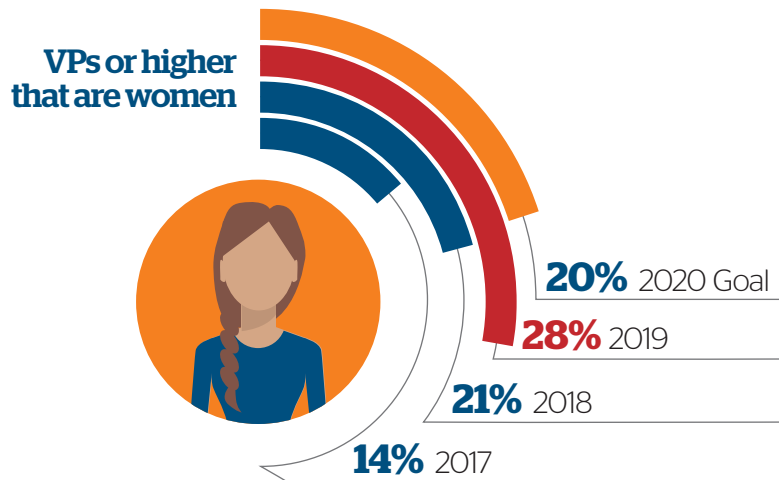
Our 2019 Performance

Deliver superior results

Operating income per employee

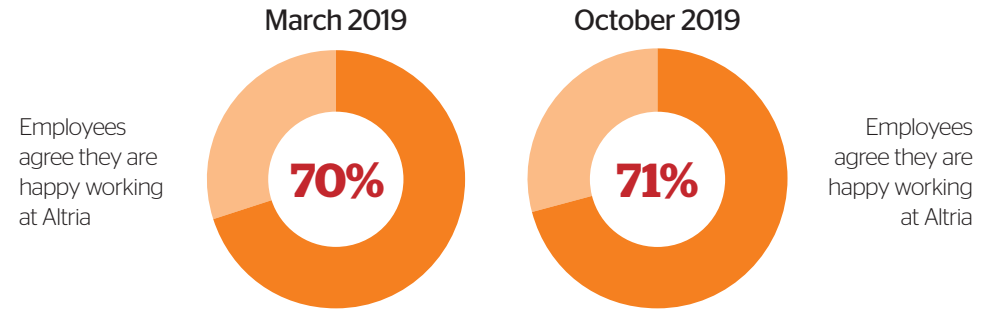


Promote a vibrant, inclusive workplace



Maintain employee satisfaction

In 2019, we revised the “Our Voice” employee engagement survey and use the question “How happy are you working at your company?” as our measure of employee satisfaction.



Develop employee talent



Create a safe workplace

	2019	2018	2017
Facility composite score for safety assessment performance	96%	95%	95%
OSHA recordable injury rate; compared to U.S. Beverage and Tobacco Product Manufacturing benchmark	1.9, lower than benchmark*	2.2, lower than benchmark	2.5, lower than benchmark
OSHA lost day rate; compared to U.S. Beverage and Tobacco Product Manufacturing benchmark	0.8, lower than benchmark*	1.2, lower than benchmark	1.2, equal to benchmark

* Last published in 2018

Progress & Outlook

In the past, our employees' leadership and passion to succeed have enabled us to create and grow some of the biggest brands in the largest tobacco categories, maintain superior trade relationships and drive shareholder value. To win in the future, we need to build on that passion

to transform our business, talent and culture. That's why when we launched Our Path Forward, which includes our 10-Year Vision, we also included Our Cultural Aspiration and the Inclusion & Diversity (I&D) Aiming Points.

Our Cultural Aspiration

Our Cultural Aspiration is a new articulation of what we value and who we aspire to be – collectively. By showing up and leading in this way, we will create the organization and culture necessary to achieve our long-term Vision.

Our Cultural Aspiration respects and complements individual identity and operating company affinity. It is a way of working that we commit to pursue – together, with each other and with our external partners and stakeholders.



Altria

We shape our future.

We anticipate and embrace change. We are strategic thinkers, always scanning the horizon and learning. We take initiative and intelligent risk. We make the hard choices, advance the best ideas, and hold ourselves accountable to shared outcomes. We empower others and trust them to deliver.

We do what's right.

We act responsibly and operate with integrity, both individually and collectively. We listen, question, and speak honestly. We collaborate to solve problems. We drive positive change by advocating for what we believe and acting on it, even when it's uncomfortable. We respect those who speak up.

We care for each other.

We earn trust by engaging others with transparency, humility, and respect. We act as owners, rally as one team and have each other's backs. We inspire company pride and a sense of belonging, embracing each other's unique strengths. We welcome newcomers and develop the best, most inclusive and diverse teams.

We deliver for our consumers and customers.

Every choice we make is inspired by our consumers and customers. We work hard every day to exceed their expectations, delivering the highest quality products, unparalleled brand experiences and superior services. Regardless of our role in the organization, when we execute with quality, we deliver.

We rise to the challenge, together.

We are relentlessly focused on our Vision. We have grit - passion and resilience. We are agile, utilizing intellect and judgment. While we strive to succeed, we know that things don't always go our way. We grow as people and teams when we trust one another and overcome challenges together.



Our Inclusion & Diversity (I&D) Aiming Points recognize that if we are going to achieve our 10-year Vision, we must be a more diverse company with more diverse leadership and be a more inclusive place to work. We're dedicated to reaching our five aspirational I&D Aiming Points as soon as possible.

Our overall approach continues to include promoting a vibrant, inclusive workplace; attracting, developing and retaining talented and diverse people; rewarding and recognizing our employees; and creating a safe workplace. Throughout this chapter, we'll share examples of how Our Path Forward is coming to life across all aspects of our approach, as well as areas where we still have work to do.

Promoting a Vibrant, Inclusive Workplace

We recognize the power of diverse teams – unique individuals who don't think or look alike – working together to shape our future. We believe our personal success and progress should be determined by working in a way consistent with Our Cultural Aspiration, and not the shoes we walk in. And we're all inspired to bring our best because our unique strengths are valued. While we've talked a lot about being this company, we haven't made the progress at the pace that most of us would like. Learning from our past, we're committed to becoming the company we need to be

to achieve our 10-Year Vision. To that end, we're dedicated to reaching the following aspirational Inclusion and Diversity Aiming Points as soon as possible:

- Be an inclusive place to work for all employees, regardless of level, demographic group or work function.
- Have equal numbers of men and women among our VPs and our Directors.
- Increase our VPs and our Directors who are Asian, Black, Hispanic or two or more races to at least 30%.
- Increase our VPs and our Directors who are LGBTQ+, a person with a disability or a veteran.
- Have diverse leadership teams that reflect the organizations they lead.

We believe that achieving all of our I&D Aiming Points will likely take between five and ten years. It will require commitment, transparency and accountability. To be successful, beginning in 2020 we will:

1. Measure and Share

We will measure our progress and broadly share at least twice a year how we're doing in areas critical to driving our success as well as our progress in reaching our aiming points.



2. Build the Best, Most Diverse Teams

We will narrow gaps in underrepresented groups by developing talent acquisition and onboarding strategies and goals at both the enterprise and functional levels.



3. Develop the Pipeline

We will invest in leader and employee development to build a diverse talent pipeline prepared and willing to lead at every level.




4. Hold Ourselves Accountable


We will leverage organizational plans, the Altria Diversity Council, Employee Resource Groups, external partnerships and people systems to help us deliver these results.




The Aiming Points were determined using the latest U.S. census data and the U.S. adult college educated population, as well as projections of population demographic changes. If we are already at an Aiming Point, it does not mean we're done – these are a minimum, not a maximum.

 **Aiming Points:** Have equal numbers of men and women among our VPs and our Directors

	Aiming Point	Jan 2020 - % VP+	Jan 2020 - % Director
Men	50%	69%	61%
Women	50%	31%	39%

 **Aiming Points:** Increase our VPs and our Directors who are Asian, Black, Hispanic or two or more races to at least 30%

	Aiming Point	Jan 2020 - % VP+	Jan 2020 - % Director
White Men	35%	59%	48%
White Women	35%	27%	28%
Black Men	6%	4%	6%
Black Women	6%	2%	6%
Hispanic Men	5%	4%	2%
Hispanic Women	5%	0%	2%
AAPI Men	4%	2%	4%
AAPI Women	4%	2%	3%
Two+ Men	2%	0%	1%
Two+ Women	2%	0%	1%

 **Aiming Points:** Increase our VPs and our Directors who are LGBTQ+, a person with a disability or a veteran

	Aiming Point	Jan 2020 - % VP+	Jan 2020 - % Director
LGBTQ+	8%	2%	3%
People with Disabilities	7%	0%	1%
Veterans	6%	0%	3%

Courageous Conversations

"I&D Convos" are a series of courageous conversations that directly and transparently explore how I&D impacts our ability to remain relevant to evolving employee and consumer expectations, ways in which we can advance our I&D progress, situations that illustrate a lack of I&D, and more. In 2019, we hosted the following I&D Convos:

Keeping the Faith: Spirituality & Religion in the Workplace

We explored the way our religion, faith, and spirituality can influence and impact how we show up to work as our whole selves.

Intersectionality 101: Women of Color in Corporate America

We explored how the combination of being both a woman and a racial minority can yield a unique experience, why that particular experience is often overlooked, and how it varies across different groups. In a follow-up, we continued our conversation exploring the

unique experiences of women of color including various aspects of covering, challenging the concept of a singular "executive presence," and discussing how all co-workers can be allies.

Lost in Translation: Communicating & Leading Across Generations

We tackled the generation divide and explored areas of dissonance and miscommunication as well as commonalities and shared experiences across the generations.

Yes, We Are Still Talking about D&I – The Good, The Bad & The Messy

We talked about what was on everyone's minds in early 2019- the significant workforce restructuring. We reviewed the new makeup of Altria, shared the evolution of Altria's I&D work, and explored some of the unintended consequences of the restructuring.



Major Milestones Reached in Altria's LGBTQ Journey

For the third year running, the Human Rights Campaign has given Altria a perfect score on its Corporate Equality Index (CEI). The CEI measures workplace policies and practices designed to protect and elevate LGBTQ diversity and inclusion. With our 100% score, we join over 680 organizations designated "Best Places to Work for LGBTQ Equality".

In 2019, the U.S. Supreme Court heard oral arguments in three cases that will determine whether federal civil rights laws currently protect LGBTQ employees. Altria cared so much about this issue that the company submitted its own amicus brief to the Supreme Court, arguing that LGBTQ employees should be protected. While a group of 200+ other companies submitted a joint brief coordinated by several LGBTQ organizations, Altria was the ONLY company to have submitted a brief on its own.

In January 2020, the Virginia Values Coalition released a letter to Virginia lawmakers calling for comprehensive LGBTQ nondiscrimination protections. As part of this coalition, Altria pledged to support these critical measures.



Updates from our ERGs

In 2019, EAST launched a new campaign to focus on amplifying Asian understanding, deepening connections and breaking stereotypes. EAST also partnered with the duty-free team to create a brand campaign designed to connect with the millions of Asian travelers heading home to celebrate the Lunar New Year.

UNIFI celebrated their 5-Year Anniversary in 2019. UNIFI members were involved in a pilot to provide input to our brands to ensure the work is truly multicultural and what works and what doesn't. UNIFI also met with Black ERGs from 8 other companies in Richmond to glean best practices and make connections to engage together moving forward.

Si! hosted "I Am Latinx" during Hispanic Heritage Month, exploring and celebrating the diversity of the Latinx identity through personal stories. Ahead of the event, they ran a contest for employees to win jackets after engaging with learning materials and after the event encouraged all employees to share their personal identity stories on Yammer. Si! also partnered with Spring to bring financial acumen training to employees.

In 2019, Sage was created to ensure that all employees have the same opportunities and access to contribute, grow, advance and express their voice, regardless of any differences, including age. Sage's Vision is to drive a multi-generationally inclusive culture and become a resource for the continued development and growth of experienced workers' careers.

We also explored interest for formation of an ERG around employees/families with disabilities in 2019, with the official ERG, Rise, launching in 2020 with a vision to create an environment for Altria's employees and families with diverse abilities to feel fully included, supported, and equipped to maximize their skills, develop their careers, and advance the organization.

Our Employee Resource Groups



Asian



LGBTQ



Hispanic



Young Professionals



Black



Military



Experienced Employees



Employees/Families with Disabilities

Building Trust Through Transparency

One of the drivers of Altria's organizational strength is an atmosphere of trust; employees that have trusting relationships can share information more freely and drive innovation forward. In 2019, I co-led a cross-functional team aimed at increasing transparency to accelerate trust within our organization. Our team identified two areas where employees wanted access to more information: our diversity data and our compensation structures.

For many years, Altria has focused on inclusion and diversity efforts, but employees did not have access to data to see the progress themselves. We partnered with our Information Services and People Analytics teams to create an easily accessible data platform, including breakdowns of our employee data by race and gender, with filters such as function or tenure. Hopefully this interactive tool allows employees to feel more connected to our diversity aspiration journey.

Employees also expressed interest in transparency around pay equity across different demographic groups. Our team worked with HR to examine our equitable compensation processes for salaried employees, such as external benchmarks and annual statistical analysis to ensure that women and men are paid on par with each other. We also wanted employees to have more confidence in Altria's approach to pay equity through access to this information. In partnership with the HR Compensation Team, we released a new annual compensation report, which includes detailed compensation structures and comparison data by gender and race. Sharing pay equity information empowers employees with knowledge and ultimately builds trust throughout the organization.

This work would not have been possible without the GREAT talents of my teammates and the commitment of our executive champions!



Ira Holliday

Senior Manager
Workforce Planning Strategy,
Altria Client Services

Championing Women at Altria – and Beyond

Like many other companies, Altria has worked hard – for years – on being inclusive. Today, we have one of the most diverse leadership teams we've ever had: almost 40% are women and/or people of color. Altria also benefits from a diverse board, with one-third of independent director seats held by women.

Within Altria, similar to national trends, we've made progress advancing women, in particular white women, to the Vice President level and higher. But we have more work to do to give female colleagues from underrepresented groups the same opportunities.

When it comes to pay equity for women, our results are better. Altria has a long-standing practice of reviewing salaries to mitigate potential inequities. For more than 20 years, Altria's Compensation team has regularly run statistical analyses to identify unexplained pay discrepancies and address them with salary adjustments. Based on the most recent annual analysis conducted at Altria in November 2019, salaries of female employees were 99.7% of those of our male employees and salaries of our non-white employees were 99.5% of those of our white employees after adjusting for factors generally considered to be legitimate differentiators of salary (e.g. performance and salary grade).

Our work to advance women and women of color includes benchmarking with other companies and working with nonprofits who conduct research on the topic. A key nonprofit with this expertise is Catalyst, a global organization that focuses on accelerating progress for women within business and on corporate boards. To further the goal of getting more women into the boardroom, in 2019, we announced a \$1 million one-time grant to Catalyst to support its Women On Board program, designed to champion qualified women board candidates by pairing them with sitting corporate directors – who are primarily white men – for a two-year period. This aims to disrupt old patterns and unconscious bias through the proven effectiveness of 1-on-1 sponsorship.

Communicating and Working Differently

Culture change requires transparency, frequent communication, and engaging employees to work differently. In 2019, we continued incorporating new ways of communicating and engaging employees. We launched several collaboration and flexibility resources, including Yammer, Microsoft Teams, upgraded IT capabilities, and flex workspaces in all our facilities, to change the way we engage and collaborate to support workplace flexibility: empowering employees to work when, where, and how they choose.

Employees in a flexible work pilot used Yammer to encourage others to share ideas about how they work flexibly through #FlexChallenge.

In 2019, we continued leveraging the benefits of Agile work teams. The Results Accelerator teams have demonstrated what well-led diverse and empowered teams can deliver. For example, in the most recent round of Results Accelerators, the *Black & Mild* Filter Tip team was able to deliver significant commercialization and go-to-market time and cost savings, including reducing commercialization approval and system set from 5 weeks to 3 days; reducing 11 week material supplier lead time to 1 week, and point of sale development timelines from 4 months

Championing Culture Change through Employee Community Engagement

In my 17 years at Altria, I've seen how our employees and our companies have been involved in the community, generously giving and volunteering. I now lead employee community engagement for Altria and its companies and I could not be more excited. In the last year, we've worked to evolve our employee community engagement program. We knew this change was timely as we see our company and culture changing rapidly. We wanted to better connect our employees with the community and give them more voice in the process.

Altria Contributing Together (**act**), supports employees at the individual and group community levels. Employee ambassadors nationwide, grow inclusion, create local connections and offer new perspectives. I see the pride grow in our employees as they lead their teams and make a big impact in their community. Through their efforts, they build stronger and more inclusive teams. Employees also see more choices and flexibility. Oftentimes, they can rally their team to volunteer or give together. We don't just focus on doing, but on people.

act gives all employees greater choice to work on activities and causes that matter to those participating. For example, our collective community giving campaign was expanded nationwide and employees nominated non-profits to receive the funds raised. Employee donations still go into the community to provide much needed services and meaningful impacts but now employees have more say as to where donations go. And, as in the past, Altria provides generous support to enhance all of our employee community engagement efforts nationwide. With the launch of **act**, we had our first ever Giving Tuesday campaign. Our ERGs polled their members to determine which non-profits to nominate and sales regions from AGDC, who weren't able to participate before the nationwide rollout, rallied to the cause. Altria matched employee donations one-and-a-half times, raising over \$36,000 and attracting over 200 donors.

We call it **act** because you can actually go and do something. We know when you participate in an act program you're not only engaging in your community, you're engaging more deeply at work. And that shows up every day.



Wendy Shields

Senior Manager Corporate Citizenship,
Altria Client Services

to 4 weeks – and it was all achieved in 90 Days. The *Marlboro* brand team also piloted Agile by using the “scrum” process management framework to launch 19 test projects on timelines that were 90% faster than the traditional way of working. This involved re-thinking processes to align a cross-functional team on key priorities, focusing on quick wins and iterative improvements in two to three-week sprints. Other groups, including the cross-functional team for the \$100 million underage prevention work and a team at Helix Innovations, are using Agile tools and processes to change the way they work.

To connect employees to each other, we launched Altrians, an intranet series designed to share the more personal sides of the people we work with day in and day out. Altrians has featured employees from executives to interns, covering topics from women in skilled trades to employees with long family histories of working for the company.

Altria also engages employees through our community giving platform that enables employees to invest individually and collectively in their communities through personal charitable giving, volunteering and community engagement. We are increasingly aware that employees recognize community service as an important way to align their work with their personal sense of purpose. Altria has long supported employee community engagement through a robust volunteer program that combines company-sponsored volunteering with dollars-for-doers incentives for personal community work. Our volunteer program helps foster this sense of purpose by empowering employees to lead community service events, building leadership and inclusion skills as volunteer leaders. To further embed community inclusion in our culture, we have a goal that 100% of our executives serve on non-profit boards. In 2019, 94% served on over 80 non-profit boards.

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 paid internships and diverse assignments designed to stretch capability.

Recruiting

We recruit people with strong leadership potential. Our companies have longstanding recruiting relationships with 13 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. In 2019, we examined university partnership and made some changes in order to increase diversity. We established a new partnership with Florida International University, which has a large Hispanic student population. In addition, we looked at some of our existing universities to identify areas where we could expand the functions that recruit there. At North Carolina A&T, a Historically Black College and University we were able to add sales recruiting to complement our already strong partnership for engineering and manufacturing.

Our UNIFI and Spring ERGs, along with Talent Acquisition and the Diversity and Inclusion team, partnered 170 interns with employee mentors outside their assigned function in 2019. Our Senior Vice President, Chief Human Resources Officer and Chief Compliance Officer, Charlie Whitaker, and other executives served as intern mentors as part of this program. Seventy-nine percent of interns surveyed said that this enhanced their overall experience.

We also partner with a number of organizations that support diverse students. Some of these partnerships include the Thurgood Marshall College Fund, the Hispanic Scholarship Fund, Association of Latino Professionals for America and Management Leadership for Tomorrow. We recruited 18 diverse intern candidates and eight direct hire employees through these partnerships in 2019.

Recruiting			
	2019	2018	2017
Number of paid interns	183	196	196
Eligible intern to full-time conversion	47%	44%	45%

Our university recruiting is complemented by our efforts to hire experienced employees with demonstrated leadership capabilities. In 2019, we hired 241 new employees to address turnover and fill important skill gaps needed for the future, of which 30 percent were women and 37 percent were people of color, helping improve the diversity of our workforce and creating a pipeline to achieve our aiming point aspiration.

In 2019, our ERGs partnered with our HR Talent team to contribute to the pipeline of diverse talent by sharing weekly open job postings, including transparency into the status of the process, with their members. Members were also encouraged to refer friends and/or post the jobs on social media.

In 2019, we underwent a significant cost reduction program that included workforce reductions. With strategic shifts in the business, we are confronted with a duality – delivering on our heritage of treating our workforce with respect, especially through transitions, while continuing to attract,

In 2019, Altria and SALUTE were proud to be featured in a five-minute segment of *Military Makeover: Operation Career with Montel*. It featured two employees who served in the Army National Guard and found Altria to be a particularly supportive environment during or after their deployments. Also featured is Brandy Akins, Senior Manager, Experienced Hiring, who is also a veteran and understands the unique talents veterans bring to the table. “They offer us an opportunity to touch a very wide, diverse group of people. When I think about the qualities that veterans bring, I think about leadership ... discipline ... teamwork ... perseverance ... and how they show up to work every day,” she says. In 2020, Talent Acquisition plans to strengthen military recruiting, communication and training efforts.



Thinking Differently about Women’s Leadership Development

Our industry is seeing more change than we’ve seen in the last generation with a changing workforce and new challenges. In order to continue to lead into the future, it is critical for our company to truly tap in to the unique talents of every employee in the organization. One way to do that is identifying opportunities to better support our women and diverse leaders.

While I was leading the advocacy committee for our Women in Sales Network, I developed and piloted a new program to help Altria achieve our Inclusion & Diversity goals. Our company had set its first aspirations for diversifying leadership in 2016 with a goal to increase VP+ representation to 20 percent women by 2020. The leadership development program, Women Executives Leading and Learning (WELL Program), originated as a solution in support of that goal and in response to feedback from women across the company saying they wanted to see more women at the top.

My research showed that companies considered best-in-class for their focus on advancing women were investing in their most talented women leaders with specialized leadership development programs. The programs were focused on three core elements: personal leadership, business immersions, and creating productive, working connections with senior leaders.

The WELL Program was an immersive nine-month program focused on these components while leveraging robust 360 feedback, interactive classroom sessions, and senior leader mentorships. It was important that the organization and participants knew that the program was not created to “fix women” or because they were any less capable than men. This is simply not true. Instead, it was meant to amplify their already-strong talents by building their exposure to the business and providing access to the senior leader networks needed to advance one’s career.

We received positive feedback from the women in the first pilot and identified improvements for future pilots. The WELL Program is a great example of how the company is thinking differently about leadership development and supporting women.



Jessica Hendrickson
Vice President Region Sales,
Altria Group Distribution Company

retain and develop skills we need for the future. As always, we remain committed to both, to successfully transform our business, culture and talent for our long-term success.

Development

We recognize that our people are our competitive advantage that have long led to our success and by continuing to invest in them, we will ensure success for years to come. The learning and development of our employees was a critical focus for us last year. We invested in a new operating model, moving from a decentralized approach to a federated model. We stood up a new learning and development team in HR to lead our efforts in partnership with learning professionals already embedded within functions. This strategic shift has allowed all employees, regardless of operating company or position, to have access to learning resources, provide leadership development across the enterprise, and free up the functions to do what they do best: build the technical proficiency of employees. We established a learning

council made up of senior leaders, HR employees, and the functional learning professionals, responsible for creating amazing learning experiences for employees, identifying and mitigating duplication of efforts, and optimizing agreements with outside organizations leading to significant cost savings.

Today's reality is that 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, at both the enterprise and functional levels, taught by experienced company leaders or by experts in a variety of fields who challenge our assumptions and practices.
- An upgraded New Employee Onboarding experience designed to excite and engage new employees – even before their first day!
- AGDC University – A system that connects learning to development for all our sales employees. The system uses formal, instructor-led programming, offers online learning and connects learners via social learning.
- 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.
- Functional expos where employees can immerse themselves and learn more about work being done in different areas of the business. In 2019 we held expos showcasing our brands, including a consumer empathy corner; highlighting how sales and distribution is using innovative trade programs; and showing how IS is incorporating emerging technology into the business.
- In 2019, for the 4th year, our Richmond Manufacturing Center engineering interns put the engineering and project management skills they've learned during the summer to the test by building a house in five days to support a local non-profit that donates homes to veterans or first responders.

In 2019, our companies invested approximately \$10.3 million in training and development programs

Enabling Employees to Perform

Employees are at their best when their work is meaningful to them and connected to Altria's strategies, when they're continuously learning and growing, and when they're empowered to shape their careers. However, for too many employees, this wasn't happening due to inconsistent accountability. Accountability is the glue that turns commitment into results, which is why we have a pay for performance strategy that holds employees accountable for the results they achieve and how they were achieved. Therefore, in 2020, we launched a new talent platform called myPath that brings together learning and development, performance, and career planning.

Salaried employees also create an annual development plan with their manager, with coaching and feedback at least quarterly. This 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 by leveraging their unique strengths and bridging gaps. Later in 2020, additional resources will be available in myPath to support a new approach to managing career aspirations.

Our Talent Planning process helps develop and measure the readiness of employees to advance into new positions and identify candidates for leadership roles. This process allows us to fill a high percentage of our openings with internal candidates. 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 2019:

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

In 2020, we are exploring new, innovative strategies to provide the career mobility that today's employees expect. We are assessing our current processes for identifying potential leaders and succession planning with the goal of improving our ability to create equal opportunity for all employees.

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 target compensation packages between the 50th and 75th percentile of our peer companies, meaning our compensation is targeted to be better than a significant portion of companies we compete with for employees. In 2019, we improved and added new salaried benefits based on employee feedback:

- Transforming Parental Leave into a more inclusive and flexible benefit: Paid Family & Medical Leave, where employees receive up to 12 weeks of full pay for various reasons, including bonding with a new child and caring for a family member
- Financial assistance for employees who want to create a family through surrogacy or fertility treatments and unlimited lifetime maximum for infertility treatment with a medical diagnosis
- Increasing the number of free Employee Assistance Program visits
- Expanding health care coverage to include habilitative therapy services for autism and non-autism development-delay diagnoses
- Paying up to \$10,000 lifetime maximum in monthly payments towards student loan principal repayment
- Enhancing preventive health care coverage to cover more benefits to keep employees healthier and save them money
- During May, Mental Health Awareness Month, resources were provided to employees to help them navigate and reduce the stigma around mental health conditions. The new ERG for employees/families with disabilities would also include mental health conditions.

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. Our peer recognition program, Snap, gives all employees a monthly point budget that they can use

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.

with laws and regulations relating to employee safety and health. Safety is more than our number one priority; it's a serious commitment to ensure every teammate works injury free.

to instantly recognize their peers or boost recognitions shown in a newsfeed. Employees can then redeem those points using a large catalog of awards ranging from electronics to local experiences.

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

We continually update our policies, procedures and equipment as new developments occur in safety and health standards, as advances are made in technology and as market conditions change. From manufacturing facilities to offices, safety is embedded in our culture and requires the day-to-day dedication of teammates for everyone to have an injury-free career. Achieving this goal requires each employee to comply with safety requirements, perform job duties in a safe manner, and watch 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 business processes;
- recognizing and celebrating strong safety performance; and
- enforcing safety fairly and consistently.

In 2019, our Corporate Security upgraded the Global Security Operations Center (GSOC). The GSOC is staffed 24/7 with highly-trained personnel who actively support the safety and security of traveling employees, manage emergency situations, and monitor access control and security video. For example, if an employee is traveling through a region with a civil disturbance or natural disaster, the GSOC can contact those employees, verify their welfare, and provide them with information and next steps.

For several years, Corporate Security has provided workplace violence training and overseen a multi-functional Threat Assessment Team to prevent and rapidly respond to potential acts of workplace violence. In 2020, Corporate Security will begin rolling out an enhanced two-part training program to prevent such incidents from happening at Altria.

Maintaining Strong Labor Relations

Altria's operating companies provide well-paying manufacturing and production jobs for employees in 8 states. We respect the rights of our companies' employees who choose to be represented by a union. In fact, 30 percent of employees within our family of companies were covered by collective bargaining agreements at the end of 2019.

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. In 2019, two of our PM USA instrument electricians were selected by the Virginia Department of Labor and Industry as Outstanding Apprentices. Apprenticeships train up a pipeline of competent and skilled craftspeople, helping close the skilled trade gap and an example of how we partner with our hourly workforce to develop future talent, as well as with community partners like John Taylor Community College. In 2019, John Taylor executed a \$1.33 million dollar grant from Altria to expand their electrical and mechanical maintenance programs, supporting the required academic component of our apprenticeship programs.

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 \$1,500 - \$1,800.



Looking Forward

As our business continues to change, our culture and talent strategies must also continue to evolve. Our Path Forward focuses heavily on investing in our employees, from the manufacturing floor to improving diversity at all levels. In 2020, our talent and culture initiatives that align with the 10-Year Vision, Our Cultural Aspiration, and the I&D Aiming Points, along with proven talent strategies and our ongoing commitment to learning and growth, will increase employee engagement and allow us to tackle our challenges and continue to deliver superior results into the future.

Environmental Sustainability

New 2030 Goals:

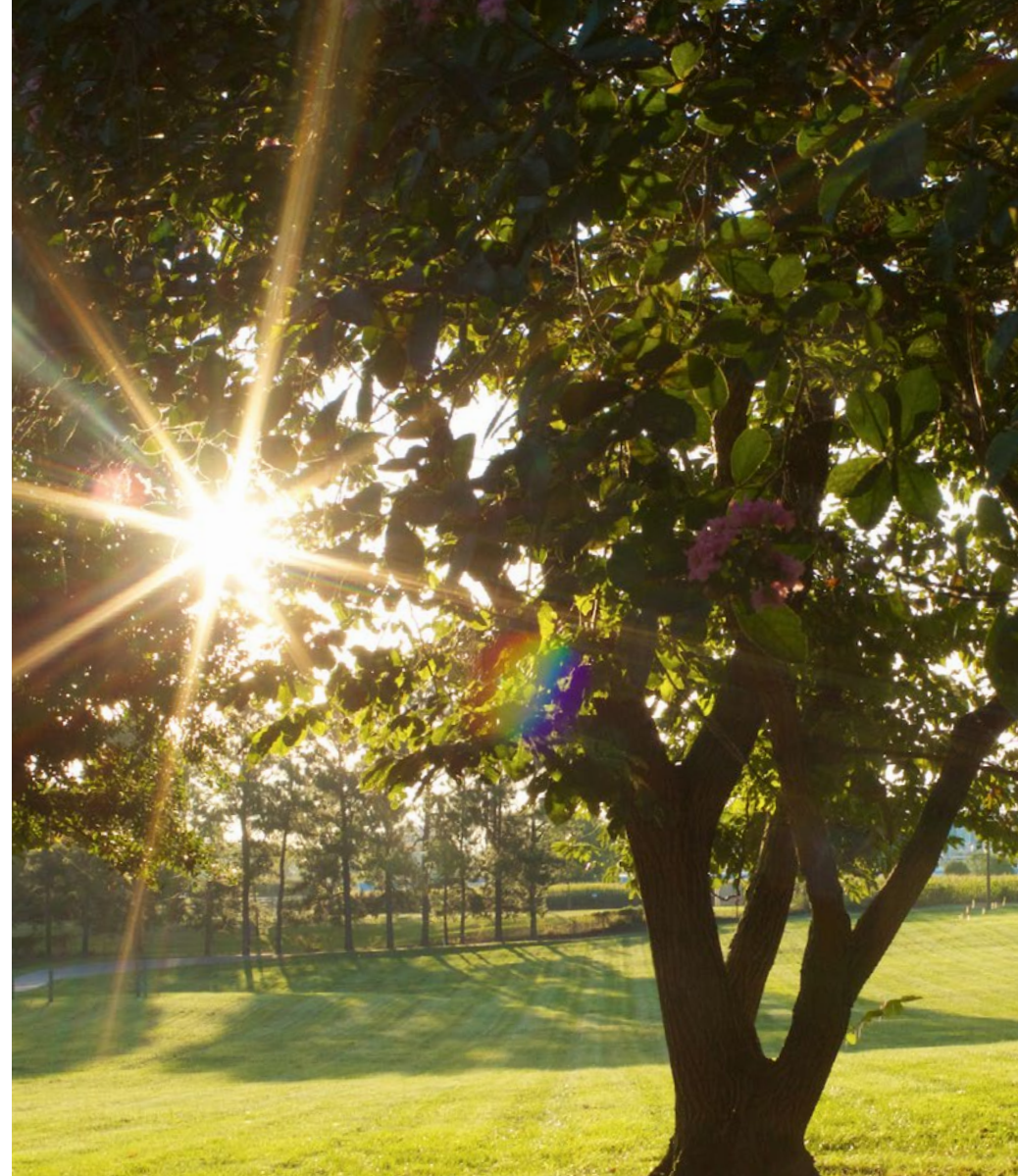
- ➔ Reduce absolute Scope 1 & 2 greenhouse gas emissions by 55% by 2030 vs. 2017
- ➔ Reduce absolute Scope 3 greenhouse gas emissions by 18% by 2030 vs. 2017
- ➔ Achieve 100% renewable electricity by 2030
- ➔ Reduce waste sent to landfill by 25% by 2030 vs. 2017
- ➔ Achieve 100% water neutrality annually



Billy Gifford
Chief Executive Officer
2019 Executive Environmental Sponsor

“Our companies and their products have an impact on the environment and we have a responsibility to minimize that impact. We also understand that changes in nature, including water availability and climate change, can affect the future of our business. That’s why we set long-term environmental goals and regularly

share our progress on them. As the global need to mitigate negative environmental impacts and disclose environmental risks and opportunities intensifies, our stakeholders expect us to respond. Given that and the significant progress made against our 2025 goals, in 2020 we reset to more aggressive goals for 2030.”



Our Approach to Environmental Sustainability

Our 2025 goals included reducing greenhouse gas emissions across our operations and value chain, reducing energy use, reducing waste sent to landfill, and offsetting at least half of our water consumption through re-use and conservation. We also committed to the Science Based Targets initiative in 2018 to do our part to help keep a rise in global temperature to well below 2°C. We publish our specific goals and update progress against them, annually, on altria.com.

To accelerate our progress, our [Environmental Management Framework](#) helps set direction, guide decision making and promote continuous improvement. Our approach includes understanding and communicating expectations, aligning business practices, working with external stakeholders to promote environmental stewardship, and measuring and reporting progress. The supporting elements and processes include:

- **Management Guidance:** Communicate our environmental expectations to employees through our Code of Conduct and to suppliers through our Supplier Code of Conduct.
- **Actions and Implementation:** Create annual business plans for each operating company, identifying specific environmental opportunities to support our long-term goals.
- **Review and Feedback:** Measure improvement through key metrics (i.e., air emissions, energy, waste and water); Regularly review progress with management and executive leadership and the Board of Director’s Nominating, Corporate Governance and Social Responsibility Committee.
- **Measurement:** Annually report environmental metrics on altria.com, in our Corporate Responsibility Progress Report and through CDP’s Climate Change and Water Security surveys. Major reported data elements have been assured by a third party.

As the impacts of climate change on society become more acute, it is critical for business to act. We appreciate the opportunity to share our long-term approach to reducing our environmental impacts with respect to this very real and growing challenge.

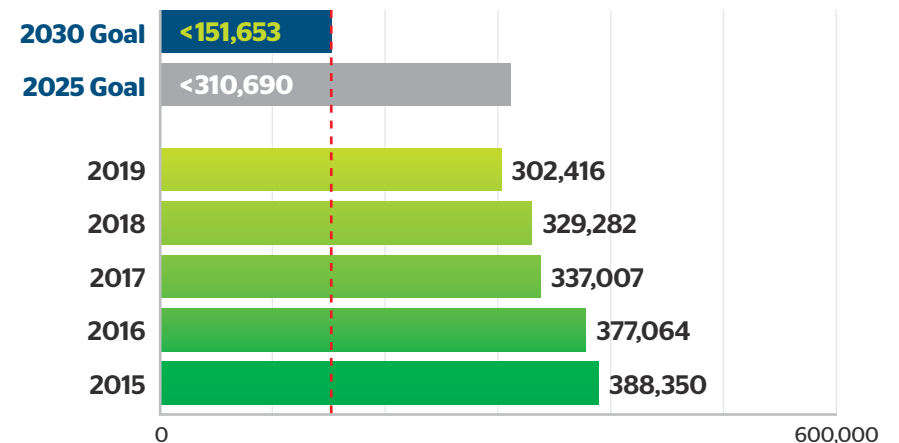
2019 Performance & New Goals

We are proud of the progress we’ve made to date. Altria was recently commended as a global leader in sustainable water management, among only two percent of disclosing companies that achieved a place on CDP’s Water Security “A List” in 2019. On CDP’s 2019 Climate Change survey, Altria was identified as a global leader for engagement with suppliers on climate change, among the top three percent of disclosing companies. On the overall Climate Change survey, we received a “B” rating, recognizing our strong management practices around environmental risks and opportunities related to climate change, but acknowledging more can be done. In 2020 we re-evaluated our long-term environmental goals to identify opportunities for more progress, including renewable energy and more ambitious science-based targets.

- ➔ **Previous 2025 Goal: Reduce absolute Scope 1 & 2 greenhouse gas emissions by 20% by 2025 vs. 2015**
- ➔ **2030 Goal: Reduce absolute Scope 1 & 2 greenhouse gas emissions by 55% by 2030 vs. 2017**

Scope 1 & Scope 2 Greenhouse Gas Emissions

Metric Tonnes CO₂e



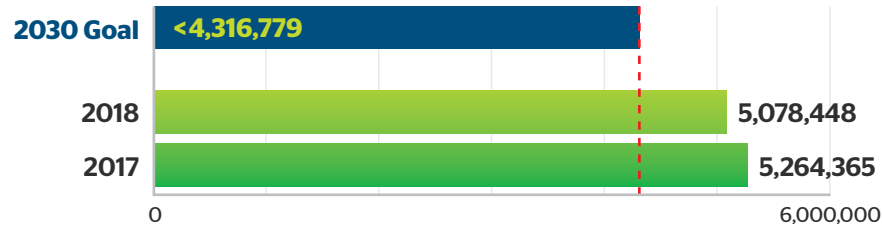
Data was modified to reflect market-based Scope 2 emissions versus previously reported location-based emissions to align with the methodology for renewable energy accounting.

In 2019, we exceeded our 2025 operational greenhouse gas emission reduction goal. Science continually tells us that more needs to be done and sooner. For this reason, in 2020 we adjusted to set a more ambitious goal and had our emissions reduction target approved by the Science Based Targets initiative as consistent with levels required to meet the goals of the Paris Agreement. The target covering greenhouse gas emissions from our operations (scopes 1 and 2) is consistent with reductions required to keep warming to 1.5°C, what the latest climate science has told us is needed to prevent the most damaging effects of climate change.

- ➔ **Previous Goal: Reduce absolute Scope 3 greenhouse gas emissions by 15% by 2030 vs. 2017**
- ➔ **Revised Goal: Reduce absolute Scope 3 greenhouse gas emissions by 18% by 2030 vs. 2017**

Scope 3 Greenhouse Gas Emissions

Metric Tonnes CO₂e



We update Scope 3 emission data using a hybrid life cycle assessment methodology biannually and estimate using shipment volumes in between updates; we expect 2019 data in June. Data was modified to reflect the addition of the investment category.

In 2020, we revised our greenhouse gas emissions goals and our target for the emissions from our value chain (scope 3) meets the Science Based Targets initiative’s criteria for ambitious value chain goals, meaning they are in line with current best practice.

The largest category for our Scope 3 footprint is investments, driven by our 10% investment in Anheuser-Busch InBev. AB InBev has greenhouse gas emissions goals validated by the Science Based Targets initiative and is making progress on initiatives such as renewable electricity.

Another portion of our Scope 3 emissions is in our agricultural supply chain. Our tobacco operating companies support sustainable agriculture through industry programs. We source most of our tobacco from the United States. We communicate sustainable agriculture expectations with all domestic growers through our Tobacco Leaders Program. In 2019, approximately fifty percent of our growers participated in the GAP Connections Certification Program which sets standards and assesses growers in areas such as:

- Crop management (integrated pest management, nutrient management, curing and barn management)
- Soil and water management
- Agrochemical management

We support the improvement of sustainable agriculture by investing in the development of tobacco curing efficiency processes, seed variety research, and university & agricultural extension programs.

For international leaf suppliers, we facilitate discussions with our suppliers at the local level on woodlot management. Our suppliers’ programs include efforts to reduce fuel usage. Additionally, some suppliers have established reforestation plans with their growers to improve access to sustainable wood fuel sources. Although wood curing is used in only a small amount of the tobacco our companies purchase, we invest in programs to re-populate the trees. Altria provided funding to help support the progress in Malawi of the production and planting of tree/bamboo seedlings, the natural regeneration of woodlands, the distribution of fuel-efficient cookstoves, and implementation of small-scale irrigation.

In our international tobacco supply chain, we are part of an industry-wide steering committee to evolve the Sustainable Tobacco Programme to align with the U.N. Sustainable Development Goals, including themes around climate change, water, crop protection, biodiversity and forest protection, and waste.

Ste. Michelle Wine Estates is a member of the Board of Directors of the Washington Winegrowers Association and lends its expertise to the association’s VineWise. VineWise gives growers tools to evaluate business practices and implement sustainable management strategies, including pest management, soil management, crop management, vineyard productivity, water management, and whole farm ecosystem.

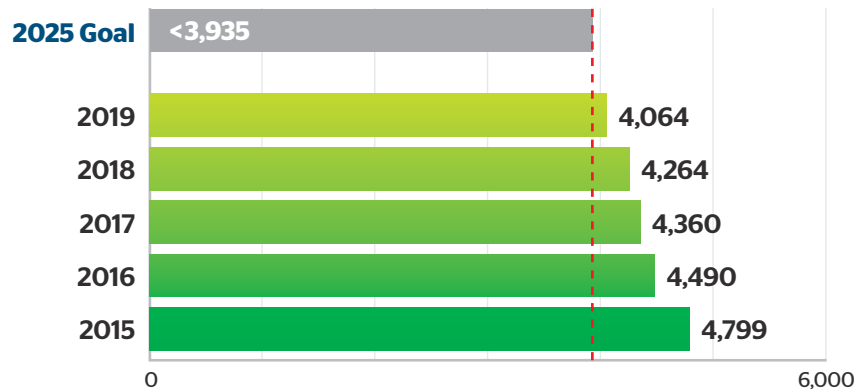
In 2020, we are piloting CDP Supply Chain to request environmental data from our direct and indirect suppliers, which will allow us to collaborate on shared environmental goals as well as improve the accuracy of our Scope 3 emissions inventory.



- ➔ Previous 2025 Goal: Cut absolute energy use by 18% by 2025 vs. 2015
- ➔ 2030 Goal: Achieve 100% renewable electricity by 2030

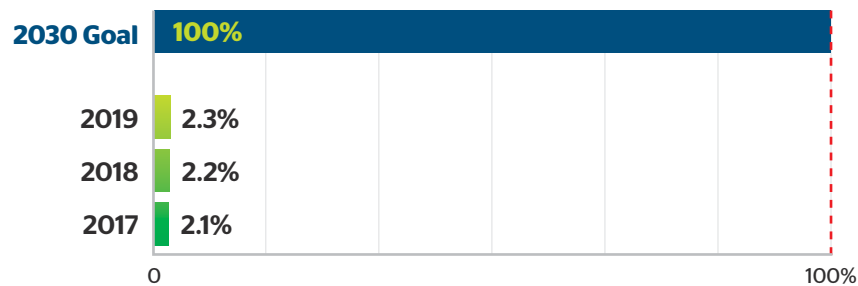
Energy Use

Billions British Thermal Units (BBTUs)



Renewable Electricity

Percent

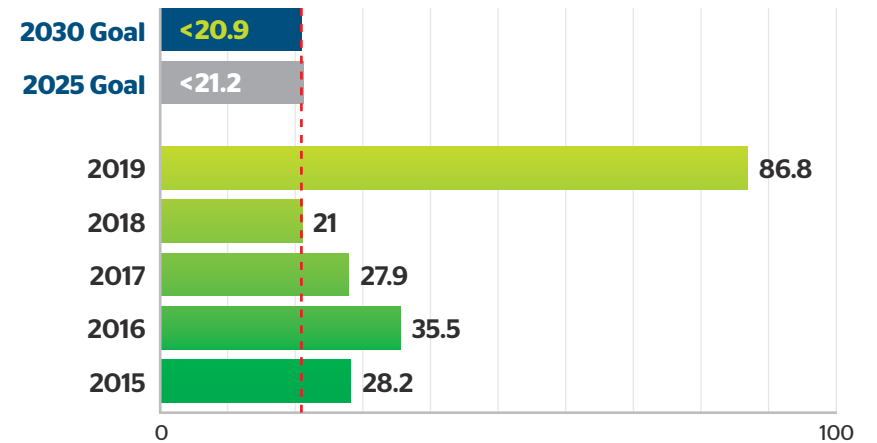


Our operating companies continue to replace lighting and equipment in their facilities with more energy-efficient options. In 2019, we started the process to explore offsite and onsite renewable energy projects, partnering with a leading energy specialist to execute request for proposals for power purchase agreements. In 2020, we committed to a 100% renewable electricity goal, further supporting our ambitious Science-Based Target.

- ➔ Previous 2025 Goal: Reduce waste sent to landfill by 25% by 2025 vs. 2015
- ➔ 2030 Goal: Reduce waste sent to landfill by 25% by 2030 vs. 2017

Waste to Landfill

Millions of Pounds



In 2018, we achieved our waste to landfill goal. In 2019, we had a large increase in waste due to renovation and construction at our Headquarters location. Nearly 80% of waste generated from this project was recycled or beneficially reused and our Operating Companies continued to decrease waste to landfill in line with our new 2030 goal.

While reducing operational waste continues to be important, we also realize the impacts of product and consumer waste on the environment. In 2020, we will explore new goals around packaging and continue to focus on preventing cigarette butt litter.

Empowering Adult Smokers to Prevent Cigarette Litter

Team *Marlboro* is a community-fueled platform that inspires and empowers adult smokers 21+ (AS21+) to protect the land that we all call home. Through Team *Marlboro* they can take a pledge not to litter their cigarette butts and, in return, will receive a car litter device. Since 2012, more than 1.2 million adult smokers have pledged to properly dispose of their cigarette butts.

Another way *Marlboro* empowers AS21+ is through its *Marlboro Rewards* program. *Marlboro Rewards* provides AS21+ with the unique ability and platform to give back with their points earned through the program. For example, AS21+ who earn points can redeem them as a donation to Keep America Beautiful (KAB), an organization Altria partners with to raise awareness about cigarette butt litter. In 2019, AS21+ donated more than \$36,000 to KAB and as of April 2020, had donated more than \$83,000. In 2019, *Marlboro Rewards* also matched all point donations to KAB on Giving Tuesday, debuting a new text-to-donate functionality that allows AS21+ to simply text in their point donation amount to KAB.

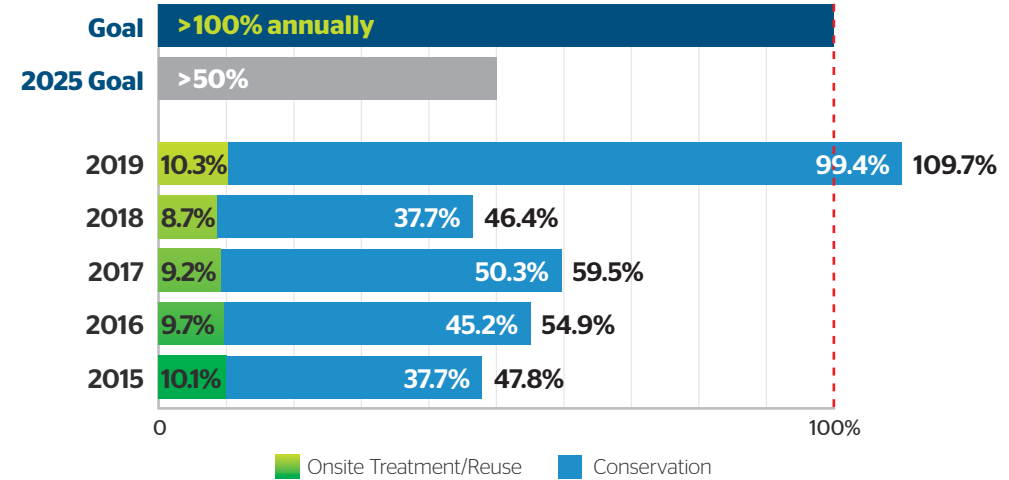
Through a skills-based volunteer program known as CreateATHon, a team lead by our brand management employees developed a marketing and communications campaign for the Cigarette Litter Prevention Program with KAB. The materials developed were piloted through a Behavior Change Media Campaign in 2019 to determine the most effective communications models that encourage cigarette litter prevention.

Since 2002, we've supported Keep America Beautiful with over \$10 million in charitable grants.



- ➔ Previous 2025 Goal: Achieve 50% water neutrality annually
- ➔ 2030 Goal: Achieve 100% water neutrality annually

Water Neutrality



Our water neutrality goal means we offset our operational water use through onsite treatment or reuse or by funding water conservation projects in our operational regions.

Altria is committed to protecting our natural resources including water quality and availability. Runoff from farmland into streams or rivers can hurt water quality. We work with the National Fish and Wildlife Foundation (NFWF) to understand how agriculture, like tobacco farming, affects watersheds. NFWF identified the Green River and the Chesapeake Bay as two watersheds where water quality needed focus so we're funding work with Kentucky and Pennsylvania tobacco growers to pilot farming methods that don't include tilling the soil before planting. This technique reduces runoff and helps keep nutrients in the soil and we'll share our learnings with other growers. We also partner with NFWF for water conservation projects that usually conserve over a billion gallons of water annually, and a special one-time \$2 million grant to NFWF led over to an additional billion gallons conserved in 2019.

Ste. Michelle Wine Estates' wineries in Washington, Oregon and California use drip irrigation on its vineyards. Most of the company's contract growers also use this technique. It minimizes water loss by delivering water to the plant's roots, as compared to overhead systems that water the entire vineyard. Weather stations and soil moisture-measuring probes monitor water use and eliminate wasted water. These practices have helped Chateau Ste. Michelle's Cold Creek, Canoe Ridge Estate and Northstar vineyards achieve third party sustainable certification for LIVE and Salmon Safe since 2009.

Another way we contribute to our water neutrality goal is by onsite treatment. One of Philip Morris USA's facilities uses up to 1.8 million gallons of water per day before returning it to

the James River. The facility uses innovative techniques to reduce nitrogen and phosphorus levels in the facility's wastewater, including 48 acres of engineered wetlands that use plants to absorb the nutrients in the wastewater and create a new wildlife habitat.

In 2019, PM USA's Manufacturing Center broke ground on the WaterHub® project. The WaterHub® is an on-site eco-engineered wastewater reclamation and reuse system. The WaterHub® has been operational since July 2019 and significantly reduces PM USA's overall impact to the

environment while conserving community water resources for additional beneficial purposes. PM USA accounts for nearly 80% of Altria's total wastewater and this project is projected to significantly reclaim Altria's wastewater.

Partnership for Innovative Water Reuse



Ron Hackett

Sr. Manager
Manufacturing Facilities,
Philip Morris USA

If you think about Altria as a whole, the Manufacturing Center is the heartbeat of the company and is where *Marlboro* is produced. When you talk about a place the size of the Manufacturing Center, environmental sustainability and your impact need to be front of mind. We've got to use water, we've got to use electricity. The thing that makes you proud is we get to help decide how we acquire that electricity and

how we're going to use our water; these decisions end up leading to some great initiatives. The WaterHub® is one great initiative when it comes to sustainability. We bring water in and generate wastewater. We send that wastewater to the WaterHub®, which uses a plant-based filtration method to clean the water and ultimately send it back to us for reuse in our Utility Plant operations.

We've had some challenges in installation but what we've learned early on is that there is whole hearted commitment from both parties. We've learned that the WaterHub® could continue to take on additional wastewater streams that might not have been part of the original assumption, so we're looking at expansion across the campus.

The City of Richmond has also been a great partner. This project means less water revenues for the city. That conversation can be, if you don't handle it right, a little contentious. But it wasn't. From the very beginning, it was a great relationship to my understanding. They appreciated us taking some of the pressure off their infrastructure and even to this day as we look to expand where we pull water sources, they're great partners.

In 2020, what I'm most excited about, is we really have an opportunity to showcase what the WaterHub® has done. It is fully functioning day to day and is giving us quality water back for reuse in our Utility Plant.



Bob Salvatelli

Director of Business Development,
Sustainable Water

For the last eight years, I've been helping Sustainable Water position itself as a market leader, but also first into a market.

We're a water development company with a solution called the WaterHub®, a water reclamation and reuse facility that allows campuses and industrial plants like Philip Morris USA to implement water conservation projects. We've done it at several large universities and the one at PM USA is one of the largest installations in a manufacturing environment. Our agreement is very similar to a power purchase agreement in



the renewable energy space, where the client doesn't have to get involved in the funding of the project. A WaterHub® is truly the best parts of proven technology that combines the physical, chemical and natural processes of wastewater. So far, we've made a big impact in a space that wasn't around 10 years ago.

With the facility onsite, we have to mitigate things like odor and also try to find ways to make it compact. The WaterHub® sits where PM USA demolished coal boilers after making the

switch to natural gas, really making that site a complete 180 from a sustainability standpoint.

The City of Richmond is growing, so the ability to use the water for others to consume potable water is a big driver. Our tagline sums it up best ... extending the life cycle of water. If we're not all thinking along those lines we're going to hit a crisis. I think it's an interesting time and water is really going to be focused on. It's a great space to be in and I couldn't ask for a better company to execute with.

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 2019 consolidated data as set out in Section 1 of Altria's CY2019 Environmental Metrics assertion (attached as an Appendix to this statement).

Engagement Summary	
Scope:	<p>Whether the consolidated corporate data for calendar year 2019 set out in Section 1 of the attached 'Altria CY2019 Environmental Metrics' assertion for the following indicators are, in all material respects, appropriately presented in accordance with the reporting criteria:</p> <ul style="list-style-type: none"> ▪ Total Energy Use (Billions of BTUs) ▪ Total GHG emissions (Metric tonnes CO₂e): <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) ▪ Water Consumption (Millions of US gallons) ▪ Waste disposed to landfill (Millions of pounds) ▪ Waste recycled, composted, converted to fuel or reused (Millions of pounds) ▪ Hazardous waste generated (Short tons) <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 formula, 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 (Revised 2004)
Assurance Standard used:	ERM CVS's assurance methodology, based on the International Standard on Assurance Engagements ISAE 3000 (Revised).
Assurance level:	Limited assurance
Respective responsibilities:	<p>Altria is responsible for preparing the Altria 2019 CR Progress Report and for the collection and presentation of the data within it, including disclosure of the reporting criteria and boundary.</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 consolidated corporate data for calendar year 2019 for the indicators listed under 'Scope' above, and set out in Section 1 of Altria CY2019 Environmental Metrics, 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 selected data.
- A review of the calculations undertaken, including conversion factors and emission factors used.
- A visit to the Richmond CRT offices, including a review of the EMIS database and vendor data management.
- Visits to the Park 500 and Eagle One manufacturing sites to interview relevant staff and review source documentation for the selected indicators.
- A review of the consolidated year end data submitted by all sites for the selected indicators, and follow up of queries.

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.



Jennifer Iansen-Rogers, Partner
 10 March 2020
 ERM Certification and Verification Services, Inc.
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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.

Indicator	Amount	Unit of measure
Energy use	4,064	Billions of BTUs
Total GHG Emissions	319,868	Metric tonnes CO ₂ e
Scope 1 GHG emissions*	154,507	Metric tonnes CO ₂ e
Scope 2 GHG emissions**	151,259 (location based) 147,909 (market based)	Metric tonnes CO ₂ e
Scope 3 GHG emissions***	14,102	Metric tonnes CO ₂ e
Water consumption	2,367	Millions of gallons
Waste disposed at landfill	86.85	Millions of pounds
Waste recycled, composted, converted to fuel or reused	338.30	Millions of pounds
Hazardous waste generated	158.8	Short tons

* **Scope 1 Direct GHG emissions** from on-site fossil fuel combustion and refrigerant gases; process emissions; 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, with the exception of minor, non-metered sources. It 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 Indicators

Energy Usage

Fuel Consumption from Non-Renewable Sources

Natural Gas	20,000,890	hcf
Fuel Oil	188.4	gallons
Propane	1,597,647	gallons
Diesel	85,555	gallons
Gasoline	2,227,188	gallons
Jet Fuel	661,257	gallons

Fuel Consumption from Renewable Sources

Not applicable.

Electricity Consumption

Purchased Electricity	432,997	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	1,477,447	MMBtu	Total	
Natural Gas	2,060,092	MMBtu	4,064	Billion Btu
Fuel Oil	26.0	MMBtu		
Propane	146,984	MMBtu		
Diesel	11,807	MMBtu		
Gasoline	278,399	MMBtu		
Jet Fuel	89,270	MMBtu		

Energy data collected using utility invoices, meter readings, tank fill receipts, fuel logs, run time logs. Estimation methodology applied to de minimis sources.

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 refrigerant gases (CFCs, HCFCs, and HFCs).

Source of Emission Factors

Combustion fuels based on USEPA Climate Leaders document (last modified March 2018).
Global Warming Potential (GWP) factors for the GHG pollutants (including refrigerant gases) are based on IPCC Fifth Assessment Report (AR5 – 100 years).
GHG factors for mobile fuels and combustion fuels (USEPA Climate Leaders; last modified March 2018).

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

Emissions from purchased electricity.
Gases included in the calculation are CO₂, CH₄, and N₂O.

Source of Emission Factors

Location-based purchased electricity based on eGRID2018 (Released January 28, 2020).
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.
Gases included in the calculation are CO₂, CH₄, and N₂O.

Source of Emission Factors

GHG factors for mobile fuels and combustion fuels (USEPA Climate Leaders; last modified March 2018).
GHG factors for air travel from UK Government Conversion Factors (DEFRA 2019 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

<u>Non-Hazardous Waste (Million lbs.)</u>		<u>Hazardous Waste (Tons)</u>	
Re-use	1.13	Re-use	0.0
Recycling	305.2	Recycling	0.145
Composting	30.38	Composting	0.0
Recovery, incl. Energy	1.40	Recovery, incl. Energy	92.98
Incineration	0.033	Incineration	39.21
Landfill	86.69	Landfill	25.87
Deep Well Injection	n/a	Deep Well Injection	n/a
On-site Storage	n/a	On-site Storage	n/a
Other	n/a	Other	0.63
*n/a=not applicable.	424.83 Total		158.84 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)

748.9	Surface water, including water from wetlands, rivers, lakes, and oceans
696.0	Ground water
0	Rainwater
0	Waste water from another organization
922.5	Municipal water supplies or other water utilities
2,367	Total

Standards, methodologies, and assumptions used

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

Appendix A: 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 • Agricultural organizations
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 A: 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 and pulse surveys • Intranet communications • Newsletters • Functional, departmental and team meetings • Labor negotiations • Cultural I&D discussions • Employee Resource Groups • Yammer
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

Examples of outcomes from some of these engagements include:

Suppliers/Growers:

- In 2019, we piloted the return of our supplier recognition program and hosted ten suppliers at an award ceremony with executive leadership and internal partners and continued the recognition program for our contracted tobacco growers, with 25 growers receiving \$10,000 each.
- 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. In 2019, we announced a new retailer incentive program to further encourage responsible retailing through age validation technology at the point of purchase.

Consumers: We use market and consumer research to deeply understand our consumers and their preferences. In 2019, we rolled out *Marlboro Rewards*, an innovative digital loyalty program, nationally. We also opened our first *IQOS* stores in the Atlanta, Georgia market and an additional store in Richmond, Virginia in early 2020.

Employees: In 2019, we launched Altrians, an intranet series designed to share the more personal sides of the people we work with day in and day out. Altrians has featured employees from executives to interns, covering topics from women in skilled trades to employees with long family histories of working for the company.

Community Partners/Grantees: In 2019, we implemented a new charitable giving approach. This reflects the changing priorities of our businesses while also aligning our efforts with the changing needs of our community and employee interests that help our communities thrive.

Appendix B: 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 <i>General’s</i> 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 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 B: Analysis of Material Topics

Managing our Supply Chain Responsibly	Developing our Employees 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 • Inclusion and Diversity • 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 anticipate and 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. 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 C: Governing Policies for Underage Tobacco Prevention & Responsible Marketing

Standards for Underage Tobacco Prevention

Altria's tobacco operating companies and service company affiliates are committed to helping to reduce underage tobacco use.

Each tobacco operating company and service company affiliate works to identify, support, develop and execute programs to help reduce underage tobacco use.

The Standards below guide the tobacco operating companies and service company affiliates in their efforts to help reduce underage use of tobacco products. Each tobacco operating company is expected to meet these Standards, and we will regularly evaluate its performance against these Standards. Each service company affiliate is expected to provide appropriate services to the tobacco operating companies to help support their efforts to help reduce underage tobacco use.

- Each tobacco operating company, supported by Altria Client Services, will develop an annual Underage Tobacco Prevention plan outlining the concrete steps it will take to meet these Standards, both on its own and through the service company affiliate(s). Senior

management of the tobacco company will review each plan for adherence to these standards.

- Each tobacco operating company will communicate its commitment to reducing underage tobacco use to its employees and its service company affiliates, and will encourage them to identify additional methods to reduce underage tobacco use.
- Each tobacco operating company will continue to identify and adhere to applicable laws, principles and/or policies for marketing its products with the goal of responsibly marketing to the intended audience and limiting reach to underage audiences.
- Each tobacco operating company and service company affiliate trade program will incorporate appropriate elements to promote responsible retailing of its products.
- Each tobacco operating company's Underage Tobacco Prevention plan will include appropriate monitoring, auditing, measurement and/or evaluation to track progress to promote continuous improvement.
- Each tobacco operating company and service company affiliate will document its efforts in carrying out its responsibilities under these Standards.

Appendix C: Governing Polices for Underage Tobacco Prevention & Responsible Marketing (Continued)

Annual Operating Company Plans for Underage Tobacco Prevention

In 2019, the operating companies' underage tobacco prevention plans called for nine key strategies. Our tobacco operating company and Altria Client Services employees identified key activities to support each strategy, including new responsibility and compliance practices needed to support novel products like IQOS. Companies tracked and reported progress against those activities throughout the year.

2019 Annual Operating Company Plans for Underage Tobacco Prevention	
Strategy	Sample Activity & Progress Results
Engage in marketing practices designed to effectively connect with the intended audience while taking steps designed to limit the reach to unintended audiences	100 percent of Brand, key Altria Client Services partners and key external business partners are trained on and adhere to marketing guidelines and policies, including our Product Communication Policy and the Domestic Cigarette, Smokeless Tobacco and Cigar Advertising & Marketing Policy .
Take steps designed to limit the reach of our products to unintended audiences	Altria's tobacco brands connect one-to-one marketing to age-verified adult tobacco consumers, ensuring the accuracy of our systems and processes through quarterly testing and validation. In 2019, these audits resulted in zero deviations from expected results.
Support regulatory and legislative efforts to help reduce underage access to tobacco products.	<p>Our desire is to support the effective development, passage and enforcement of underage access prevention laws and to ensure regulatory policies support our goal of reducing underage access to tobacco products. To this end, we monitor retailer compliance and assess trends from government data sources, and in 2019 advocated for federal and state laws to increase the tobacco legal age of purchase to 21.</p> <p>In 2019, 13 states enacted "Tobacco 21" laws, for a total of 19 states and D.C. with increased minimum age laws at the end of the year. Bi-partisan federal legislation was signed 12/20/2019 to immediately raise the minimum age of purchase to 21 nationwide.</p>
Incorporate appropriate elements to promote responsible retailing of tobacco products through the companies' retail trade programs	<p>Our retail trade agreements require compliance with all regulations related to flavor and minimum age restrictions, employee training, and placement of <i>We Card</i> (or equivalent) and third-party purchase prevention signs. In 2019, 95% of contracted stores had <i>We Card</i> (or equivalent) signs and 80% had placed third-party purchase prevention signs.</p> <p>The signage is validated upon every AGDC Territory Sales Manager visit to the store. In 2019, we transitioned from using IRI data to measure signage compliance and began using image recognition with Trax AI to measure and validate compliance. 2019 results may have been impacted by Trax not recognizing third-party designated signage and poor photo quality. The image recognition parameters are being refined in 2020 to ensure more accurate validation and reporting.</p>
Support responsible retailing training and tools	<p>In order to ensure retailers have access to quality training and resources to help them prevent underage access to tobacco products, our operating companies contribute to and actively engage with <i>We Card</i> to deliver training, signage and tools to our retail partners. In 2019, AGDC distributed over 800,000 <i>We Card</i> and third-party access prevention signs and provided free online training to more than 6,000 retailers through our training portals.</p> <p>In addition to the awareness and education resources, AGDC announced a new retailer incentive program in October 2019 to further encourage responsible retailing through age validation technology at the point of purchase. To participate in the incentive program, retailers must implement a technological solution at a store's point(s) of purchase, requiring the electronic scan of a consumer's government-issued identification (e.g., driver's license) to complete a sales transaction involving the purchase of a tobacco product, including tobacco-derived or nicotine-containing products. As of April 2020, 120,000 of eligible stores had been presented the program, representing 70% of Philip Morris USA cigarette volume and 80% of e-vapor category volume. AGDC will validate store-level fulfillment of the program's requirements in the back half of 2020.</p>

Appendix C: Governing Polices for Underage Tobacco Prevention & Responsible Marketing (Continued)

2019 Annual Operating Company Plans for Underage Tobacco Prevention	
Strategy	Sample Activity & Progress Results
Educate and engage employees in the company’s efforts to help reduce underage tobacco use	<p>We regularly communicate to all of Altria’s employees to make sure they are knowledgeable of Altria’s underage tobacco prevention efforts and understand how they can contribute. In 2019, we held informational sessions for all of Altria’s Brand employees and communicated with all new Sales employees through orientation sessions. We also invited all employees to share their suggestions for our underage tobacco prevention programs through a formal program.</p>
Effectively engage with external stakeholders on our efforts to reduce underage tobacco use and work with them to identify and address issues and opportunities to further progress	<p>In 2019, Altria leaders engaged with positive youth development experts and practitioners, public health, academia, regulators, policy-makers, business partners and others, across a variety of forums, including:</p> <ul style="list-style-type: none"> • <i>Communities In Schools</i> Milliken Dialogues and Policy Summit in May 2019 • A letter to Director Zeller, head of the FDA’s Center for Tobacco Products in August 2019 • The Global Tobacco & Nicotine Forum in September 2019 • Out & Equal panel in October 2019 • Youth-Nex Summit in November 2019
Support school- and community-based programs designed to prepare kids for success in school, work and life, including the avoidance of risky behaviors like underage tobacco use	<p>In 2019, Altria’s tobacco operating companies provided approximately \$25 million in grant funding to leading youth-serving organizations and programs within its Success360° portfolio to:</p> <ul style="list-style-type: none"> • advance youth outcomes; • improve family and community supports for kids; and • ensure geographic alignment of grant portfolio with the business strategies, including where there are the greatest needs <p>Altria also completed grant renewals to Boys and Girls Club of America, <i>Caron</i> Treatment Centers and <i>4-H</i> that expands the footprint of prevention and cessation programs from 17 to 23 states; and, required relevant grant partners to pursue of “Blueprints for Healthy Youth Development” certification</p> <p>Altria also funded the University of Colorado Center for the Study and Prevention of Violence to implement LifeSkills Training in high school in 16 states; reach in the first year of implementation will include 44 school districts, 97 schools and 20,000 students.</p>
Monitor trends and literatures relevant to underage tobacco prevention	<p>Our Regulatory Research teams help colleagues across the business stay current on underage tobacco prevention research and trends, to inform new and existing approaches. In addition to identifying opportunities for new, primary research, the team surveils and provides perspective and analyses based on published literature and national survey data (e.g., Monitoring the Future, National Youth Tobacco Survey, and the National Survey on Drug Use and Health)</p> <p>In 2019, the team completed several primary research projects to inform our underage tobacco prevention strategies, including research with parents and other caring adults to better understand their underage tobacco prevention resource and information needs; and, research with adult tobacco consumers 21+ to explore underage social access prevention messaging and approach.</p>

Appendix C: Governing Polices for Underage Tobacco Prevention & Responsible Marketing (Continued)

Policies Governing Practices Related to Responsible Tobacco Marketing and Product Communication, and Underage Tobacco Prevention Information

Policy Name: Domestic Combustible Cigarette, Smokeless Tobacco and Large-Mass Cigar Advertising and Marketing Policy

PURPOSE

Our Code of Conduct states that our companies will responsibly provide information that helps the intended audience in making informed decisions regarding the purchase and use of our products. This Policy provides guidance on advertising and marketing the company's domestic cigarette, smokeless tobacco and cigar products.

DEFINITIONS

1. Adult

An individual who is of legal age to purchase tobacco products in a particular state or locality

2. Adult-Only Facility (AOF)

A facility or restricted area (whether open-air or enclosed) where the owner/operator ensures that no person younger than legal age (for tobacco products) is present or permitted to enter at any time; provided, however for those facilities not permanently restricted to Adults, the owner/operator must ensure that no person under legal age is present during the event or time period in question

3. Adult Tobacco Consumer

An Adult who uses a tobacco product

4. Age-Qualified

Individuals who have (a) certified their tobacco consumer status and that they are 21 years of age or older; (b) certified that they are willing to receive communications from the Company and its affiliates, subject to federal and state law; (c) provided their self-certified date of birth; and (d) had their age verified as 21 years of age or older by either a face-to-face examination by a Company representative of the individual's valid government-issued identification (GIID), the validity of which is certified by the individual, or by completing third-party electronic age verification

5. Brand Name

A brand name (alone or in conjunction with any other word), logo, symbol, motto, selling message, recognizable color or pattern of colors, or any other indicia of product identification identical or similar to, or identifiable with, those used for any brand of tobacco products

6. Cartoon

A drawing or other depiction of an object, person, animal, creature, or a similar caricature that satisfies any of the following criteria: (a) the use of comically exaggerated features; (b) the attribution of human characteristics to animals, plants or other objects, or the similar use of anthropomorphic technique; or (c) the attribution of unnatural or extra-human abilities, such as imperviousness to pain or injury, X-ray vision, tunneling at very high speeds, or transformation. The term "Cartoon" does not include a drawing or other depiction that on July 1, 1998 was in use in a tobacco product manufacturer's corporate logo or in a tobacco product manufacturer's tobacco product packaging

7. Point-of-Sale (POS) Materials

Printed promotional materials containing tobacco advertising produced by or on behalf of the operating company that are placed on the interior or exterior of retail establishments that sell tobacco products

8. Qualified Adult-Only Facility (QAOF)

An AOF that:

- requires each person present to provide to a law enforcement officer (whether on or off duty) or to a security guard licensed by a governmental entity a GIID showing a photograph and an age of 21 years or older;
- does not sell, serve or distribute alcohol;
- is not located adjacent to or immediately across from (in any direction) a space that is used primarily for Youth-oriented marketing, promotional or other activities;
- is a temporary structure constructed, designated, and operated as a distinct enclosed area;
- is enclosed by a barrier that
 - is constructed of, or covered with, an opaque material (except for entrances and exits);
 - extends from no more than 12 inches above the ground or floor (which area at the bottom of the barrier must be covered with material that restricts visibility but may allow airflow) to at least 8 feet above the ground or floor (or to the ceiling);
 - prevents persons outside the QAOF from seeing into the QAOF, unless they make unreasonable efforts to do so; and
- does not display on its exterior
 - any tobacco product advertising;
 - a Brand Name other than in conjunction with words for an area or enclosure to identify an AOF facility; or
 - any combination of words that would imply to a reasonable observer that the operating company has a Brand Name sponsorship

Appendix C: Governing Polices for Underage Tobacco Prevention & Responsible Marketing (Continued)

9. Sampling

Providing, without requiring some form of consideration in exchange, packages or samples of tobacco products to adult tobacco consumers for promotional purposes

10. Youth

A person or persons under 18 years of age

REQUIREMENTS

1. Marketing and Consumer Research Audience Matrix

All advertising and marketing initiatives will be directed only to Adults Tobacco Consumers of the relevant tobacco products based on the [Marketing and Consumer Research Audience Matrix](#).

2. Advertising Content

Marketing and advertising materials must be created, developed, and executed in compliance with the following requirements:

- Take no action, directly or indirectly, to target Youth in the advertising, promotion, or marketing of its tobacco brands, or any action the primary purpose of which is to initiate, maintain, or increase the incidence of Youth tobacco use.
- Take no action, directly or indirectly, aimed at increasing the incidence of tobacco use.
- No advertisement may contain a Cartoon.
- No one depicted in advertising may be, or appear to be, under 25 years of age.
- No advertisement may suggest that tobacco use is essential to social prominence, distinction, success or sexual attraction.
- No advertisement may feature a person who is using tobacco in an exaggerated manner.
- Individuals depicted in advertising may appear attractive and healthy, but there can be no suggestion that attractiveness and good health are due to tobacco use.
- No advertisement may suggest that most people use tobacco.
- No advertisement may show physical activity requiring stamina or athletic conditioning beyond that required for normal recreation.
- No advertisement may show anyone who is or has been well known as an athlete. No advertisement may contain sports or celebrity testimonials or testimonials of others who would have a special appeal to persons under 21 years of age.
- Claims made in advertising must be substantiated.

3. Restricted Advertising

3.1. Outdoor/Transit

No advertising on billboards, wall murals, bus stops, taxi tops, or other outdoor or transit media with the exception of signage permitted by the Master Settlement Agreement (MSA) or the Smokeless Tobacco Master Settlement Agreement (STMSA).

3.2. Product Placement

No payments for product placement and no providing product, product packages, product advertisements or other items bearing branding to third parties for use in movies, theatrical productions, television shows or video games (except media that are not intended to be distributed or displayed to the public or are intended to be viewed in AOFs or QAOFs).

3.3. Television, Radio and Telephone

No advertising on television, radio or by telephone.

3.4. Sponsorship

- Cigarettes and Smokeless Tobacco: Do not sponsor or cause to be sponsored any athletic, musical, artistic, or other social or cultural event, or any entry or team in any event, in the Brand Name or using any other indicia of any brand.
- Cigars: Do not sponsor or cause to be sponsored any athletic, musical, artistic, or other social or cultural event, or any entry or team in any event, in the Brand Name or using any other indicia of any brand without approval of PM USA President & CEO.

3.5. Branded Apparel or Merchandise

Do not distribute branded apparel or other branded merchandise or services to consumers.

4. Permitted Advertising (subject to described restrictions)

4.1. Print

All advertising materials in general circulation print media must meet applicable placement and readership requirements (maintained by marketing compliance group). Philip Morris USA does not currently advertise its cigarette brands in consumer magazines and newspapers.

4.2. Direct Marketing

- Direct marketing materials may be mailed in accordance with the Intended Audience Matrix only to Adult Tobacco Consumers who are Age-Qualified and on the AGDC mailing list.
- Direct marketing materials may be emailed in accordance with the Intended Audience Matrix only to Adult Tobacco Consumers who are Age-Qualified, on the AGDC mailing list, and who have opted to receive email messages.

Appendix C: Governing Polices for Underage Tobacco Prevention & Responsible Marketing (Continued)

- All commercial emails must include a mechanism to allow recipients to discontinue further email communications.

4.3. Internet

- Advertising is permitted over the Internet through branded websites and electronic communications (e.g., email messages).
- Branded websites and electronic communications are restricted to Age-Qualified Adult Tobacco Consumers in accordance with the Intended Audience Matrix.
- Electronic communications must comply with applicable federal, state, and local laws and regulations.

4.4. Retail

Each operating company markets and advertises its brands to that brand's intended audience (per the Intended Audience Matrix) by placing POS Materials:

- POS materials may be placed outside retail stores, or inside retail stores facing out, each sign being limited to 14 square feet or less in size.
- POS materials may be placed inside retail stores within or near the tobacco category (including exterior doors facing inward when other tobacco advertising is present).

4.5. Adult-Only Facilities and Qualified Adult-Only Facilities

- Brands may be advertised in AOFs and QAOFs.
- An outdoor sign may be placed at the site of an AOF or QAOF during the period the facility or enclosed area constitutes an AOF or QAOF, but in no event more than 14 days before the activity, and that does not advertise any tobacco products (other than by using a Brand Name in conjunction with words to identify the AOF or QAOF).
- Promotions may be conducted in AOFs and QAOFs, including but not limited to sweepstakes, contests and distribution of coupon offers.
- Availability of offers within an AOF or QAOF is restricted to smokers and tobacco consumers 21 years of age or older (per the Intended Audience Matrix).

4.6. Promotions

- Entry in brand contests, sweepstakes and incentive programs is limited to Adult Tobacco Consumers 21 years of age or older in accordance with the Intended Audience Matrix.
- Product and price promotions at retail are intended to be available to Adult Tobacco Consumers.

4.7. Non-Tobacco Items

The following items may be distributed: items that do not include a Brand Name; coupons using a Brand Name; and materials whose function is solely to advertise tobacco products.

5. Sampling and Sales

5.1. No Sampling of cigarettes.

5.2. No Sampling of cigars.

5.3. Smokeless tobacco may be sampled only in a QAOF. Only one sample package may be taken out of a QAOF by a tobacco consumer each day. This sample package may contain no more than 0.53 ounces (15 grams) or 8 individual portions of smokeless tobacco.

5.4. No sale or distribution of cigarettes or smokeless tobacco to consumers through the mail or other direct delivery services.

5.5. No sale or distribution of cigars to consumers through the mail or other direct delivery services without approval of PM USA President & CEO.

6. Warnings and Notices

6.1. Smokeless tobacco advertising must comply with the Comprehensive Smokeless Tobacco Health Education Act of 1986 (CSTHEA), as amended by the Family Smoking Prevention and Tobacco Control Act, which governs warning statement content, size, format, and type size.

6.2. Cigarette advertising must comply with the Federal Cigarette Labeling and Advertising Act, as amended by the Family Smoking Prevention and Tobacco Control Act, which governs warning statement content, size, format, and type size.

6.3. Cigar advertising must comply with the FTC Complaint and Consent Order, dated August 18, 2000, which governs warning statement content, size, format, type size, safety margins and rotation for cigars.

6.4. The Company may inform Adult Tobacco Consumers in advertising, POS Materials, and on packaging, that they can find more information about the Company, its products, or quitting by visiting the Company website or by telephone (e.g., "For product information visit [Company web address] or call [Company telephone number]").

6.5. Public health conclusions and other information may be communicated on or in packaging.

Appendix C: Governing Polices for Underage Tobacco Prevention & Responsible Marketing (Continued)

7. Process to Ensure Advertising and Marketing Compliance with Requirements

To help satisfy company policies and commitments, advertising and marketing materials must be reviewed by the Marketing Compliance group and Law department through the following process prior to production:

Stage 1: Promotion Concept

Review and discuss preliminary promotional concept. Identify concerns or issues and offer options and recommendations that will successfully achieve both compliance obligations and business objectives.

Stage 2: Prototype & Comp

Review for layout and copy to help ensure necessary requirements are satisfied and the offer is clearly communicated. Make required changes prior to creating art and keyline.

Stage 3: Intellectual Property

Conduct appropriate intellectual property reviews and searches, including trademark reviews and searches.

Stage 4: Art & Keyline

Review artwork, copy, and required elements to help ensure the accuracy of the promotional offer and the placement of required regulatory elements. Ensure copyright notice is placed on advertising and marketing materials.

8. Additional Information

Given the complexity and evolution of the regulatory environment, contact the ALCS Marketing Compliance group or your Law support for clarification or more information about advertising and marketing compliance.

Appendix C: Governing Polices for Underage Tobacco Prevention & Responsible Marketing (Continued)

Policy Name: Product Communication

PURPOSE

Our Code of Conduct states that our companies will responsibly provide information that helps the intended audience in making informed decisions regarding the purchase and use of our products. This Policy outlines requirements governing product communications for each company's smokeable and smokeless products when providing marketing or more-general product information to the general public. These communications include applicable legal and company policy requirements and express company commitments.

DEFINITIONS

1. Public Health

An authoritative body that has been officially appointed or otherwise sanctioned by either a national or international governing body to serve in the capacity of making Public Health determinations and communicating these determinations to the public; examples include U.S. Surgeon *General*, U.S. Centers for Disease Control, U.S. National Toxicology Program, U.S. National Cancer Institute, World Health Organization (WHO), and sub-organizations within WHO such as the International Agency for Research on Cancer.

REQUIREMENTS

1. General Product Communications Requirements

The following are the general requirements for product communications, through appropriate vehicles, including in advertising for marketing purposes and on Company websites for informational purposes.

- 1.1. When communicating with the public, defer to authoritative statements of Public

Health on matters of the risks of tobacco use, and share findings of Public Health about Company products.

- Authoritative statements of Public Health are conclusive statements intended to be relied upon as a guide or precedent.

Note: This requirement does not preclude appropriate communications by Company employees with scientists, with regulators, or in a litigation context. When appropriate, employees are authorized to communicate on topics relevant to their specific function and role while engaging and communicating externally.

- 1.2. Disclose to consumers known adverse effects of the Company's tobacco product and provide warnings regarding reasonably foreseeable misuse.

Note: This requirement may be satisfied by government-mandated warnings.

- 1.3. Disclose major food allergens consistent with the U.S. Food and Drug Administration requirements for major food allergen disclosure.

2. Website Product Information

The Company provides detailed information about the Company's tobacco product on the Company website. This includes information about ingredients, health effects, manufacturing, and design. This information is not intended to market or advertise Company brands.

3. Additional Information

Given the complexity and evolution of the regulatory environment, contact the ALCS Marketing Compliance group or your Law support for clarification or more information about product communications.

Appendix C: Governing Polices for Underage Tobacco Prevention & Responsible Marketing (Continued)

Policy Name: Underage Tobacco Use, Tobacco Initiation, and Tobacco Cessation Information

PURPOSE

Our Code of Conduct states that employees must manage, protect, segregate when appropriate, and preserve records and information in accordance with applicable laws and company policies.

This policy provides guidance for the proper creation, review, sharing and use of information relating to Underage Tobacco Use, Tobacco Initiation or Tobacco Cessation. The relevant information relates to the Company's objectives to:

- help reduce underage use of tobacco products ("Underage Tobacco Prevention" or "UTP").
- help connect adult tobacco users who have decided to quit with expert quitting information ("Cessation Support" or "CS")
- engage with federal, state, provincial and local legislative and regulatory bodies including the U.S. Food and Drug Administration ("FDA"), through regulatory submissions, applications and responses to requests for comments or information ("Regulatory Engagement" or "RE"). More specifically with respect to Regulatory Engagement with FDA, the Company objective is to provide FDA with information relevant to Family Smoking Prevention and Tobacco Control Act ("FSPTCA") provisions that require FDA to evaluate the increased or decreased likelihood that:
 - existing users of tobacco products will stop using such products; and
 - those who do not use tobacco products will start using tobacco products. These objectives are referred to collectively as "UTP/CS/RE Objectives."

The relevant information is referred to collectively as "UTP/CS/RE Information."

This policy is not intended to restrict or discourage cross-functional discussions of UTP/CS/RE Information and related issues for purposes of idea generation, preliminary planning and study design in support of the Company objectives described above.

DEFINITIONS

- 1. Unrestricted UTP/CS/RE Information** — Public and broadly available UTP/CS/RE Information received by an employee or otherwise controlled by the Company, and from sources such as published studies, newspaper articles, television, and internet media.
- 2. Restricted UTP/CS/RE Information** — UTP/CS/RE Information recorded in any form that is created, received, or distributed by an employee, or otherwise controlled by the Company, that:
 - A.** summarizes and/or interprets published scientific or academic literature, including government and non-government reports (e.g., literature reviews), or
 - B.** is newly derived from underlying data previously collected from research participants by the Company or through studies sponsored by the Company, or

- C.** is newly derived from underlying data in third-party databases accessible by the Company (e.g., analysis of National Survey on Drug Use and Health data), or
- D.** is new research conducted by or the Company or sponsored by the Company.

- 3. UTP/CS/RE Group List** — A list of individuals who have a business need to know aspects of Restricted UTP/CS/RE Information and manage the access to Restricted UTP/CS/RE Information, as described in Requirements, Section 1.
- 4. Restricted Data Analyses** — Analyses of UTP/CS/RE Information that includes underlying data (items B, C, and D in definition 2 above).

REQUIREMENTS

1. Proper creation, review, sharing and use of UTP/CS/RE Information

- All documents shall be managed in accordance with the Records and Information Management Policy.
- Creation, review, sharing and use is limited to efforts supporting the Company's UTP/CS/RE Objectives.
- Unrestricted UTP/CS/RE Information: All employees may access UTP/CS/RE Information that is unrestricted as long as it is consistent with all policies, particularly the Communications Policy. But employees should gather it systematically or interpret it only if they are doing so to support the Company's UTP/CS/RE Objectives.
- Restricted UTP/CS/RE Information:
 - Restricted UTP/CS/RE Information shall be maintained on secure servers with controlled, member-level access, in accordance with the Information Security Policy.
 - Individuals on the UTP/CS/RE Group List are responsible for managing access by identifying employees within their function who have a business need to know aspects of Restricted UTP/CS/RE Information and keeping a current list of such employees and their access rights on file with Regulatory Affairs ("RA"), to be audited at least annually by RA. Employees removed from the list must securely dispose of Restricted UTP/CS/RE Information as provided in the Records and Information Management Policy.
- There may be occasions when Restricted UTP/CS/RE Information may be summarized and shared beyond individuals with access to Restricted UTP/CS/RE Information. When requested, the authorization and sharing of this research will be guided by the following:
 - Request for dissemination of Restricted UTP/CS/RE Information will be made directly to the member of the UTP/CS/RE Group List who granted access to the requestor who will approve such requests in writing, in consultation with Law.

Appendix C: Governing Polices for Underage Tobacco Prevention & Responsible Marketing (Continued)

- Dissemination will be done by individuals with access to Restricted UTP/CS/RE Information.
- Original research datasets will not be distributed beyond those granted access to Restricted UTP/CS/RE Information.
- Employees are expected to recognize circumstances where the creation, review, sharing or use of UTP/CS/RE information may raise questions under this policy, and they must seek advice and guidance from Company management or Law prior to use.
- All documents created in support of regulatory engagement that include UTP/CS/RE Information must include the following legend: “Prepared to support regulatory engagement by providing FDA with information relevant to FSPTCA provisions that require FDA to evaluate the initiation and/or cessation of tobacco product use. See Underage Tobacco Use, Tobacco Initiation, and Tobacco Cessation Information Policy.”
- Members of the UTP/CS/RE Group List, or individuals granted access to Restricted UTP/CS/RE Information, who retain or contract with a third-party supplier for work that supports UTP/CS/RE Objectives, are responsible for ensuring that any such supplier is made aware of and is required to follow the applicable provisions of this policy.

2. Approvals

2.1. Advance Approval of Restricted Data Analyses

The VP, RA or the SVP, Consumer and Marketplace Insights (“CMI”), as applicable, or their designee, is responsible for providing approval.

RA or CMI, with assistance from the requesting employee and consultation with the requesting employee’s Senior Management as needed, must prepare a written description of the proposed Restricted Data Analyses. The written description must include:

- A clear statement of the analytical objective;
- The product, technology or focus area that is the subject of the analysis;
- Estimated budget;
- The primary researcher and supervisory researcher;
- The intended use, management and distribution of the analytical data and results, including a statement that the analysis was requested or required by a regulatory authority, will be used when engaging or supporting engagement with a regulatory authority, or will be used to support the Company’s UTP/CS/RE Objectives; and
- A description of the analyses to be conducted.

The approval must be in writing and attached to the written description of the proposed analysis. Restricted Data Analyses must be conducted, supervised, and directed by RA or CMI.

2.2. Final Approval of Reports of Restricted Data Analyses

The VP, RA or the SVP, CMI, as applicable, or their designee, is responsible for reviewing and approving final reports prior to the report being issued.

At the conclusion of any Restricted Data Analysis, the primary researcher must issue written results (e.g., a final report), which include:

- An executive summary;
- The analytical purpose and intended audience, including a statement that the data analysis was requested or required by a regulatory authority, conducted for regulatory engagement or to support regulatory engagement, or conducted to support the Company’s UTP/CS/RE Objectives;
- The analytical protocol, including design, methodology, type of analyses and timelines;
- The primary or supervisory researcher;
- The deviations from the analytical protocol, if applicable;
- Findings that clearly distinguish between factual results and insights, interpretations or hypotheses; and
- Limitations on the use or further distribution of the results.

2.3. Approval of the UTP/CS/RE Group List

The UTP/CS/RE Group List will be created and maintained by VP, RA and approved by SVP, RD & RA in consultation with Deputy *General Counsel*, Law.

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 [link to Environmental Management] and in our submissions to CDP for Climate Change and Water.</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 (Continued)

LEGALIZATION OF MARIJUANA

At Altria, we believe a fully legalized and regulated marijuana market for adults 21 and over is inevitable. An overwhelming majority of Americans support marijuana legalization for adults. Similarly, policymakers are recognizing that adult prohibition hasn't worked. States are responding by acting to change laws to make adult use of marijuana legal, either for medical or recreational purposes. But the changes in state laws have created a patchwork of state regulatory frameworks and an unsustainable conflict with federal law that criminalizes marijuana for adults 21 and older. We believe it is time for a national dialogue about how to develop a legal framework for marijuana regulation that protects the consumer, prevents underage use and advances other critical policy goals.

As this debate unfolds, Altria will support approaches that advance an inclusive and responsible vision for the industry, including a federal regulatory framework that:

- Prevents underage use of marijuana;
- Promotes informed and responsible usage for adults 21 and older;
- Protects the consumer by implementing strong standards for product manufacturing, safety and quality;
- Invests in and integrates research, science and data to guide product usage and innovation;
- Promotes responsible marketing, distribution and retail practices to limit exposure to underage audiences; and
- Addresses the historical impact of marijuana criminalization and its societal impacts on people of color and their communities.

About this Report

Unless otherwise noted, this report includes data and progress for Altria Group Inc. and its wholly-owned subsidiaries for calendar year 2019. It covers Altria's tobacco operating companies Philip Morris USA Inc., John Middleton Co., U.S. Smokeless Tobacco Company LLC, Nat Sherman LLC, Helix Innovations, and wine company, Ste. Michelle Wine Estates Ltd, representing more than 99 percent of revenue of Altria Group. 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 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](#).



Altria