

Stakeholder Engagement Planning Overview



Welcome to the Stakeholder Engagement Planning Toolkit

We have built a Toolkit—a set of Steps, Actions and Tools—to support our engagement efforts and to build stakeholder trust in the engagement process.

The Altria family of companies has a long-standing commitment to running its companies responsibly. This means that each Altria company works hard to understand and respond to society's expectations of it as a responsible manufacturer, marketer, employer and corporate citizen.

Successful stakeholder engagement requires a commitment to actively engage with stakeholders, listen to them, build a relationship with them and then respond to their concerns in a mutually beneficial way.

Engagement is not an end in itself, but a means to help build better relationships with the societies in which we operate, ultimately resulting in improved business planning and performance.

We are dedicated to improving the quality, quantity and consistency of stakeholder engagement across all our companies. We have built a Toolkit—a set of Steps, Actions and Tools—to support our engagement efforts and to build stakeholder trust in the engagement process.

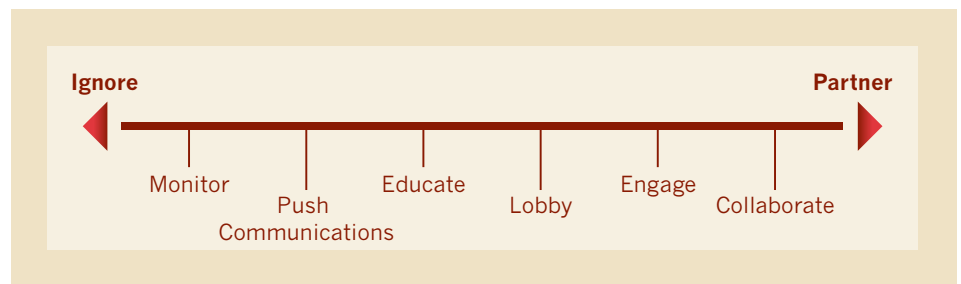
Our Evolving Understanding of Stakeholder Engagement

We are learning new things about who a stakeholder is, what stakeholder engagement is and how it can add value to the business. There are many ways of discovering and bringing stakeholder perspectives into the organization in order to help achieve societal alignment, and there are many ways to respond to those views.

Engagement is but one form of stakeholder relations along a spectrum of possible interactions that also include activities like message delivery, media outreach, deal negotiations, lobbying, coalition development, advocacy, damage control, research surveys, focus groups, issue management and benchmarking.

Stakeholder *engagement* is when the company initiates open, two-way dialogue seeking understanding and solutions to issues of mutual concern. It involves discovering and may result in implementing ideas that benefit both stakeholders and the company. This is not the same thing as opinion research, message delivery, lobbying, constituency relations or grant making.

Stakeholder Relations Continuum



Engagement is used when the company wants to seriously consider the views and involvement of someone or some group in making and implementing a business decision. It also provides significant opportunities to further align our business practices with societal needs and expectations to help drive long-term sustainability and shareholder value.

Stakeholder engagement involves time, resources and commitment, so you should not start the process without the buy-in and participation of leadership. Without this support, a lot of effort can be wasted, despite the best intentions of skilled employees. It can also produce cynicism and distrust among stakeholders, which can damage the company's efforts.

Respect for Stakeholders

A stakeholder is someone who is affected by company action or affects company action. Here are some key stakeholders and what we try to do to meet or exceed their expectations of us as responsible businesses. We want to engage with individuals and groups who can help us continue to improve in these areas.

Shareholders

We seek to create shareholder value by working hard and responsibly to achieve superior financial results. In pursuing this goal, each company and its employees will be honest and accurate in measuring and reporting financial performance and will protect company assets, resources and reputation.

Consumers

Our companies consistently strive to treat consumers fairly and honestly, maintain product quality/integrity, engage in responsible marketing and consumer information practices and address social/health issues related to their products.

Suppliers/Business Partners

In all our business dealings, our companies strive to be honest and fair. We seek to establish and maintain productive relationships with our business partners. In our markets, we will vigorously compete, but do so fairly, complying with all laws protecting competition and the integrity of the marketplace.

Employees

We are committed to fostering workplaces that are safe and professional and that promote teamwork, diversity, personal development and trust.

Governments

We are firmly committed to conducting business in compliance with the letter and spirit of the law, regulatory requirements and other accepted standards of business conduct and to working with legislators and government officials.

Communities

Through our operations and corporate and employee contributions, we strive to enhance the quality of life in the communities where we live and work and on which we depend.

Environment

We are committed to reducing the environmental impact of our activities and promoting the sustainable use of the natural resources on which we depend, while providing quality products that meet the needs of consumers.

Principles for Stakeholder Engagement

The Principles are meant to guide and govern the entire stakeholder engagement process.

Altria's Principles are based on the best practices of other leading global companies and expert views from government and society as well as our own collective experience. They have been established to guide planning for and behavior during stakeholder engagement.

Remember these Principles are not absolutes. They may need to be applied differently within each company and with each stakeholder issue.

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|--------------------|--|
| Involvement | <ul style="list-style-type: none">■ Encourage broad involvement: Welcome interested parties and respect their roles.■ Build relationships: Find new participants to enrich dialogue. |
| Candor | <ul style="list-style-type: none">■ Be comprehensive: Consider every issue.■ Build trust: Create an environment where different opinions are welcome.■ Be candid: Disclose agenda, assumptions, goals and boundaries. |
| Relevance | <ul style="list-style-type: none">■ Make it relevant: Focus on issues of greatest importance.■ Share knowledge: Provide access to pertinent information.■ Be timely: Engage when learning can influence decisions and actions. |
| Learning | <ul style="list-style-type: none">■ Uncover new perspectives: Seek mutual understanding and identify mutually beneficial solutions.■ Focus on the future: Emphasize what can be done. |
| Action | <ul style="list-style-type: none">■ Act on results: Apply learning to improve business planning and decision making.■ Provide evidence: Show stakeholders how results will be used. |

Stakeholder Engagement—Frequently Asked Questions

Q&A

Who is a stakeholder?

Someone who is affected by company action or affects company action. Usually a stakeholder is someone who cares about something the company is doing or planning to do.

Can you give examples of stakeholders?

Legislators, regulators, community leaders, local residents, investors, non-governmental organizations, customers, consumers, suppliers, employees.

Which stakeholders matter most?

All stakeholders are important, but their prioritization may change, depending on the issue and factors such as influence, knowledge, credibility and legitimacy.

What exactly is stakeholder engagement?

Stakeholder engagement is when the company initiates open, two-way dialogue seeking understanding and solutions to issues of mutual concern. Stakeholder engagement occurs when a company wants to consider the views and involvement, of someone or some group in making and implementing a business decision. This is not the same thing as “delivering a message” or “convincing a group to agree with us.”

What will be the benefits of stakeholder engagement?

Stakeholder engagement provides opportunities to further align our business practices with societal needs and expectations, helping to drive long-term sustainability and shareholder value.

Why do we need these Principles, Steps and Tools?

This material is designed to help you engage with stakeholders in the most effective ways possible. It brings together years of experience by many experts and provides helpful guidance for many of the decisions you will need to make if you choose to engage with stakeholders. It is also designed to help build stakeholder trust in our stakeholder engagement process.

Who should use this Toolkit?

Any group within the company charged with managing, overseeing and executing a project, program, issue or any kind of planning may benefit from using this Toolkit. Whether the challenge is long-range planning, improved marketing, sales program design or developing a position on an issue, engaging stakeholders can result in better business performance.

Does every Tool have to be used?

Of course not. Use your judgement. It is most important that a process is put in place for stakeholder engagement that fulfills the intent of the Principles and Steps. The Tools have been designed to help the process and make the engagement as productive, efficient and informational as possible.

What is essential to have in place before beginning stakeholder engagement?

Most stakeholder engagement experts warn against starting the process without the buy-in and participation of leadership. Without this buy-in, a great deal of time and resources may be wasted, despite the best intentions of skilled employees. It can also produce cynicism and distrust among stakeholders, which can damage the company's efforts.

Isn't all stakeholder outreach engagement?

Outreach is not, in and of itself, "engagement." There are many ways of discovering and bringing stakeholder perspectives into the organization and many ways to respond to those views. Stakeholder engagement involves discovering and may result in implementing ideas that benefit both stakeholders and the company.

Generally, the more time there is, the more benefit may be gained by engaging with stakeholders. Shorter time frames do not automatically eliminate the benefit of engagement, but will begin to limit the scope of issues that are meaningful to discuss.

Can you give examples of other forms of stakeholder relations?

Message delivery, media outreach, deal negotiations, lobbying, coalition development, advocacy, damage control, research surveys, focus groups, issue management, benchmarking.

How will we know if we succeed?

By the quality of the relationships and knowledge developed, by the better-informed decisions made, by improvements made to business practices and processes.

Knowing When to Engage

Before launching into stakeholder engagement, it is critical to decide if it is appropriate, or whether another form of interaction is preferable. The following checklists may help make that determination.

When to Use Stakeholder Engagement:

- There is a major issue confronting the company.
- There is sufficient overlap between the objectives and concerns of the company and those of the stakeholder.
- There is concern about the impact of a company strategy or goal.
- It is necessary to improve the company's knowledge of an issue.
- There is an opportunity to help shape company strategies and goals.
- The company has sufficient control or influence over an issue.
- The company needs to create more options for a planned action.
- All the decisions related to an issue have not yet been made.

When to Use Another Form of Stakeholder Relations:

- There is low or no company commitment to address an issue.
- The company has already made key decisions on the issue.
- There is insufficient time to engage stakeholders.
- Addressing the issue is a relatively short-term business objective.
- The company's primary concern is risk mitigation.
- The company is seeking buy-in through advocacy and persuasion.

What's in the Toolkit?

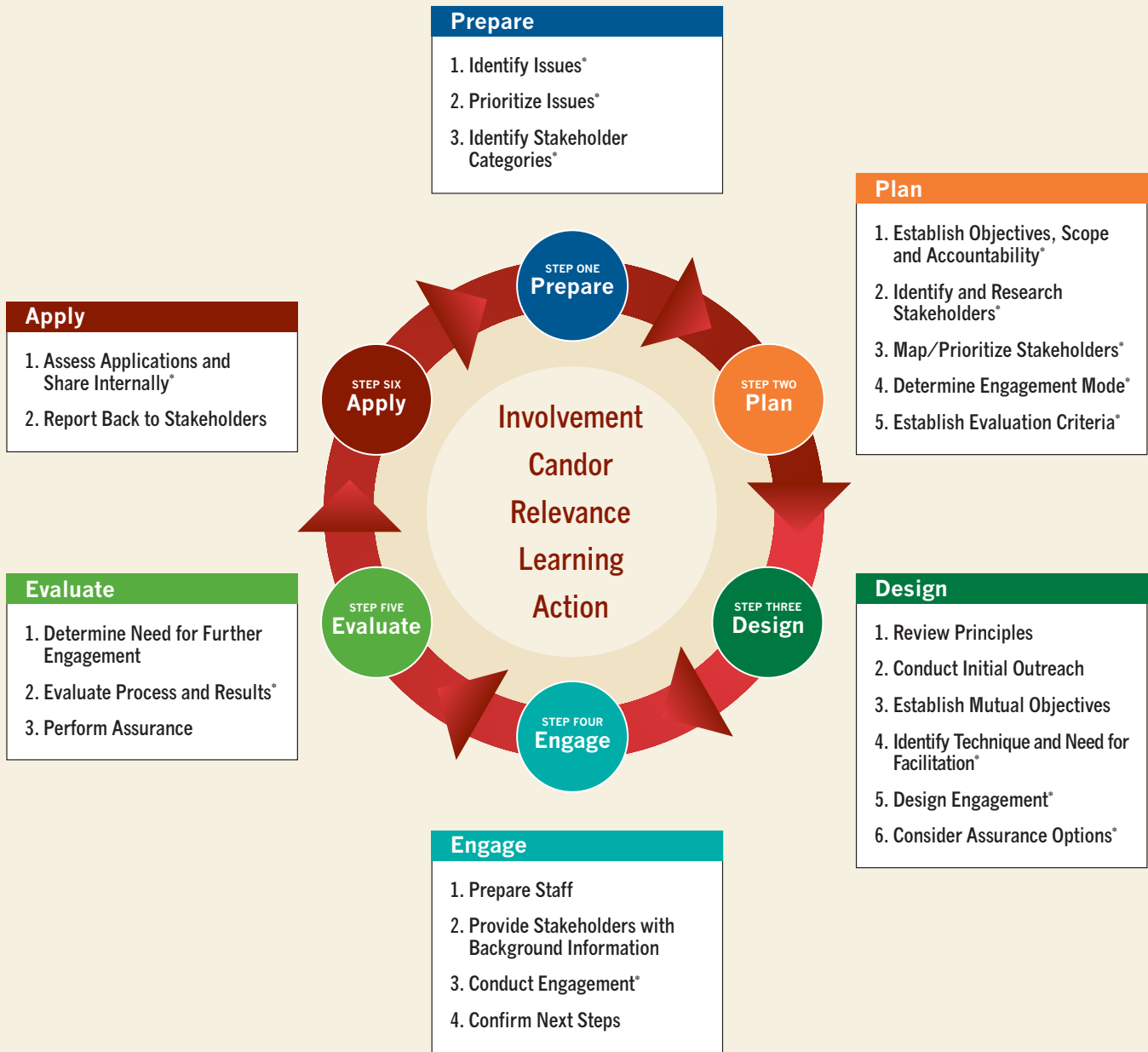
What is the Stakeholder Engagement Planning Toolkit?

The material in this Toolkit is designed to be flexible. When and how each Tool should be used will depend on the issue, the company and the specific need.

There are six **Steps**—Prepare, Plan, Design, Engage, Evaluate, Apply—that provide the greatest chance for a successful stakeholder engagement. The Steps lay out what needs to be done and their corresponding Principles provide a framework for helping ensure both sides see value in the process.

There are a number of **Tools** that can be used to help execute the six Steps effectively. Specific Tools can also be used separately as part of other planning processes.

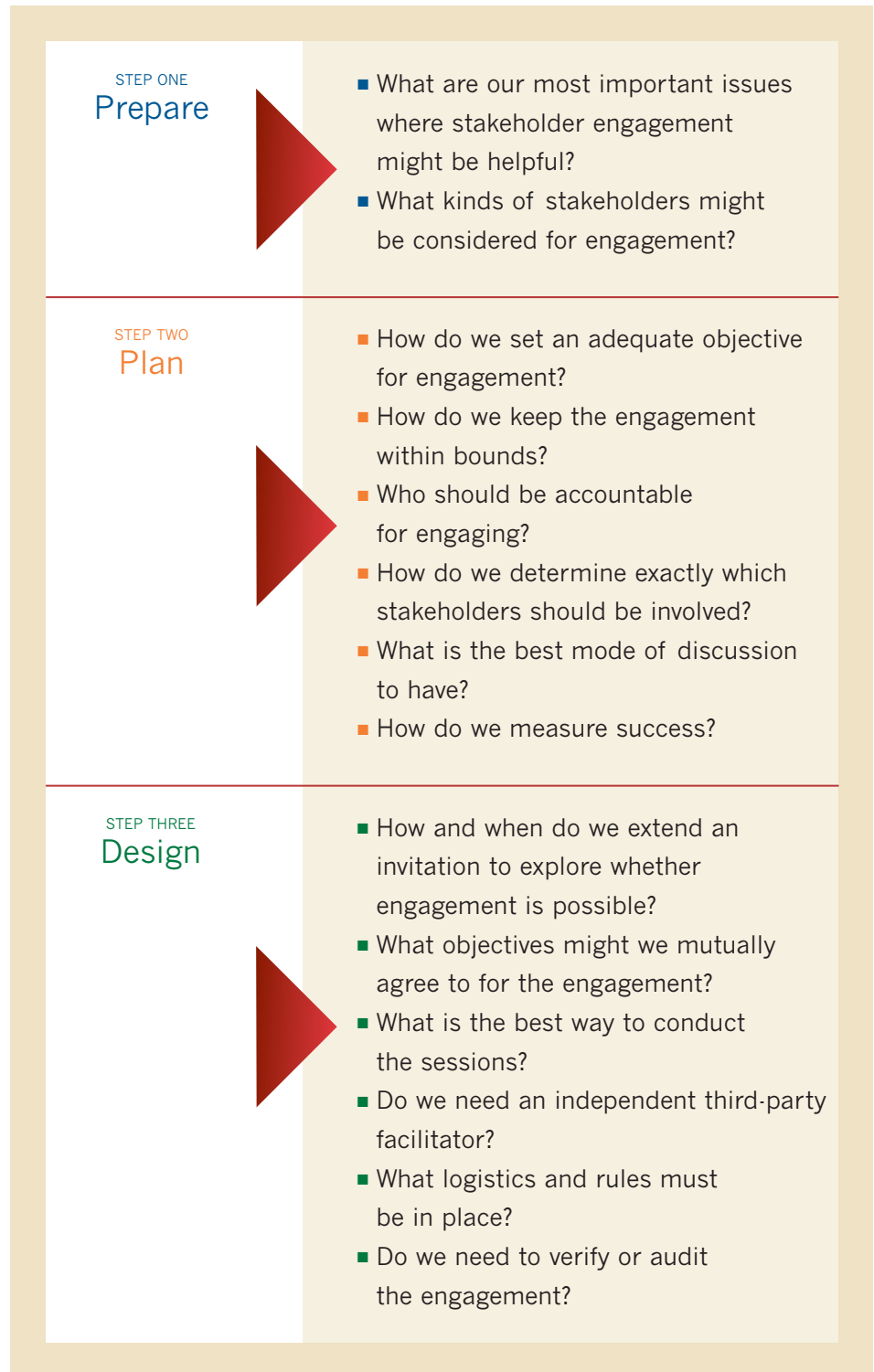
Stakeholder Engagement Planning Process



* A Tool exists to support this Action.

What Will the Stakeholder Engagement Planning Toolkit Help You Do?

The material covered in each Step will help you meet engagement objectives and prompt you to answer the following questions.



STEP FOUR
Engage



- Do we have the correct background information, materials and training to begin our engagement?
- What are the next steps after the engagement?

STEP FIVE
Evaluate



- Do we need further engagement sessions?
- Was the engagement itself successful based on your predetermined criteria?
- What are the outcomes?
- Was the process helpful?







STEP SIX
Apply



- How can we ensure that the results of the engagement reach the right internal decision makers?
- How should we inform stakeholders about follow-up from the engagement session?

What's in this Toolkit?

The following is an outline of the Steps, Actions and Tools contained in the Toolkit.

| Step | Purpose |
|--|--|
|  STEP ONE Prepare | Identify and understand the territory to be explored through engagement with stakeholders. |
|  STEP TWO Plan | Set objectives and parameters of engagement, and identify and prioritize stakeholders with whom to engage. |
|  STEP THREE Design | Co-develop engagement plan, including agenda and logistics, to meet engagement objectives. |
|  STEP FOUR Engage | Successfully meet objectives through execution of engagement plan with stakeholders. |
|  STEP FIVE Evaluate | Assess outcomes of engagement for both company and stakeholders against specific objectives. |
|  STEP SIX Apply | Share learnings and integrate engagement outcomes appropriately into business practices. |

| Action | Tool |
|--|--|
| <ol style="list-style-type: none"> 1. Identify Issues 2. Prioritize Issues 3. Identify Stakeholder Categories | <p>Issues Identification Issue Prioritization Stakeholder Category Identification</p> |
| <ol style="list-style-type: none"> 1. Establish Objectives, Scope and Accountability 2. Identify and Research Stakeholders 3. Map/Prioritize Stakeholders 4. Determine Engagement Mode 5. Establish Evaluation Criteria | <p>Engagement Objectives, Scope and Accountability Stakeholder Identification and Research Stakeholder Prioritization Modes of Engagement Engagement Evaluation Criteria</p> |
| <ol style="list-style-type: none"> 1. Review Principles 2. Conduct Initial Outreach 3. Establish Mutual Objectives 4. Identify Technique and Need for Facilitation 5. Design Engagement 6. Consider Assurance Options | <p>Engagement Technique Selection Engagement Design Assurance Planning</p> |
| <ol style="list-style-type: none"> 1. Prepare Staff 2. Provide Stakeholders with Background Information 3. Conduct Engagement 4. Confirm Next Steps | <p>Conducting the Engagement</p> |
| <ol style="list-style-type: none"> 1. Determine Need for Further Engagement 2. Evaluate Process and Results 3. Perform Assurance | <p>Engagement Process Evaluation</p> |
| <ol style="list-style-type: none"> 1. Assess Applications and Share Internally 2. Report Back to Stakeholders | <p>Engagement Results Action</p> |

Acknowledgements and Attributions

This Toolkit was developed by Business for Social Responsibility (BSR) for Altria Corporate Services, Inc., for use by Altria Group, Inc. and its operating companies, Kraft Foods Inc., Philip Morris International Inc. and Philip Morris USA Inc. The Toolkit is based on research from the publications, organizations, standards and companies included in the source list and from BSR's own expertise and tool set.

The content for this Toolkit is drawn from a master document titled "Altria Stakeholder Engagement Process Model" and dated December 4, 2003. That document was reviewed for alignment with understood best practices for stakeholder engagement, transparency and usefulness by a panel of recognized thought leaders in stakeholder engagement. Key elements of the panel's feedback were incorporated into this document and into the orientation process for the Toolkit. The panel included Simon Zadek of AccountAbility, Maria Sillanpaa of KPMG, Mallen Baker of Business in the Community, Paul Longshaw of ReAssurance Network and Kevin Franklin of Maplecroft Associates.



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