



Improve the quality of life of people in our supply chain

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Proportion of the most economically vulnerable farmers benefit from interventions that drive a measured increase in income

KPI description

To foster socioeconomic well-being and address social inequality and labor-related issues in our tobacco supply chain, we seek to improve the living income of our contracted farmers supplying tobacco to PMI. We measure progress towards this aim via our current KPI, Proportion of contracted farmers supplying tobacco to PMI who make a living income, as described [here](#).

To strengthen our approach, we aim to further drive a tangible and verifiable positive impact on the farmers' livelihoods. We are increasing our efforts towards local initiatives that will generate an improved income for farmers supplying tobacco to PMI, with a focus on the most economically vulnerable population of farmers in priority markets.

We also acknowledge the challenges in this area, such as uncontrollable climate conditions, socioeconomic and market dynamics, inflationary impacts, and limited visibility and influence on nontobacco incomes.

The impact of the initiatives will be monitored and measured by the implementing partners for the markets in scope.

Definitions

For definitions related to **living income (LI)**, refer [here](#).

Farmers benefiting from LI initiatives Vulnerable farmers who benefit from or participate in the LI initiatives in a specific calendar year.

IPS Integrated Production System: for details refer to [Key definitions and notes](#).

Living income (LI) initiatives Any initiative aimed at increasing farmers' and/or household' income, with a measurable impact. This income improvement can be achieved through, but not, limited to, diversifying income sources, enhancing productivity and reducing existing costs.

Most economically vulnerable farmers The lowest 15 percent of contracted farmers supplying tobacco to PMI, within pre-selected priority markets/ tobacco types, ranked based on the final data related to contracted tobacco hectares, tobacco yield, and crop diversification from the previous crop year.

Priority markets Sourcing markets which will be the priority focus for our targeted living income interventions. For the initial 4-year cycle from 2024 to 2027, the priority markets are India (burley), Mozambique (flue-cured), Indonesia (sun-cured and air-cured), and the Philippines (air-cured and flue-cured). As of 2027 onwards, this assessment will be conducted on a three-year cycle and define priority markets for 2028–30.

Livelihood Index tool A composite indicator, developed by a third-party consultant, that measures various dimensions of livelihood across a group of beneficiaries or a community.



Scope

Included Most economically vulnerable farmers supplying tobacco to PMI in defined priority markets and tobacco types.

Excluded

- Farmers (within PMI's supplier farm base and eligible farmers) who have not supplied tobacco to PMI.
- Tobacco for which a full set of sustainability data are not available.
- Supply chain Type 3 markets/suppliers¹.
- New markets/suppliers that PMI started sourcing from as of 2025.
- Tobacco volumes originated from previous crops.

Calculation methodology

Farmer income and **Farmers below living income** calculation methodology is described [here](#).

Priority markets and the tobacco types are determined based on:

- Farmer vulnerability: markets/tobacco types where farmers face the greatest risk related to living income.
- Business rationale: markets of strategic relevance for PMI.

Vulnerable farmers are determined by selecting the 15 percent lowest ranking farmers, per supplier and priority tobacco type, using a multi-step criteria approach, i.e., farmers with:

- The smallest contracted tobacco hectares.
- The lowest yield, if further ranking is needed
- No crop diversification, if further ranking is needed

LI initiatives are governed via PMI's established project governance board, ensuring conformance to project requirements.

Initial suitability and expected impact of initiatives should be reviewed and documented using the Livelihood Index tool.

LI initiatives can be funded by PMI, the suppliers, farmers, or a combination thereof.

Proportion of the most economically vulnerable farmers supplying to PMI that benefit from initiatives that drive a measured increase in income is calculated as:

$$= \left(\frac{\text{Number of farmers benefiting from CY LI initiatives + Number of farmers benefiting from PY initiatives}}{\text{Average number of most economically vulnerable farmers in CY and PYs}} \right) \times 100\%$$

Current year (CY)–reflects the reporting year.

Prior year(s) (PYs)–reflects prior reporting year(s), with 2024 as the baseline year.

The farmers benefiting from the LI initiative are counted only once, i.e., if they were part of the program in the prior year, they will not be counted in the current and future years.

Data management

The lowest 15 percent of contracted farmers supplying tobacco to PMI, within pre-selected priority markets, ranked based on land size, tobacco yield, and crop diversification (based on historical farmer profile analyses) are the most economically vulnerable farmers and will be the focus of interventions and projects to increase income. The farm profile information and the number of economically vulnerable farmers benefiting from LI initiatives will be provided by PMI third-party leaf suppliers or PMI leaf operations monitoring systems.

¹ Those markets/suppliers where there is an intermediary entity between PMI's suppliers and the farmers. This intermediary can be in the form of, but not limited to, a governmental organization, auction provider, or third-party supplier.