



Preserve nature

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Volume of water optimized in our tobacco-growing areas (mio m³ – cumulative since 2019)

KPI description

As part of its commitment to environmental stewardship, PMI aims to ensure that its water use and impact remain within local ecological and societal limits by prioritizing water stewardship. To enhance water security on tobacco farms and in the surrounding watersheds, PMI has set a target to, by 2033, optimize and restore 25 million cubic meters of water across tobacco-growing areas by identifying and addressing shared water challenges.

By addressing water challenges at watershed level in relation to the most impacted stakeholders, we gain better control on water-related risks where our supply chain operates. This approach contributes to the resilience of our contracted farmers and their communities. Examples of these challenges include physical water scarcity, deteriorating water quality, and regulatory restrictions on water allocation. Water is restored towards the target when farm or landscape-level projects address these shared challenges.

To track the progress of water optimized since 2019, PMI follows the World Resource Institute's (WRI) Volumetric Water Benefit Accounting methodology.

Definitions

Global Risk Assessment (GRA) A desktop study that evaluates our tobacco supply chain, key procurement categories, and direct operations. It utilizes publicly available global water risk data to assess drivers of physical water quantity and quality. The GRA provides a high-level snapshot of water risk, with indicators including water stress, seasonal variability, flood occurrence, drought severity, and groundwater resource trends. The GRA serves as an initial prioritization tool, informing PMI about the locations and severity of physical water risks.

Local Water Risk Assessment (LWRA) A in-depth study conducted after the GRA to enhance risk profiles. It uses locally reported data, stakeholder interviews, and focuses on key water basins from which the farmers draw and discharge water. The purpose of the LWRA is to help local suppliers' teams and farmers understand water risks in a specific growing area.

Shared Water Challenge A water-related issue, concern, or threat shared by the site and one or more stakeholders within the catchment(s). Examples include physical water scarcity, deteriorating water quality, and regulatory restrictions on water allocation.

Tobacco-growing areas (TGAs) Geographical spaces that include a farm area where tobacco cultivation takes place and the potential area of impact on nature that tobacco-related activities could generate.

Volumetric Water Benefits (VWB) Water stewardship activity outputs, estimated in volume per unit of time, that help in reducing shared water challenges.

Volumetric Water Benefit Accounting (VWBA) A globally recognized methodology for assessing the water benefits related to the execution of water stewardship activities.

Watershed An area of land where precipitation collects and drains off into a common outlet, such as into a river, bay, or other body of water. Also commonly referred to as a drainage basin or catchment.

Water stewardship The responsible use of water in a socially and culturally equitable manner, considering environmental sustainability while remaining economically beneficial. This process involves working with stakeholders and taking actions both at specific sites and across entire watersheds. Water stewardship values and respects the limited amount of fresh water located on our planet.

Water Stewardship Accounting Tool A tool using WRI's VWBA methodology. It offers step-by-step guidance allowing project ideation that addresses shared water challenges and lists the necessary measurements for each project type.

Water Stewardship Thermometer The approach used by PMI to assess the credibility of water stewardship projects, developed by Bluerisk and Valuing Impact (2021).



Scope

Included Leaf tobacco supply chain.

Excluded Projects outside of TGAs. Projects in leaf tobacco areas not funded or supported by PMI.

Calculation methodology

The volume of water benefits is calculated by summing the volumetric water benefits for each calendar year to consolidate the global figure. For the final annual actual, the benefits for the current year and past year (starting in 2019) are added to obtain a cumulative result in cubic meters (m³):

$$= \text{Current year water benefits (m}^3\text{)} + \text{Past year (since 2019) water benefits (m}^3\text{)}$$

Estimates and assumptions Projects are implemented starting in January, and data are collected throughout the year. In October and November, data on the total cubic meters optimized and restored are consolidated and shared with a third party for external assurance. By the end of November, the total cubic meters optimized and restored in the calendar year are available.

Data management

Data are collected from PMI's leaf operations and third-party suppliers. For each of the projects implemented in the calendar year, a results capture template is prepared, reflecting the total water benefits optimized and restored in that year (e.g., the amount of water saved by a drip irrigation project) along with the project's supporting documentation. Each project is then assessed by a third party and ranked according to a credibility thermometer (see picture). Only A-rated projects are considered for the KPI calculation.

Data verification All volumetric water benefit claims since 2019 have been externally assessed and validated. Going forward, annual volumetric water benefits will be verified each year by an external third-party auditor.

Water stewardship activity credibility thermometer



Instructions Review the proposed water stewardship activity within the sites physical scope and ask yourself the following questions:

- Does the activity address a shared water challenge?
- Does the activity address the root cause of the shared water challenge?
- Does the activity contribute to a shared vision for the catchment and have stakeholder support?
- Are you confident that the activity does not have negative consequences or dependencies?

For questions you answer "Yes" give the activity a score of 1,

For questions you answer "No" or "Unknown" give the activity a score of 0.

Sum the scores and rank the activity such that:

- A** Sum of scores = 4
- B+** Sum of scores = 3
- B-** Sum of scores = 1 or 2
- C** Sum of scores = 0