

UK Gender Pay Gap Report 2020



At Philip Morris Limited (PML), we are dedicated to the transformation of our business away from traditional cigarettes, towards our growing portfolio of reduced risk products.

Creating a more diverse and gender-balanced organisation is a business imperative for us. Not only because it is the right thing to do, but also because diversity within a company is key for a sustainable successful business. It means we are more in tune with our consumers, make better decisions and attract and keep the most talented people.

This report outlines the progress we are making in closing the gender pay gap and celebrating a more diverse workforce.

What is the gender pay gap?

The 'gender pay gap' is the difference in the average hourly wage of all men and women across a workforce. The gender pay gap is not the same as 'unequal pay', which is paying men and women differently for performing the same work. Unequal pay has been unlawful in the UK since 1970.

The gap is likely to be affected by many factors, including gender imbalance in different levels of an organisation. Should a company employ more men in more senior levels, for example, then it is likely to create a gap between average salaries of male and female employees.

"At PML, sustained commercial success is born from diversity and so we are committed to further nurturing an inclusive environment and a diverse workplace. I am enormously proud of the progress we have made over the past few years at all levels of the organisation. We have improved our gender balance at entry level, in mid-management and senior management. However, there is still more to do. We have a range of initiatives to continuously improve the gender balance across PML and this will remain a focus for us in the year ahead."



Peter Nixon,
Managing Director PML

What does the gender pay gap report show?

MEAN GENDER PAY GAP

The difference between the average men and women's hourly earnings

MEDIAN GENDER PAY GAP

The difference between the midpoints in the ranges of hourly earnings of men and women

POSITIVE PAY GAP

Indicates that the male employees of a company are paid more than its female employees

NEGATIVE PAY GAP

Indicates that the female employees of a company are paid more than its male employees

PAY QUARTILES

The proportion of men and women in each of four pay bands, based on the company's overall pay range

DIFFERENCE IN HOURLY EARNINGS

Women's **mean hourly rate** is 4.13% lower than men's. In other words, when comparing mean hourly rates, women earn 96p for every £1 earned by men.

Women's **median hourly rate** is 8.67% higher than men's. In other words, when comparing median hourly rates, men earn 91p for every £1 earned by women.

PROPORTION OF WOMEN AND MEN IN EACH PAY QUARTILE

UPPER QUARTILE		LOWER MIDDLE QUARTILE	
W 38%	M 62%	W 32%	M 68%
UPPER MIDDLE QUARTILE		LOWER QUARTILE	
W 48%	M 52%	W 35%	M 65%

PROPORTION OF WOMEN AND MEN WHO RECEIVED BONUS PAY

Proportion of **men**
receiving a bonus payment

61%

58%

Proportion of **women**
receiving a bonus payment

DIFFERENCE IN BONUS PAY

Women's **mean** bonus pay is 20.07% **lower** than men's.
Women's **median** bonus pay is 20.86% **lower** than men's.

Results and progress

This report is based on legal requirements and definitions. The data covers Philip Morris Limited (“PML”), the core UK affiliate of Philip Morris International (“PMI”), which employs a range of roles, including sales, marketing and support functions.

This is the second year that PML has submitted data to the Government. The law applies to businesses with more than 250 staff, a threshold that PML only exceeded in 2018. On 5 April 2019, 37% of the PML workforce were women. By the end of that year the company had increased that figure to 40% in its effort to improve gender balance.

The figures for the mean pay gap show women earn 4% less than men. Although there is still a difference, this represents a decrease of 1% against the previous year – a reflection of our ongoing improvement. The company’s median pay gap measure continues to show that women earn more (9%) than men.

The results for differences in bonus pay are driven by three factors. Firstly, the global PMI Corporate Incentive Program, which is applicable for managerial roles, has more males represented (61%) than women (39%). Secondly, our PML Local Sales Bonus Scheme for our field force roles, which was in place until April 2019, traditionally had a male prevalence in this specific workforce. Thirdly, our international and domestic career opportunities, which pay a relocation bonus, are more frequently accepted by male colleagues.

We are proud to say that our gender pay results are stronger than many other companies in the UK. The most recent national results, consolidated by the Office for National Statistics (ONS), show that the average pay gap among full-time employees in the UK stands at 8.9%¹.

However, we realise there is still much work to do. We are encouraged by the improvement in our latest pay gap results, but we are determined to make further improvements until the gender pay gap is eliminated altogether. It is for this reason we have different areas of actions on which we will continue to focus.

Women in Leadership

PML is fully committed to closing the gender talent gap. Last year, we continued to make steady progress on this commitment by developing more women for management positions. Women currently occupy 40% of our senior managerial roles. This is an important improvement compared to our previous reporting period. We also increased the proportion of women in the overall managerial-levels positions to 39%.

To achieve gender balance and close the gender talent gap, we continue to focus on three core areas:

- **Recruitment and Management Trainee Program:** In 2019 women accounted for 36% of new hires at managerial levels and 39% of new hires at more junior levels. To support our gender parity target for all new hires into the company, we have practices in place to remove potential gender bias from the recruitment process. Additionally, our Management Trainee Program ([Evolv](#)), which focuses on building our future managerial talent pipeline, is key in our drive to improve gender balance at managerial level and in building a diverse talent pool in our organization. We are pleased to report that 47% of our newest trainees were women. This was another great achievement in 2019.

¹ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2019>

- **Promotion:** We are proud to employ first-class talent across the company. Supporting the career development of female employees and ensuring equal access to learning opportunities is also critical. In 2019, women accounted for 40% of promotions at managerial level..
- **Inclusion and Diversity: We provide training and** proactively intervene to remove unconscious gender bias across the employee journey. You can read [here](#) more about how PML is creating an inclusive workplace.

Equal Pay for Equal Work

In March 2019, PMI became the first company to earn the global EQUAL-SALARY certification from the non-profit [EQUAL-SALARY Foundation](#), following an intensive quantitative and qualitative review of pay and related practices. This independent certification verifies that PMI pays men and women equally for equal work in the more than 90 countries in which PMI operates.

PML joined the rigorous third-party equal-pay certification process and commissioned PWC to conduct an in-depth external audit of our Talent Development, Performance Management and Reward Practices in September 2019. The audit analyzed the concepts behind our practices and policies and how they are implemented. As part of the audit, there was also an independent survey which asked colleagues about their perception of such policies, which was deepened by focus group discussions.

Our audit has been successful and enabled us to identify areas for further improvement, with assigned action plans, which will support us in the overall goal of closing the gender gap.



EQUAL-SALARY certification is a third-party verification that PMI pays men and women equally for equal work. The certification comprises a comprehensive quantitative comparison of our compensation data and a qualitative audit of our management's commitment to gender equality, of our talent management and development policies and practices, and of employee perceptions of gender equality. To learn more about equal pay at PMI, please visit pmi.com

As the representatives of Leadership Team of Philip Morris Limited, we confirm that the information contained in this report is accurate.



Peter Nixon
PML Managing Director, UK & Ireland



Liana De Angelis
PML Director People & Culture UK & Ireland