

UK Gender Pay Gap Report 2019



Philip Morris Limited is committed to transforming our business to smoke free alternatives that could reduce the harm caused by smoking.

As we undergo this transformation, we believe that a diverse and inclusive culture is a key component for success. An inclusive culture founded on equal opportunity, fairness and respect for everyone is vital to nurturing a diverse workforce with diversity of ideas and perspectives.

This will help us to reach our ambitious goal.

What is the gender pay gap?

The gender pay gap is not a measure of equal pay. The UK's Equal Pay Act 1970 states that it is illegal for men and women to be paid different amounts for doing the same job. The gender pay gap is the difference in total average and median earnings between all men and women at all grade levels across an organisation, regardless of the specific work they perform.

The "gap" is likely to be affected by many factors, including the demographics and gender balance in the various parts of an organisation. If a company has more men in more senior levels of a particular business, for example, then that is likely to create a gap between average salaries of the men and women.

"At PMI, we see sustained commercial success is born from diversity and so we are committed to building an inclusive and diverse workplace. We already have so many inspiring and accomplished women who work for our business; our task is to help nurture that existing talent and attract the next generation of female leaders. We have a range of initiatives to improve the gender balance across PMI and will focus more on that in the year ahead."



Peter Nixon,
Managing Director UK

What does the gender pay gap report show?

MEAN GENDER PAY GAP	<i>The difference between the average hourly earnings of men and women</i>
MEDIAN GENDER PAY GAP	<i>The difference between the midpoints in the ranges of hourly earnings of men and women</i>
POSITIVE PAY GAP	<i>Indicates that the male employees of a company are paid more than its female employees</i>
NEGATIVE PAY GAP	<i>Indicates that the female employees of a company are paid more than its male employees</i>
PAY QUARTILES	<i>The proportion of men and women in each of four pay bands, based on the company's overall pay range</i>

Philip Morris Limited rankings 2019

DIFFERENCE IN HOURLY EARNINGS

Women's **mean hourly rate** is 5.17% lower than men's. In other words when comparing mean hourly rates, women earn 95p for every £1 men earn.

Women's **median hourly rate** is 12.33% higher than men's. In other words when comparing median hourly rates, men earn 88p for every £1 women earn.

PROPORTION OF WOMEN AND MEN IN EACH PAY QUARTILE IN 2018

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	67 %	59 %	Proportion of women receiving a bonus payment
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DIFFERENCE IN BONUS PAY

Women's **mean** bonus pay is 26.53% **lower** than men's.
 Women's **median** bonus pay is 36.36% **lower** than men's.

Reflections on our results and progress to date

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 first year that our company has submitted figures to the Government, as the law only applies to businesses with more than 250 staff, a threshold that PML only exceeded in this reporting year. On 5th April 2018, 40% of the PML workforce were women.

The figures for our mean pay gap show women earn 5% less than men. Conversely the company’s median pay gap shows the opposite: women earn 12% more than men.

Our gender pay results are better than many other companies in the UK. BBC analysis of the most recent results show that the average pay gap of UK companies was 9.1%, though a number of industry sectors have more concerning figures with pay gaps of up to 50%.¹ However, although we are pleased with our initial results, we are determined to make further improvements until the gender pay gap is eliminated. One area for future attention is the relatively low female representation in the most senior management positions, with women representing just over one fifth of roles.

Our results for differences in bonus pay are driven by two factors: first, the global PMI Corporate Incentive Program, which is applicable for senior managerial roles, where women are currently under-represented; and second, our PML Local Sales Bonus Scheme, which is applicable for our field force, where traditionally we have had difficulties recruiting women for these roles.

Women in leadership

At PML, we are committed to closing the gender talent gap. Last year, we continued to make steady progress on our commitment by increasing the representation of women in management positions. At the end of 2018, women held 37.2% of managerial roles (+1.3pp vs. 2017). Our commitment to increase the representation of women in management roles remains unchanged for 2019. Our goal is to increase that figure to at least 40% by 2022. We already have so many inspiring and accomplished women who work for our business; our task is to help nurture that existing talent and attract the next generation of female leaders.

To close our gender talent gap, we will focus on three areas:

- **Recruitment:** Encouragingly, in 2018, women accounted for 37% of new hires at managerial levels and 36% 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. We are also building a diverse talent pipeline through our UK dedicated graduate programme (Evolv).

¹ <https://www.bbc.co.uk/news/business-47672106>

- **Promotion:** Supporting the career development of our talented women and ensuring equal access to learning opportunities are also critical: in 2018, women accounted for 60% of promotions at managerial level.
- **Inclusion and Diversity:** At PML, we continue to further embed flexible working practices to support all employees to thrive at work and at home. We also provide training to remove unconscious gender bias across the employee journey.

Equal pay for equal work

At PMI, we believe that paying men and women equally for equal work is the baseline standard of gender equality. We have reinforced our commitment to closing our gender gap by undergoing an independent equal pay certification developed by the [EQUAL-SALARY Foundation](#). By doing so, we validated that our pay practices match our commitment to equality and good intentions everywhere we operate worldwide.

We are proud to be the first international company to receive the Global EQUAL-SALARY Certification on 4th March 2019.



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 salary 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.

The qualitative analysis in particular helps to uncover potential gender blind spots that could support or hinder equal opportunities for women to progress.

To learn more about equal pay at PMI, please visit pmi.com

As Managing Director of Philip Morris Limited, I confirm that the information contained in this report is accurate.


Peter Nixon
Managing Director, UK & Ireland
Philip Morris Limited

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