

Philip Morris Limited Gender Pay Gap Report

2020



PHILIP MORRIS LIMITED



AT A GLANCE:

- PML Median Total Pay Gap: **6.5% versus national average 15.5%***
- Mean Total Pay Gap **down to 2.4% (vs 4.2% 2019)**
- **43% reduction** in Bonus Pay Gap (12% 2020 vs 21% in 2019)
- Near-parity in Bonus Pay Gap proportions: **men 49.5% women 51.1%**
- **Introduction of Smarter Working** will further support working parents
- **Strong female representation** on management training programme, **EVOLV (57%)**

Positive/negative pay gap figures indicate a bias in favour of men/women respectively.

At Philip Morris Limited (PML), we are committed to the transformation of our business away from combustible cigarettes, towards our growing portfolio of reduced risk products. **We want to change society and deliver a better, smoke-free future.**

Building an inclusive culture and bolstering diversity is not only the right thing to do, it is also a business imperative that enables us to pursue this vision, by fostering creativity and innovation. It will enable us to remain consumer centric and if we are more in tune with our consumers, we will make better decisions, which in turn will help attract and retain the most talented people.

The responsibility for strengthening the business in this way lies with the entire workforce: embedding mindsets and behaviours into our leadership and our learning curriculum. We're breaking-down hierarchies, ensuring different voices are heard, adapting to the needs of different employees, showing empathy, building psychological safety, coaching, and understanding how bias may impact decisions and the views of others.



We recently became the first business to earn EQUAL-SALARY certification globally – an accreditation which goes beyond the requirements of equal pay legislation in the UK and it is testament to our progress and leadership in this area. Our pride at this achievement is matched by our whole-hearted commitment to continue to maintain these high standards.

We will always challenge ourselves to learn, grow and improve when it comes to inclusion and diversity – not just in response to the expectations of our workforce and consumers, but leveraging our scale and expertise to increase our contribution to a world which is fairer and more accepting.

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



Handwritten signature of Liana De Angelis in black ink.

Liana De Angelis
Director P&C UK & Ireland



Handwritten signature of Christian Woolfenden in black ink.

Christian Woolfenden
Managing Director UK & Ireland

WHAT IS THE GENDER PAY GAP?

The gender pay gap is a measure of workplace inequality, expressed in terms of a comparison between men's and women's average hourly rates of pay. It provides a framework within which gender pay gaps can be identified so that, both inside and outside of the workplace, employers and society at large can think constructively about why gender pay gaps exist and how we can all work to minimize them.*

The gender pay gap compares pay of all men and women across a workforce, without considering differences in job roles, experience and qualifications. The gender pay gap is not the same as 'equal pay - paying men and women equally for performing identical roles - which has been a legal requirement since 1970.

WHAT DOES THE GENDER PAY GAP REPORT SHOW?

GENDER REPRESENTATION	The proportion of men and women employed by PML
MEAN GENDER PAY GAP	The difference between true average men and women's hourly earnings
MEDIAN GENDER PAY GAP	An alternative way of showing what is 'typically' earned by the average employee of each gender
PAY QUARTILES	All salaries are ranked from highest to lowest and divided into four evenly-sized groups. The percentage of men and women in each group is reported
BONUS PAY GAP	The difference based on bonuses paid over the 12-month period before the snapshot date
BONUS PROPORTIONS	The proportions of male and female employees who were paid bonus pay during the relevant period

OUR GENDER PAY GAP RESULTS

6.5%

Median hourly rate

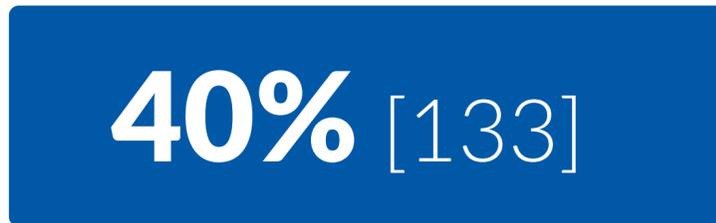
2.4%

Mean hourly rate

Positive/negative pay gap figures indicate a bias in favour of men/women respectively.

OUR WORKFORCE

Women



Men



PROPORTION OF WOMEN AND MEN IN EACH PAY QUARTILE

UPPER QUARTILE

W33% **M67%**

LOWER MIDDLE QUARTILE

W45% **M55%**

UPPER MIDDLE QUARTILE

W39% **M61%**

LOWER QUARTILE

W37% **M63%**

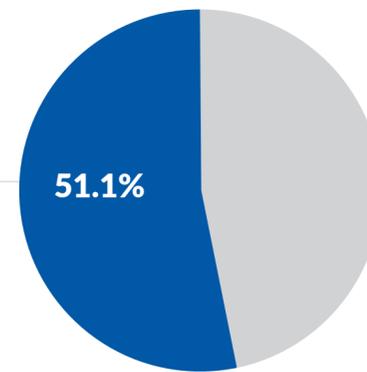
DIFFERENCE IN BONUS PAY

12.0%
Median bonus pay

-13.1%
Mean bonus pay

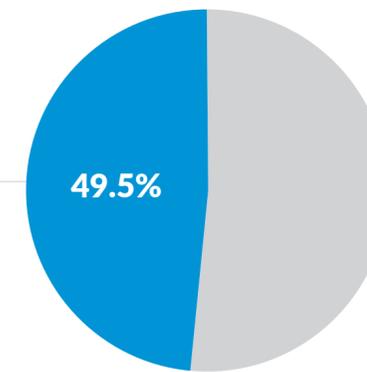
Positive/negative pay gap figures indicate a bias in favour of men/women respectively.

PROPORTION OF WOMEN AND MEN WHO RECEIVED BONUS PAY



Proportion
of women
receiving bonus:

51.1%



Proportion
of men
receiving bonus:

49.5%

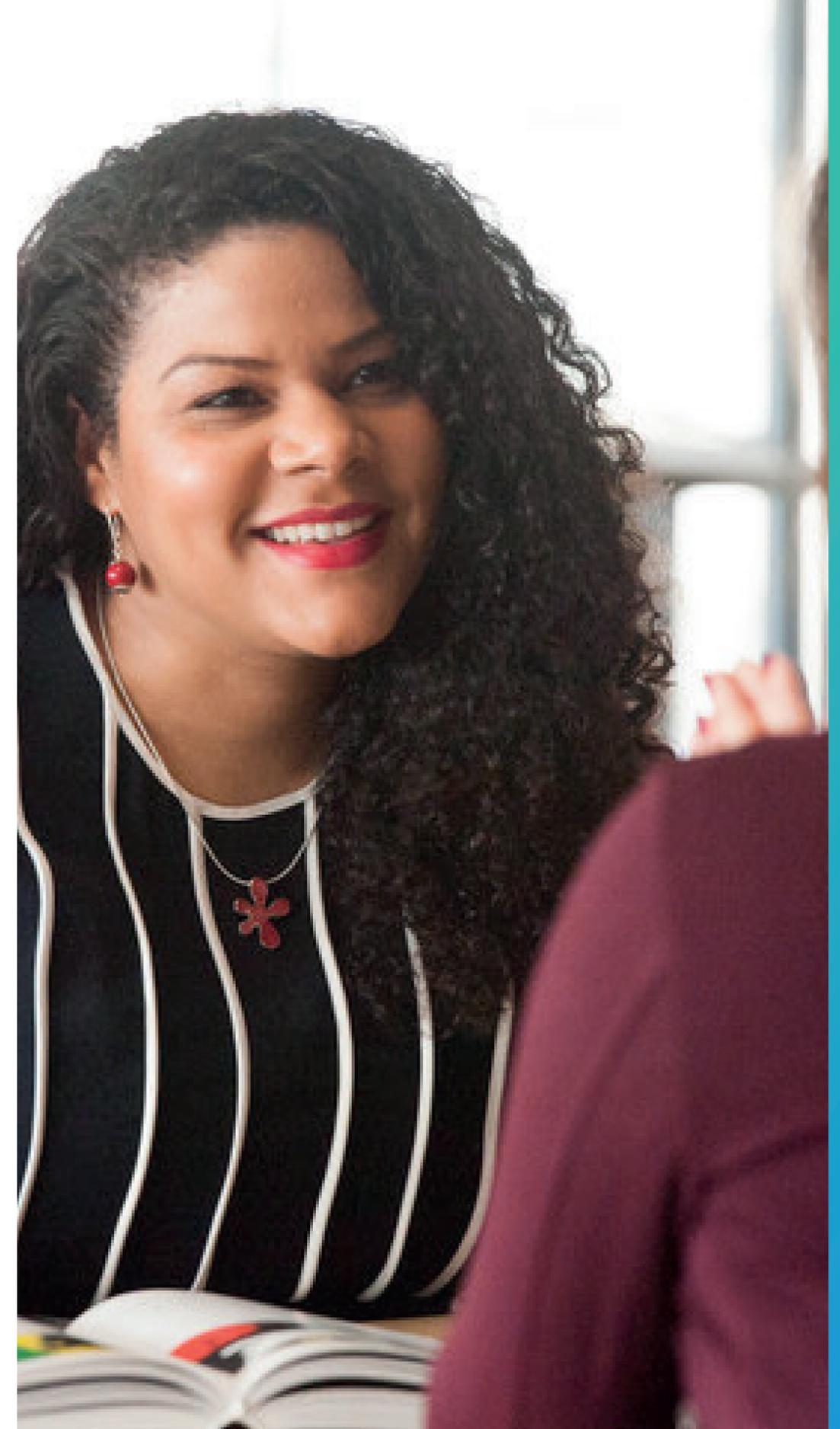
OUR RESULTS

We are encouraged that we continue to compare favourably to the UK national average Gender Pay Gap of 15.5%* (median). But the business's real challenge lies with self-improvement, rather than comparison elsewhere.

We have seen a swing towards men in our 2020 pay gap to 6.5%, compared to -8.7% median previously. As only a medium-sized employer, we recognise that we are particularly susceptible to such significant fluctuations in any given year. In this instance, this change is a result of improved gender balance among entry-level positions.

Our mean pay gap has reduced each year since PML was eligible for reporting (2018), with a drop of 1.8% percentage points to 2.4% in 2020. Further encouraging improvements can be seen in the near-equitable proportions of those receiving bonus payments, compared to 58% women and 61% men in the prior year. The difference in bonus pay has also reduced significantly over our three years of reporting (by half and two-thirds across mean and median respectively).

By continuing to foster an inclusive workplace, we will enable progression for all and improved representation across the business that will, in turn, continue to reduce our gender pay gap.





COMMITMENT TO REDUCING THE GAP

PML is fully committed to minimising the gender talent gap. We aim to recruit equal numbers of men and women at all levels. To support this, our job advertisements use gender-neutral language, we push for gender-balanced shortlists, and we use diverse interview panels to reduce the risk of unconscious bias in talent assessments.

As part of our ongoing mission to hire a wider, more diverse range of talent, we partnered with Work180, an international job network that connects businesses with talented women. Work180 pre-screen every employer on their jobs board to see where they stand on pay equity, flexible working, paid parental leave, equal opportunities and a range of other criteria.

At PML, we continue to further embed flexible working practices for all to support employees to thrive at work and at home. We also provide training on 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. We also continue bringing young talent to the business with our Management Trainee Program (EVOLV). Currently 57% of all trainees are women. EVOLV is key in our drive to improve gender balance at management level and in building a diverse talent pool in our organisation.

EQUAL SALARY CERTIFICATION

At PMI, we see equal pay for equal work between men and women as the baseline standard for equality, and we've confirmed that our actual pay practices match our good intentions with the Global EQUAL-SALARY Certification. **While the certification doesn't directly address the gender leadership gap at PMI, our latest qualitative audit helped us uncover potential barriers that may hinder equal opportunities for women to advance. That process has generated more conversations, and focused management's attention on the need to improve the gender balance at PMI. And this is just the beginning.** Currently, in our UK affiliate, women make up 35% of managerial roles, and our goal is to increase that figure to at least 40 percent by 2022. We are leading from the top in pursuit of this important milestone, with the UK senior leadership benefiting from a 50:50 gender split.

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.





“At PMI, we see diversity as a strength. And, today more than ever, it’s simply the right thing to do. We’re focused on creating an environment where everyone has equal opportunity to participate, use their skills, share their ideas and perspectives, and to feel valued – regardless of their gender, how they look, their origins, how they speak, who they love, or their beliefs. We want everyone to feel the joy of belonging to PMI. Only by doing so can we unlock the true strength of our diversity and be more successful as a business.”

Silke Muenster, Chief Diversity Officer, Philip Morris International

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