

Responsible employer

Assessing SSE's UK gender pay gap

In 2016 SSE became one of the first FTSE100 companies to publish its gender pay gap, using the draft regulations available at the time. That exercise was both interesting and instructive. This year, while the methodology has changed, SSE now has two years of data to understand and act upon.

Following draft requirements, the UK Government has confirmed its regulations for Gender Pay Gap Reporting (GPGR) for UK companies. It requires UK businesses with more than 250 employees to publish their GPGR statistics as at 5 April 2017 within one year of this date, and then on an annual basis. The method for calculating this information has been outlined in detail by the UK Government¹ and the results from every organisation will be published on a UK Government website².

The gender pay gap is not about equal pay for men and women doing the same job. SSE has a robust process to ensure pay levels are reviewed using a fair and consistent process.

An annual review of the performance ratings by gender is also carried out to make sure there are no anomalies between male and female employee performance ratings.

When calculating the difference in average earnings, the gender pay gap takes into account all jobs, at all levels and all salaries within an organisation. This means the gender pay gap paints a picture of the level of roles that women carry out in an organisation. The roles that women fill can result from many different factors, such as historic trends of one gender dominating certain industries and type of jobs.

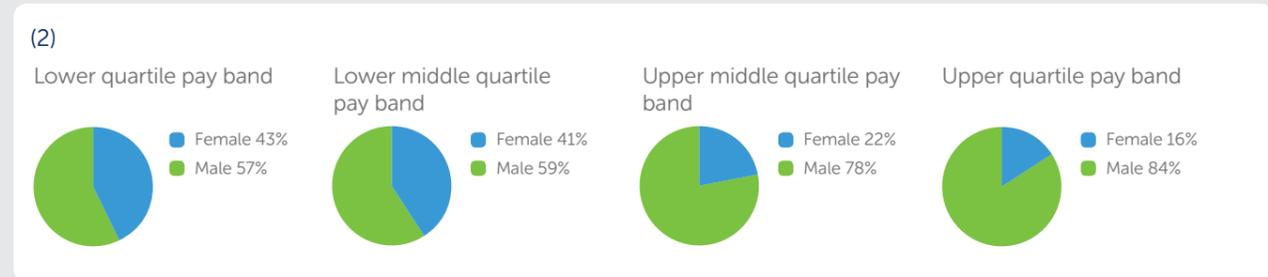
Reporting SSE's gender pay gap

The UK Government GPGR regulations have four key requirements:

- Reporting the differences in mean and median pay between men and women calculated on the basis of equivalent hourly pay rates;
- Reporting the distribution of men and women between pay band quartiles, calculated using the range of hourly pay rates;
- Reporting the differences in mean and median bonus pay between men and women; and
- Reporting the proportion of men and women receiving bonus pay in a year.

All organisations with 250 or more employees are required to publish these statistics. Due to the structure of SSE, this means SSE must publish data for ten separate business entities, as well as the overall figures for SSE Plc. The results detailed here are the overall results for SSE Plc, with the full breakdown for each applicable business entity published on the following page. SSE employed the services of Pinsent Masons law firm to review SSE's interpretation of the Government regulations and the applied methodology.

(1)	2016/17	2015/16*	2015/16**
Mean hourly pay difference between male and female employees	22.0%	22.4%	23.4%
Median hourly pay difference between male and female employees	19.3%	18.7%	19.4%



Analysing SSE's gender pay gap

SSE's median gender pay gap of 19.3% in 2016/17 is slightly higher than its gap in 2015/16 of 18.7%³. This widening of the gap is not unexpected and is a consequence of SSE's strategy to become more inclusive and diverse – and close the gap in the long-run. Further details of this are described below.

Genuine transformation for SSE, and across the UK's labour market, will require meaningful societal changes as well as improvements at organisational-level. SSE is committed to being a leader for driving change in both of these areas.

Understanding the societal and organisational challenges

SSE operates within the energy industry; a sector that relies on the expertise and experience of highly-skilled workers from STEM (science, technology, engineering and maths) related

fields. Just 21% of the Core STEM workforce in the UK are women⁴, and the UK has the lowest percentage of female engineering professionals in Europe – under 10%⁵ compared to an average of around 20%.

While SSE's overall proportion of female employees is around 30%, just 3% of the top 10 operational roles in the company⁶ are filled by women. Within SSE's different business areas, those with an operational focus have a significantly higher gender pay gap than the pay gap for the overall company. For example, within SSE Generation Ltd the median gender pay gap is 27% and within Scottish Hydro Electric Transmission Plc it's 36.1%. The full breakdown of these results can be found on the following page.

Last year SSE reported its gender diversity strategy which focused on three elements: encouraging women in, supporting women to stay on, and helping women to progress up.

Taking action on SSE's gender pay gap

Taking action: encouraging women IN to the company

With such low numbers of women in operational roles, SSE has placed inclusivity firmly at the heart of its recruitment this year with inclusive recruitment training for all hiring managers and a focus on diversity within its Graduate and Apprentice recruitment drives. Examples of female employees who have found success at SSE have been used within adverts, case studies, videos, leaflets and at careers events across the UK, while social media has been used more creatively, for example, through a live 'Women in STEM' Twitter Q&A.

There has been notable growth in the number of female graduates attracted this year, from 17% last year to 40%. Across all of SSE's directorates, 39% of hires made in 2016/17 were female – an increase of almost 20% from 2013/14. This rise in women attracted into the company, particularly at entry-level positions, can partly explain the increase in SSE's gender pay gap over the last year.

Taking action: supporting women to stay ON

Creating jobs and a working environment where women want to stay on is just as important. In 2016/17 SSE focused on two key areas to encourage a more inclusive workplace for everyone: the introduction of sector-leading parental benefits (see case study on page 28) and new initiatives to encourage flexible working.

A new office centre in Reading has been used as an opportunity to pilot flexible working at scale. Around 1,500 employees were relocated to these new premises and given the opportunity to "work differently", with compressed hours, occasional home working, and different start and finish times to allow for better work life balance. Skype for Business is also being rolled out for all employees and a Technology Loan Scheme was introduced to help employees with the purchase of computers, laptops, tablets and printers.

Furthermore, SSE has created 'Encouraging Difference Steering Groups' for each directorate, sponsored by Managing Directors. These groups help promote operational-level support for greater inclusion across the business; empowering employees to drive relevant change locally.

Taking action: helping women progress UP

It is SSE's responsibility to create an environment where all employees reach their full potential. In early 2016, SSE created a Senior Women's Development Network (SWDN) which focuses on increasing the connectedness of women across the business and supports them to develop their leadership capability. SSE's commitment to encouraging self-led development is further enabled by the 'everywoman' learning and development platform which is available to SSE's whole

workforce, with around 400 learning hours used by employees per month on average.

SSE has a target of increasing the number of women earning over £40,000 a year to at least 25% by 2025. In 2016/17, the number of female employees earning over this level increased to 12.8% from 11.9% in 2015/16.

Taking action: influencing wider society

Lastly, to help target the root problem around gender norms, in 2016/17 SSE continued its £100,000 partnership with educational charity Teach First. The partnership has been designed specifically to encourage more young girls at secondary school level into STEM subjects; aiming to increase the well-being, resilience and core skills of female pupils from low-income communities. On top of this, SSE has partnered with a number of major organisations in the UK that share its goal of encouraging greater female participation in STEM.

SSE has invested in key sponsorships of women in sport events to help break down perceived barriers. The seven-figure title sponsorship deal for the SSE Women's FA Cup is the flagship of these activities but other sponsorships include the Women's Scottish Cup, a Women's Golf Invitational and 'next generation' Sports Aid athletes.

¹<https://www.gov.uk/guidance/gender-pay-gap-reporting-overview>

²<https://gender-pay-gap.service.gov.uk/Viewing/>

*New regulations

**Draft requirements

³Please see the SSE Plc Sustainability Report 2016 for a full explanation of SSE's gender pay gap in 2015/16.

⁴WISE UK statistics, 2016.

⁵ONS figures, 2016.

⁶Engineer, Electrician, Meter Operative, Technician, Meter Reader, Linesman, Apprentice, Craftsman, Operative, Joiner.

Our people

Gender Pay KPIs (UK)

As at 5 April 2017

SSE Business Entity with 250 or more employees	Number of relevant employees in entity	Proportion of male and female employees in business entity (M%/F%)	Mean hourly pay difference between male and female employees (%)	Median hourly pay difference between male and female employees (%)	Proportion of men/women in lower quartile pay band (M%/F%)	Proportion of men/women in lower middle quartile pay band (M%/F%)	Proportion of men/women in upper middle quartile pay band (M%/F%)	Proportion of men/women in upper quartile pay band (M%/F%)	Mean difference in bonus payment between male and female employees (%)	Median difference in bonus payment between male and female employees (%)	Proportion of men/women receiving bonus pay (M%/F%)
SSE Plc	20,309	68.6/31.4	22.0	19.3	56.8/43.2	59.3/40.7	78.4/21.6	84.0/16.0	32.5	9.1	32.1/12.4
SSE Energy Supply Ltd	5,905	40.9/59.1	8.9	-3.8	41.3/58.7	45.5/54.5	35.2/64.8	46.9/53.1	65.4	19.9	8.0/4.2
SSE Metering Ltd	2,543	82.6/17.4	-5.8	0.0	87.5/12.5	82.8/17.2	79.9/20.1	80.8/19.2	-0.9	26.4	37.0/12.2
SSE Contracting Ltd	2,529	89.3/10.7	21.3	20.9	77.7/22.3	88.7/11.3	95.6/4.4	95.2/4.8	-5.5	-25.5	35.1/10.0
Southern Electric Power Distribution Plc	2,427	82.6/17.4	14.6	18.7	72.9/27.1	78.5/21.5	90.1/9.9	90.4/9.6	-5.1	14.4	10.2/6.8
SSE Services Plc	1,992	58.2/41.8	27.7	30.2	39.3/60.7	50.4/49.6	66.3/33.7	80.5/19.5	66.5	32.5	29.3/27.6
Scottish Hydro Electric Power Distribution Plc	1,361	82.4/17.6	20.7	20.1	76.0/24.0	81.9/18.1	89.9/10.1	91.4/8.6	46.8	20.0	19.6/13.3
SSE Generation Ltd	690	87.4/12.6	25.5	27.0	79.7/20.3	80.1/19.9	94.2/5.8	95.9/4.1	60.3	27.9	84.3/82.8
SSE Home Services Ltd	512	78.1/21.9	24.9	24.6	42.6/57.4	82.8/17.2	96.7/3.3	94.2/5.8	7.8	-25.5	73.5/18
Scottish Hydro Electric Transmission Plc	460	80.2/19.8	33.4	36.1	55.8/44.2	81.2/18.8	92.9/7.1	95.6/4.4	48.7	25.5	50.4/35.2
TESGL Ltd	289	80.3/19.7	37.8	45.5	42.3/57.7	90.1/9.9	91.5/8.5	97.2/2.8	69.8	38.1	49.6/31.6

Statement

We confirm that the information and data provided is accurate and in line with mandatory requirements.



Alistair Phillips-Davies, CEO



John Stewart, Director of HR