



Valuing Difference

Calculating the financial return from inclusion and diversity initiatives at SSE

About SSE

SSE is a UK-listed energy company focused on the energy markets in the UK and Ireland. Its core purpose is to provide the energy people need in a reliable and sustainable way. To deliver this, SSE is involved in the generation, transmission, distribution and supply of electricity; in the production, storage, distribution and supply of gas; and in other energy related services. SSE directly employs over 21,000 people across the UK and Ireland and has around 8 million domestic and business energy customers.

About Equal Approach

Equal Approach has been operating globally as a specialist provider of inclusion and diversity (I&D) solutions for over 13 years, with a specific focus upon inclusive recruitment and diversity consultancy/training services, surrounding the attraction, recruitment, retention, recognition and promotion of diverse talent. Equal Approach is proud to do things differently, with the aim of making I&D a commercially successful reality. Equal Approach work with a wide variety of public, private and third sector organisations.

About this report

In early 2017, SSE worked with Equal Approach to calculate the financial value generated from its investment in gender diversity initiatives over the three years to 31 March 2017, as well as the expected value of continued investment in wider I&D initiatives up to 2020 – showing the potential additional value from a more strategic approach to investment. This report details these findings as well as the recommended actions to be taken by SSE as a result of this process. The calculation was carried out by Equal Approach using their specialised 'Return on Inclusion' (ROI) tool. Further information on the methodology can be found online at www.sse.com/beingresponsible/reporting-and-policy.

Differentiating between 'diversity' and 'inclusion'

Within this report, initiatives are referred to deliberately as either 'diversity' and/or 'inclusion' initiatives. Diversity refers to the individual characteristics of each person, focusing on their differences, whereas inclusion focuses on championing everyone's contributions – positively engaging and including them all equally to have a positive impact on business performance.

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Foreword from Dawn Milman-Hurst, CEO of Equal Approach

Inclusion is no longer just a 'nice to have', it's a business essential.

Over the past decade, I've seen organisations move from asking "Why should diversity matter to us?" to "How can we make sure our business is truly inclusive?"



Embedding inclusion has been proven to have profound impacts. It helps develop an engaged and happy workforce with reduced levels of attrition, sickness and grievance, and this in turn results in improved productivity and financial return. Forward thinking organisations have moved beyond simply measuring 'diversity' by box ticking against specific characteristics, to actually embedding real 'inclusion' where everyone can be their authentic self.

Those that are truly strategic in their approach understand the need for a future-proofed strategy. They are demanding a better understanding of how to effectively target their investment in inclusion and, like with any business cost, there needs to be evidence of business benefit.

Equal Approach has been working over the last two years in the US and UK with inclusion experts and academics to develop a tool that can quantify this 'Return on Inclusion' (ROI). The tool considers over 100 elements of a business's performance, inputting this raw data into specifically-developed formula, to evidence both a financial return for every £1 spent on inclusion and to benchmark organisations against 2,500 others. As well as the numbers, the tool generates an extensive report of core findings which is used for future investment recommendations.

Within traditional organisations, where there is a record of good business performance, it can be difficult to establish an impetus for change. However, having worked with SSE, it's clear to me that there is an understanding at the highest levels that future performance depends on the business becoming more forward thinking.

Our ROI work with SSE showed that, in comparison with other providers within the energy sector, SSE has achieved measurable traction on its objective of being more female-focused. By openly disclosing where they are in the journey now, a £4.52 ROI for every £1 invested in gender diversity initiatives, and knowing where they want to get to in the future, a £15 ROI for every £1 invested in wider inclusion initiatives, SSE is helping to pave the way for its more traditional peers. But it still has some distance to go.

SSE now has a significant opportunity to embed the principles of inclusion and diversity throughout its business and create a truly inclusive culture over the next three years. Achievement of this offers substantial commercial benefits for the organisation, and would confirm SSE as an industry leader in this area that others aspire to emulate. I look forward to seeing SSE implement its new Inclusion Strategy and the business benefits gained as a result.

Why inclusion matters for SSE

For SSE, the objective of an inclusive organisation and greater diversity of its workforce is a core component of its human capital strategy. SSE's long-term success depends upon the people it attracts, retains and develops.

The most significant human capital challenge SSE faces is a looming skills gap in the 2020s; something that will affect the whole of the energy sector. SSE's response to that challenge is to anticipate those gaps by attracting new entry level employees onto its 'pipeline' trainee programme, and whilst doing so, make an important change to the composition of the people who are attracted to work for SSE and widen the talent pool as far as possible. If this approach is successful, SSE will create a sustainable workforce for the future and provide a significant point of differentiation within its market place.

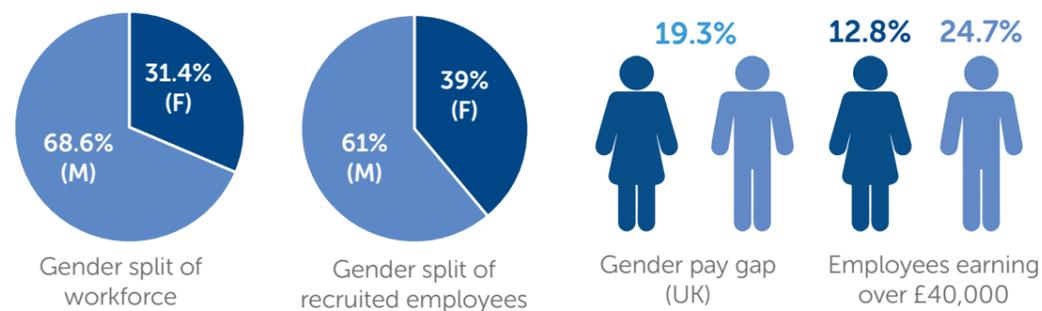
Tackling gender diversity first

At the outset, it is important to recognise that real inclusion and true diversity is about valuing difference in every sense. It is about people of different backgrounds, abilities, religion, sexual orientation, ethnicity and gender. But it is also about different ways of thinking, communicating and working. It is the multiplicity of differences – at all levels – that has been proved to make organisations more successful. SSE fully understands it must nurture all of these differences, but at the start of this strategy it was agreed to tackle the challenge of gender diversity first.

What is the scale of the challenge?

SSE is an energy utility company operating solely in the energy markets in Great Britain and Ireland. Electricity networks and power stations are full of engineers and technicians: vocations that have traditionally been dominated by men. That has made SSE a company with a higher proportion of men compared to women in its workforce. There are functions, of course, where women are in the majority – for example in customer service or in human resources.

SSE gender statistics in 2016/17



SSE has published the full details of its UK gender pay gap for two years in a row (see the SSE Sustainability Report 2017) and it is clear that women are under represented at the more senior levels of the company. This experience chimes with similar companies in the UK economy. SSE is determined to do all it can to close the gap, and become a more successful company in doing so.



SSE's Inclusion and Diversity Strategy 2014 - 2017

2016/17 represented the third year of a concerted strategy to make SSE a more inclusive workplace, and support a more diverse workforce. This strategy is centred on three core pillars, with actions and initiatives designed to support those pillars:



Encouraging women IN

The first level of the inclusion and diversity programme is to attract more women applicants into SSE. SSE understands that the barriers to a career in the energy industry are deep and cultural therefore SSE has a role to encourage non-traditional entrants into the industry as a whole.



Supporting women to stay ON

Retaining women within the organisation is particularly important given the relative success, so far, of efforts to attract more women entrants. That means ensuring SSE remains attractive to female employees, management styles are inclusive and working practices are flexible.



Helping women progress UP

Creating the conditions whereby more women are represented at the highest levels of the organisation is expected to take time. It means creating opportunities for more employees to have exposure to different opportunities and progression routes are clear and flexible.

There are many initiatives and projects to support these three strategic pillars and the objective of this report is, firstly, to confirm the value of inclusion to SSE, and secondly to use that enhanced understanding of value drivers to adapt the tactics supporting this overall strategy.

How is SSE addressing gender diversity?

In the context of the broad 'In, On and Up' gender diversity strategy, there are many initiatives and projects in place at SSE to bring about change. The aim of this report is to demonstrate the impact of those initiatives over the past three years and understand if the approach taken has been creating the maximum value possible.

The following case studies provide some examples of how SSE has been investing in gender diversity initiatives. Further information and reports can be found online at www.sse.com/beingresponsible/reporting-and-policy.

Data drives change

SSE has welcomed new UK Government regulations that mean large companies must calculate and publish their gender pay statistics. SSE used the draft regulations in 2015/16 to undertake the exercise early and became the first FTSE100 company to publish the result. It did that because it believes a detailed understanding of the challenge gives enormously important insights into solving it. The results of the data analysis in 2016/17 show that the average gap between women and men's pay within SSE is 19.3%. This chimes with the national average and represents a slight widening of the gap within SSE between 2016 and 2017. This was not unexpected, as it may be a consequence of the strategy to attract more entry level women into the organisation.

Genuine transformation for SSE, and across the UK labour market, will require meaningful social change as well as improvements at the organisational level. SSE is committed to being a leader for driving change in both.



Helping to challenge gender norms

To target the root issue 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 wellbeing, 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, including Opportunity Now, everywoman, POWERfulWomen, WISE (Women into Science and Engineering), WES (Women's Engineering Society) and Equate Scotland.

SSE has also 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.



Encouraging more female applicants

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 gender diversity within its Graduate and Apprentice recruitment drives. Examples of female employees who have found success at SSE have been used within adverts, web pages, case studies, videos, leaflets and at careers events across the UK. There was a notable growth in the number of female graduates attracted to SSE in 2016/17, rising to 40% from 17% in 2015/16. Across all of SSE's directorates, 39% of hires made in 2016/17 were female – an increase of almost 20% from 2013/14.



Promoting agile working

SSE has built a new office centre in Reading, which is now being used to pilot agile working at scale. Around 1,500 employees were relocated 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. SSE plans to use this pilot to understand how greater agile working could be rolled out across its business. Skype for Business is also being rolled out for all employees across the company which will enable more video conferencing and for employees to work from a location that suits them rather than travel to different locations.



Enhanced employee benefits for parental leave

In April 2017, SSE launched new enhanced employee benefits, with industry-leading policies for parental leave. Maternity and adoptive pay increased from the previous policy of six weeks at full-pay and 12 weeks at half-pay, to 21 weeks at full-pay. Paternity leave entitlements were also increased, from one week at full-pay to two weeks at full-pay. New mothers and adoptive parents are offered to return to work on 80% of contractual hours with full-pay for up to six months. An arrangement for 'emergency day passes' has also been put in place, where employees may take up to two days off at a moment's notice, reflecting the nature of family commitments.



Creating networks and developing leaders

In early 2016, SSE created a Senior Women's Development Network (SWDN) to increase the connectedness of women across the business and support them to develop their leadership capability. SSE hosted an innovative collaboration for the SWDN with Personal Boardroom in both Scotland and England. The project was designed to help SSE's senior women build a more effective network and focus on their personal development. SSE has also set a target of increasing the number of women earning over £40,000 per year to at least 25% by 2025. The number of female employees earning over this level increased from 11.9% in 2015/16 to 12.8% in 2016/17.



Introducing 'Return on Inclusion'

This Return on Inclusion (ROI) study is the latest in a series of people-focused quantification reports by SSE. It follows on from SSE's valuation of the human capital of its workforce in 2014¹, the calculation in 2016 of the financial return from investing in an employability programme for long-term unemployed young people², and the reporting of SSE's UK gender pay gap³.

This ROI tool supported SSE to review the impact of its investment in gender diversity initiatives, and will also help refine SSE's future investment decisions in inclusion practices. SSE will be able to use this analysis to target investments, invigorate programmes and evidence greater return on investment from a new Inclusion Strategy. This in turn should result in generating greater benefits for both the business and employees.

What is 'Return on Inclusion'?

The Equal Approach ROI tool provides evidence of the bottom line impact of embedding inclusion throughout an organisation and was developed across three continents, with over two years' worth of data collection and analysis, based on over 2,500 organisations. The output of the tool provides specific ratios and analytics with which to identify past, present and future monetisation of I&D initiatives, with the information recalibrated every six weeks to maintain its credibility. In addition, the ROI tool gives specific feedback as to where and how future activity should be focused to maximise the impact of inclusion strategies and initiatives, and in turn maximise the bottom line or social impact changes.

What did the analysis involve?

The findings contained within this report were identified through data capture, qualitative and quantitative research, focus group liaison, interview feedback and information available in the public domain. The ROI tool for SSE reviewed 81 data points across over 20 categories. The raw data is then inputted against specifically developed formula using dedicated software, which translates the information into a numerical result, and a primary report of outputs and findings is produced. The results of each statistical return are compared against global, national, regional and sector norms. Further information on the methodology can be found online at www.sse.com/beingresponsible/reporting-and-policy.

Conducting primary research

The majority of data used for this study was provided by SSE's Human Resources team, with additional primary research and market analysis. This included twelve interviews with some of SSE's most senior leaders (both genders, but majority female) carried out by Equal Approach and fully anonymised to minimise bias in answers, as well as an optional survey for SSE employees on the way feedback is delivered in the company, with 899 people taking part. A number of focus groups were also held by Equal Approach to understand the public perception of SSE.

¹ http://sse.com/media/306295/SSE-Human-Capital_Final_For-Web.pdf

² http://sse.com/media/385008/Changing-lives-growing-value_2016.pdf

³ <http://sse.com/media/475985/SSE-GPG-2017.pdf>



SSE's Return on Inclusion

SSE scored 67/100 in the ROI scoring process. This equates to a solid performance within Equal Approach's 'Aspiring' classification, showing that progress is being made but there are still significant areas for further development to maximise impact and return. SSE will need to score 75/100 or more to reach Equal Approach's 'Champion' classification.

SSE wanted to find out two things from the calculation of its ROI: what is the ROI from gender diversity initiatives invested in between 2014-2017, and what is the expected ROI from gender diversity initiatives over the next three years, from 2017-2020, assuming continued investment at current levels? The output of the ROI analysis however also informed SSE of the financial benefits to adopting an approach focused on promoting wider inclusivity throughout the company.

The results

The results of the analysis by Equal Approach showed that for every £1 invested by SSE, there is a £4.52 ROI for 2014-2017 gender diversity initiatives. While this result is significant in financial return terms, the results for future ROI (in the period 2017-2020) show there is the potential to greatly increase SSE's ROI as it becomes more focused on creating a truly inclusive workplace.

Continued investment without a change in the allocation of resources is expected to achieve a £7.56 ROI by 2020, demonstrating the long-term nature of some of SSE's current diversity activities. With some small adjustments to SSE's I&D Strategy to focus on some wider inclusion initiatives, the ROI model showed it would be possible to achieve a ROI of £11.33. Most impressive however is the ROI that SSE should be able to achieve with the refocus of its current strategy towards targeted inclusion initiatives that Equal Approach has found to have measurable impact and value for other organisations. This final approach would increase SSE's expected ROI to £15 per £1 invested, around double the ROI from continuing with business as usual.



Current direction

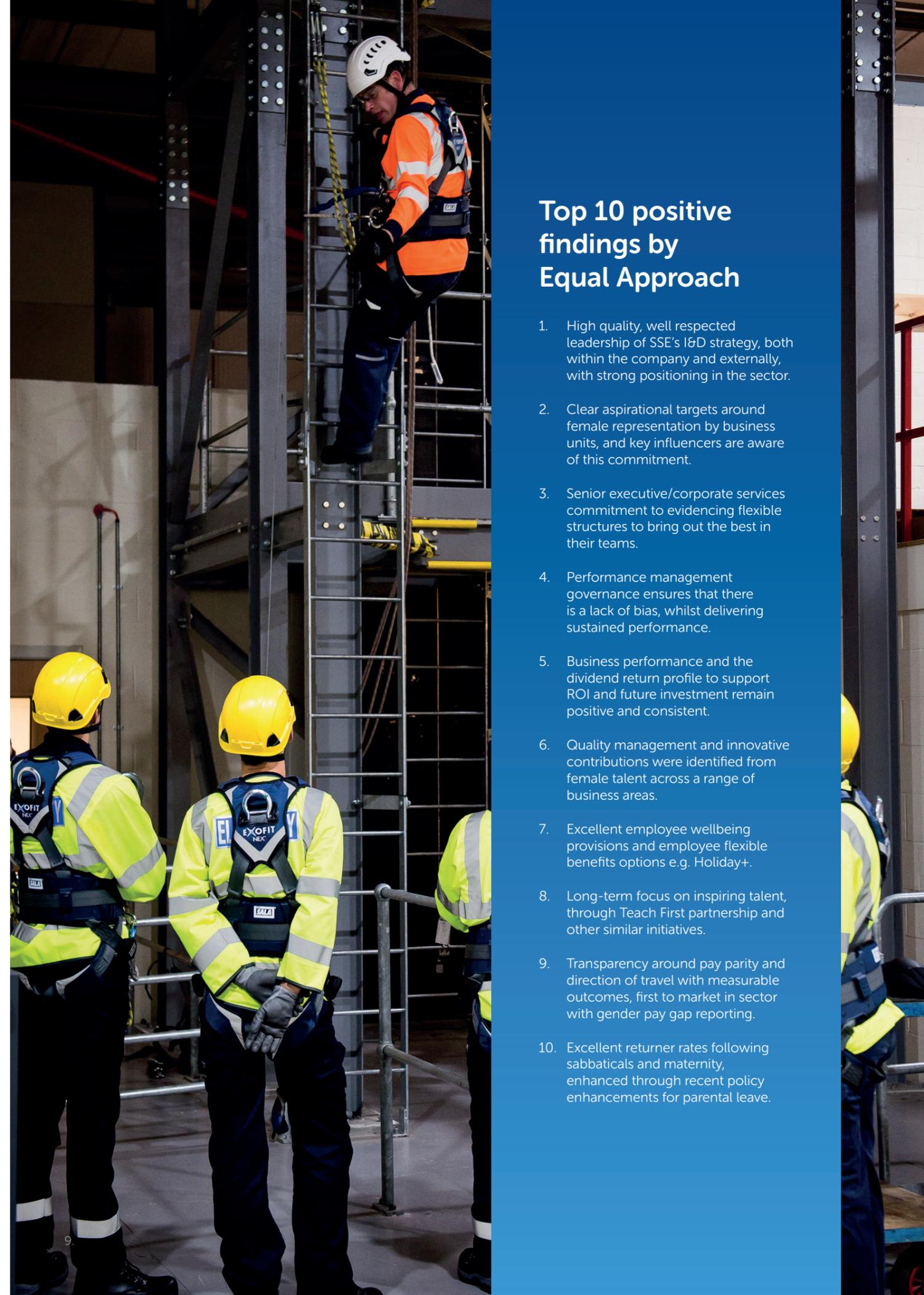
Continued investment by SSE in gender diversity initiatives, with the same allocation of resources assumed as in 2017.

Tweak current strategy

Continued investment by SSE in diversity initiatives but small adjustments to the existing I&D Strategy to focus on wider inclusion initiatives too that drive measurable impacts.

Entirely focused updated strategy

Refocused investment in inclusion initiatives, with resources fully focused and targeted based on an updated strategy which aims to maximise impact.



Top 10 positive findings by Equal Approach

1. High quality, well respected leadership of SSE's I&D strategy, both within the company and externally, with strong positioning in the sector.
2. Clear aspirational targets around female representation by business units, and key influencers are aware of this commitment.
3. Senior executive/corporate services commitment to evidencing flexible structures to bring out the best in their teams.
4. Performance management governance ensures that there is a lack of bias, whilst delivering sustained performance.
5. Business performance and the dividend return profile to support ROI and future investment remain positive and consistent.
6. Quality management and innovative contributions were identified from female talent across a range of business areas.
7. Excellent employee wellbeing provisions and employee flexible benefits options e.g. Holiday+.
8. Long-term focus on inspiring talent, through Teach First partnership and other similar initiatives.
9. Transparency around pay parity and direction of travel with measurable outcomes, first to market in sector with gender pay gap reporting.
10. Excellent returner rates following sabbaticals and maternity, enhanced through recent policy enhancements for parental leave.

Moving from 'diversity' to 'inclusion'

SSE carried out the ROI exercise with Equal Approach as it came to the end of the first three years of its Inclusion and Diversity strategy. As well as an understanding of the potential financial returns from better targeted investment, the ROI exercise was designed to provide the basis for a refocus of In, On and Up for the period from 2017 to 2020.

Equal Approach hosted a roundtable event for SSE in May 2017 with key influencers, contributors and decision makers in SSE aligned to the previous strategy. The output from this event was to create an impactful, measurable and value-for-money strategy in line with the business and sector demands over the next three years.

The creation of SSE's new 'Inclusion Strategy' will mark the commencement of a truly inclusive focus across the company, rather than a strategy focused on the specific characteristic of gender. It is based on successes delivered to date and the recommendations from the calculation of SSE's potential ROI by 2020.

SSE's Inclusion Strategy 2017 - 2020

SSE's Inclusion and Diversity Strategy 2014 - 2017 was focused on three elements: encouraging women IN to the business, supporting women to stay ON at SSE, and helping women to progress UP in the organisation.

SSE has worked with Equal Approach to construct a new overall Inclusion Strategy for 2017 - 2020. This strategy builds on SSE's previous I&D Strategy, but it will no longer be focused on specific characteristics such as gender. Instead, embedding an Inclusion Strategy will allow monitoring of employee demographics using broader criteria than gender alone, and will help create a truly inclusive culture. The SSE Inclusion Strategy focuses on five key areas:

1. Candidate Attraction and Recruitment
2. Retention of Talent and Managing Leavers to Maintain Positive Brand Exposure
3. Embedding Inclusive Values Throughout the Organisation
4. Mentoring, Networks and Partnerships
5. Progression, Promotions and Creating Opportunities



Behind each key area, SSE and Equal Approach are currently developing 10-20 specific actions being delivered by SSE's internal inclusion team, senior management and local working groups, supported by Equal Approach or other external organisations. The expected result of this strategy will be a broader range of difference across our workforce with a focused shift towards a £15 per £1 ROI within three years. SSE will continue to provide information on how this strategy is being implemented in practice, and the results.



Committed to long-term change

SSE has been around for a long time. We operate energy assets that were built up to 70 years ago, and we're continuing to build modern energy infrastructure that may last just as long. To make sure our company succeeds in the future, the composition and culture of our workforce needs to move with the times too.

A lot of us now take it for granted that, as well as the ethical argument, there's a clear business benefit from greater inclusion. Employees are more productive and innovative, and better decisions are made with a variety of perspectives and experiences being expressed. Ultimately, a diverse and inclusive business better reflects its customers, and that should lead to better service and performance.

Whilst we've come a long way in understanding inclusion and diversity in three years, we know this process will take time and there's still a long way to go. But from the Board and Executive right throughout the business, we are energised and committed to nurture the principles of inclusion at every level.

We have learnt much from working with Equal Approach and are grateful for their guidance and wise words. The most important lesson has been that SSE needs to think more strategically about how to maximise the value of inclusion. The next three years will play a pivotal role in determining the future success of our company and how we develop the skills and talent of our workforce – SSE's human capital. It's crucial we make the right decisions now to meet the challenges of the future.

Crucially, the work of Equal Approach points out explicitly that SSE has returned £4.52 for every £1 invested in inclusion and diversity initiatives. But we also learnt that by implementing a more strategic approach, focusing on fewer, but more important factors, we can aspire to returning £15 for every £1 invested. This is very compelling evidence for a value-focused organisation and it is crystal clear what we need to do.

While measuring the return on inclusion is important to understand the value of what we are doing, we should never lose sight of the fact that SSE's objective is to create an inclusive environment where we can widen the talent pools available to the business, ensuring that it grows from strength to strength. To make this a reality, our focus must now be on implementing our new Inclusion Strategy to create a truly inclusive culture in our organisation – one that celebrates all kinds of diversity and encourages difference.



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