

SSE'S UK GENDER PAY GAP

2018 is the third year where SSE has published its UK gender pay gap within its Sustainability Report in line with UK Government requirements¹. In 2016, SSE was the first FTSE company to publish its gender pay gap, using the UK Government draft regulations. It then published its gender pay gap in line with the final requirements from the UK Government in June 2017, well ahead of the 5 April 2018 deadline. SSE is firmly committed to providing open and detailed disclosure around its gender pay gap. Each year of SSE's gender pay gap reporting can be found online at sse.com/beingresponsible and full reporting by legal entity for 2018 is on the next pages.

With women comprising just 31% of its workforce, SSE knows it must take sustained and innovative actions to encourage women in to its business, support women to stay on in the company and help women progress up in the organisation. SSE calls doing this its 'IN, ON, UP' strategy, and reports on progress made in each of these three areas. SSE is working closely with inclusion specialists Equal Approach to implement a new Inclusion Strategy which aims to make SSE a more inclusive workplace in every sense. SSE believes that greater diversity in the organisation will be a consequence of becoming more inclusive overall; and that this will reinforce its ability to create value for shareholders and society.

REPORTING SSE'S GENDER PAY GAP

WAGE PAYMENTS

SSE's mean UK gender pay gap decreased slightly for the second year in a row, to 21.5% at 5 April 2018. The median gap however increased by a small amount again for a second year, to 19.6% at 5 April 2018.

SSE believes that the median gender pay gap provides the most accurate reflection of gender pay differences in the company. Whilst the rise in the median gap is disappointing, short-term increases in SSE's gender pay gap are not unexpected; it results from a number of factors such as greater levels of women in entry-level positions which are yet to materialise into women progressing to middle and senior management positions. SSE is confident that the significant investment and scale of activities being taken to advance its approach to inclusion and diversity is building the foundations for real long-term change in the organisation.

ENSURING EQUAL PAY

The gender pay gap differs from Equal Pay, which is legally required under the Equal Pay Act 2010 and refers to women and men being paid the same for doing the same job. The gender pay gap reflects the types of roles that men and women are carrying out. SSE has robust processes in place to review pay levels and job gradings, and carries out an annual review of performance ratings by gender. This ensures SSE has a fair and consistent approach to pay and performance for people of all genders and backgrounds.

	5 April 2016	5 April 2017	5 April 2018
Median gender pay gap (%)	18.7	19.3	19.6
Mean gender pay gap (%)	22.4	22.0	21.5

UNDERSTANDING AND TAKING ACTION ON SSE'S GENDER PAY GAP

ENCOURAGING WOMEN IN TO SSE

SSE is an energy company, which means it suffers from the legacy of being in a historically male-dominated industry. A low proportion of women within the sector and in STEM education remains a significant challenge, with women comprising just 11% of engineering professionals and 24% of people studying core STEM subjects. Overcoming these challenges will require focus from government and businesses, as well as changing public perceptions around gender roles in the workplace and at home.

RECRUITING DIVERSE PIPELINES

Over 2017/18, SSE has built closer relationships with feeder colleges and universities, offering bespoke female events to encourage more women into its entry-level STEM roles. In 2016/17, five out of SSE's 26 graduate engineers were female. This increased to six out of a total of 19 in 2017/18. SSE has used its partnership with education charity Teach First to work with 10 schools in areas where SSE has struggled to hire apprentices – providing those young people with skills and insight into the STEM industry, whilst gaining a new pool of talent for the business to recruit from.

REVIEWING JOB ROLES

In 2017/18, SSE's Networks business requested a full inclusion review by Equal Approach for up to 10 new operational back office and front facing operational roles. This will take place in 2018/19, and should offer findings that help SSE understand the processes and technology changes which could help make these predominantly male roles more attractive for women as well as for people with disabilities.

SUPPORTING WOMEN TO STAY ON AT SSE

Around 31% of SSE's total workforce are women, but in 2017/18, 33% of the 2,853 people that left SSE were female. It is therefore crucial that SSE understands why women are leaving its business, and introduces measures which supports them to stay on in the company.

UNDERSTANDING LEAVING

SSE commissioned inclusion specialists Equal Approach to conduct independent interviews with leavers to capture leave reasons, and feedback on culture and inclusivity. 203 exit interviews were carried out in 2017/18, with around 100 more planned in 2018/19. These findings will help inform where action needs taken.

SECTOR-LEADING PARENTAL BENEFITS

On 1 April 2017, SSE introduced sector-leading parental benefits. Maternity and adoption pay increased from six weeks full-pay and 12 weeks half-pay, to 21 weeks full-pay. Paternity pay was increased from one to two weeks full-pay and provision was made to allow time off for parents who did not meet the length of service criteria for paternity leave.

SSE also introduced a gradual return to work scheme to support maternity and adoption leave returners, with these new parents offered to work 80% of their contracted hours but receive full pay and benefits for up to six months after returning. In 2018, SSE carried out a survey with employees who had used the new gradual return to work benefit. 93% said the benefit significantly improved their return to work experience and 89% said they were more likely to recommend SSE as a great place to work.

PROMOTING AGILE WORKING

In SSE's 2017 Great Place to Work survey, SSE employees able to "work differently" were on average 11% more engaged than those who did not have this option. Following the success of SSE's agile working pilot for 1,200 employees, the company has begun rolling out a Group-wide approach assisted by a significant investment in improved technology applications. The "Happy to talk flexible working" logo is also now included in all vacancy adverts where this is an option.

HELPING WOMEN PROGRESS UP AT SSE

From SSE's gender pay gap reporting, it's clear that substantial work must be done to increase the proportion of women at the highest levels of the company – as at 5 April 2018, just 17% of employees in the upper quartile of SSE (UK) were women.

DEVELOPING LEADERS

SSE continued to work with around 100 of its most senior women over 2017/18, offering development sessions in the areas of 'Presence and Impact' and 'Negotiating and Influencing'. A new six-month accredited mentoring programme is also being offered for Managing Directors and their direct reports to encourage more active mentoring relationships.

BENCHMARKING TALENT

SSE continues to benchmark talent by gender within the organisation to enable tracking of progress. The proportion of female 'High Potential Leaders' and 'Tomorrow's Talent' both increased between 2016/17 and 2017/18, from 16% to 18% and from 41% to 45% respectively, demonstrating success in building more diverse pipelines of talent at SSE.

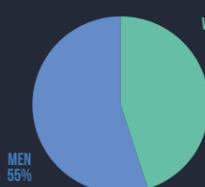
INFLUENCING WIDER SOCIETY

To deliver a sustainable shift in gender roles, societal perceptions around women in the workplace, and particularly in certain types of jobs, needs to change. SSE is continuing to play its part in changing these perceptions.

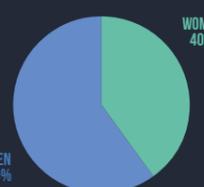
PARTNERSHIPS AND BENCHMARKS

SSE has partnerships with a number of leading organisations which share a goal of achieving greater gender diversity in the STEM industry. It also has continued its major sponsorship of the SSE Women's FA Cup to encourage more girls and women into sport, winning 'Best Sponsorship of Women's Activities' at the UK Sponsorship Awards. In 2017/18, SSE was one of just six companies in the UK to be included in the inaugural Bloomberg Gender-Equality Index, and was also ranked the top utility in the FTSE Women on Boards Leadership Index Series.

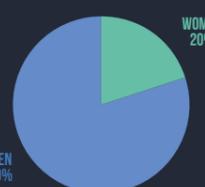
LOWER QUARTILE



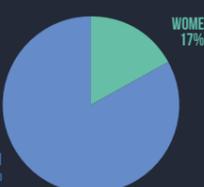
LOWER MIDDLE QUARTILE



UPPER MIDDLE QUARTILE



UPPER QUARTILE



BONUS PAYMENTS

On 5 April 2018, 35.4% of men and 14.7% of women in SSE (UK) received a bonus. The mean difference between male and female bonus payments reduced from 32.5% on 5 April 2017 to 28.3% on 5 April 2018. The median bonus difference reduced from 9.1% to 0.1% between 5 April 2017 and 5 April 2018.

These results imply significant progress has been made over the last year in closing the bonus gender pay gap. However, during 2017/18, 626 relevant

employees within SSE Contracting Ltd received a one-off bonus payment of £150 as part of pay negotiations. Due to the very high proportion of men within this business (just under 90%), 621 of these employees were men. The consequence is that, using the UK Government methodology, there was a mean bonus gender pay gap of -62.2% and a median bonus gender pay gap of -784% for SSE Contracting Ltd.

Excluding the 626 SSE Contracting Ltd employees who received the £150

bonus changes the mean bonus pay gap for SSE (UK) to 36.9% and the median bonus pay gap to 12.2%. It is therefore difficult to say conclusively whether SSE has made progress closing its bonus gender pay gaps in 2017/18. Data anomalies, such as that with SSE Contracting Ltd, highlight some of the issues which exist with current gender pay gap reporting. It also emphasises the importance of providing narrative alongside the numbers.

¹ Legislation on gender pay gap reporting is progressing in the Republic of Ireland. SSE has been involved an initial consultation on reporting requirements and is engaged with a variety of stakeholders on the issue.

² The figures for the Executive Committee include the relevant members of the Committee in each financial year, as well as the Company Secretary and MD, Corporate Affairs, who attend all Committee meetings. Administration employees have not been included when calculating the direct reports to these individuals.

NEW AMBITIONS FOR WOMEN IN SENIOR LEADERSHIP

SSE believes visibility of its ambitions is important in providing the right impetus for action. In light of this, SSE has set initial gender balance targets for SSE's post-demerger business. These ambitions are designed to be realistic for SSE given its starting point and sectorial challenges, whilst also being sufficiently ambitious to drive meaningful change. More information can be found in SSE's response to the Hampton-Alexander Review on sse.com/beingresponsible, and SSE will continue to report on progress made.



SSE'S UK GENDER PAY GAP AS AT 5 APRIL 2018

SSE BUSINESS ENTITY WITH 250 OR MORE EMPLOYEES ¹	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 Electricity Ltd	5,242	42.1/57.9	15.7	3.9	41.1/58.9	40.9/59.1	34.6/65.4	54.5/45.5	58.2	52.1	13.5/9.2
SSE Services plc	1,602	56.5/43.5	29.1	30.1	35.4/64.6	49.1/50.9	65.2/34.8	77.6/22.4	70.4	24.1	31.8/27.0
SSE Contracting Ltd	2,136	88.9/11.1	22.3	20.1	77.8/22.2	86.6/13.4	96.0/4.0	95.4/4.6	-62.2*	-784.0*	65.5/11.8
SSE Metering Ltd	2,927	84.7/15.3	2.7	11.5	83.5/16.5	75.8/24.2	94.8/5.2	86.5/13.5	15.6	7.4	25.8/9.2
SE Power Distribution plc	2,362	81.4/18.6	15.6	18.3	71.9/28.1	77.8/22.2	85.8/14.2	91.0/9.0	8.2	19.9	10.0/6.2
SSE Generation Ltd	690	86.8/13.2	23.3	24.9	80.8/19.2	79.1/20.9	91.9/8.1	96.5/3.5	54.6	20.3	79.8/80.2
SHE Power Distribution plc	1,375	83.3/16.7	16.6	17.9	75.4/24.6	79.2/20.8	88.2/11.8	89.7/10.3	53.9	25.5	17.9/10.4
SSE Energy Supply Ltd	719	44.9/55.1	10.0	0.0	47.5/52.5	42.9/57.1	37.1/62.9	52.8/47.2	60.9	41.9	18.9/8.8
SSE Home Services Ltd	511	79.5/20.5	23.9	25.0	42.1/57.9	89.0/11.0	97.6/2.4	92.8/7.2	-5.3	-27.3	77.3/1.9
SHE Transmission plc	454	82.4/17.6	26.8	31.7	63.2/36.8	79.6/20.4	92.0/8.0	94.7/5.3	29.7	22.3	47.6/40.0
SSE Renewables Holdings (UK) Ltd	287	65.9/34.1	29.6	33.1	50.0/50.0	70.8/29.2	59.2/40.8	83.3/16.7	43.6	17.9	76.2/58.2
SSE Telecommunications Ltd	338	78.4/21.6	29.2	34.2	53.6/46.4	77.4/22.6	90.5/9.5	94.0/6.0	51.1	26.7	24.5/13.7
TESGL Ltd	275	80.4/19.6	36.3	42.5	42.0/58.0	92.6/7.4	91.2/8.8	95.7/4.3	66.9	68.4	69.2/40.7
Total SSE plc (UK)	19,942	69.0/31.0	21.5	19.6	55.4/44.6	59.9/40.1	80.1/19.9	83.0/17.0	28.3	0.1	35.4/14.7

¹ SSE's business entities as at 5 April 2018 reflect changes made in the company structure on 1 April 2018. These changes were made as part of the proposed SSE Energy Services transaction.

* See previous pages for more details.

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