

SSE'S UK GENDER PAY GAP

Back in 2016, SSE was the first FTSE100 company to publish its UK gender pay gap. 2019 is therefore the fourth year of SSE openly reporting these figures within its Sustainability Report.

SSE is committed to providing detailed disclosure around gender pay each year – even if findings are uncomfortable. This is because SSE strongly believes its focus on inclusion and diversity over the past three years is resulting in a real shift in culture which is key to closing its gender pay gap. SSE's four years of gender pay data however reflects what is widely known: the gender pay gap exists, it's complex and there is no quick fix. Over 2019/20, SSE will undertake data modelling with external experts to better understand the likely time horizon for an improvement in the overall pay gap number. To demonstrate SSE's commitment to progress, from 2019/20 inclusion and diversity measures will be explicitly included within its executive remuneration calculations (see page 139 of SSE's Annual Report 2019).

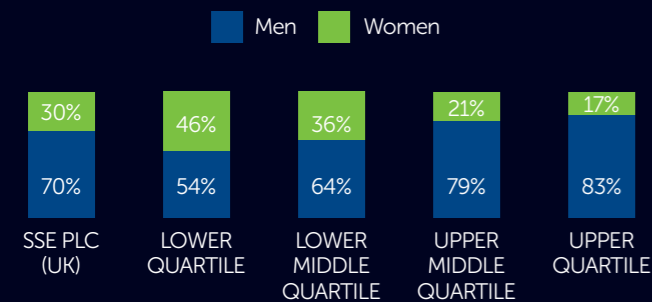
Gender pay gap

The trend over the last three years of SSE's median and mean gender pay gap growing closer together through the increase of the median gap and the slight decrease of the mean pay gap continued again for the fourth year. As at 5 April 2019, SSE's median gender pay gap for its UK business was 21% and its mean gap was 21.4%.

This trend is not reflective of a lack of action to bring greater gender equality to SSE. On the contrary, SSE knows that some positive actions it takes means the gap will worsen in the short-term – but focus on establishing genuine long-term change and parity at every level is the most important action that organisations can take.

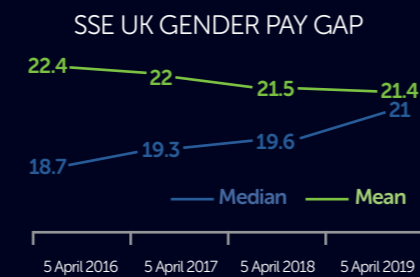
Gender split by quartile

Having no gender pay gap does not necessarily reflect true gender parity within an organisation. Rather, focus should be on gender balance within and across every pay quartile. This equal distribution of male and female employees in turn is a key driver for the rate at which gender pay gaps will close.



The full breakdown of gender pay information for all SSE's eligible legal entities (14 separate companies) as well as for the overall SSE plc (UK) can be found on the next pages.

staggering median bonus pay gap of -78.4% within that company. Excluding SSE Contracting Ltd employees from the 2018 calculations resulted in mean and median bonus pay gaps for SSE plc (UK) of 36.9% and 12.2% respectively. It is therefore difficult to assess whether SSE made progress in closing its bonus pay gaps between 2018 and 2019.



The SSE median hourly rate for 2019 was £15.54, compared to £14.77 last year. The percentage of male employees in the upper-middle and upper quartiles (ie above the median pay rate) in SSE in 2019 was 79% and 83% respectively, both unchanged from 2018.

Initiatives to increase the proportion of female employees in these quartiles are therefore key. As well as recruiting and retaining more women at these levels, increasing gender balance in the lower and lower-middle quartiles (46% and 36% respectively) and ensuring these women stay on and progress to higher levels in the organisation is critical too.

This is particularly true for entry-level technical roles like apprenticeships which have a very low proportion of women. As these roles are paid below the median hourly rate, this will have a detrimental impact on SSE's gender pay gap number in the short-term. However, over time as they progress onwards and upwards in the company, this should translate to more women in the higher quartiles and result in a smaller gender pay gap.

IN, ON and UP: A strategy for equality

SSE has a well-established strategy to encourage greater equality of pay, opportunity and leadership. It calls this 'IN, ON and UP': bring more women IN, encourage women to stay ON, and support women to move UP to the highest levels.

Sharing learning and influencing the wider environment is also key to SSE's approach. SSE is actively involved in sector-specific forums such as Energy & Utility Skills, PowerfulWomen, the Energy Leaders Coalition, National Skills Academy for Power and EU Skills, as well as cross-sector forums such as the UNGC's Diversity and Inclusion Working Group and the Scotland Leadership and Diversity Network. SSE is also one of only 230 companies globally on the Bloomberg Gender-Equality Index 2019.

IN: Inclusive hiring practices

All job adverts are reviewed for gendered language and 'inclusive prompts' are being built into SSE's role profile template as standard. Inclusive hiring manager training and inclusion and diversity awareness training are also both mandatory.

IN: Women on pipeline programmes

Significantly more women on SSE's pipeline programmes is key to its long-term strategy to close its gender pay gap. In 2018/19, just 2.6% of SSE's approximate 800 technical apprentices and Technical Skills Trainees were women, however this compared to only 1.9% in 2017/18. To specifically target more female applications for these programmes in 2018/19 SSE: held an Inclusive Recruitment Workshop for employees involved in apprenticeship recruitment; worked with schools to educate pupils, teachers and parents on the benefits of a career in STEM for women; created a Parent Hub on its career website; used more female images and case studies on internal and external recruitment sites; and sponsored National Inclusion Week on graduate recruitment platform Gradcracker. All graduates within SSEN's Transmission directorate appointed in 2018 were women.

IN: Tracking the gender split of hires

The gender split of all hires, from the application stage to the hiring stage are tracked and reviewed quarterly. Over 2018/19, 36% of all external hires were women, an increase from 30% the year before.

ON: Enhanced parental benefits

In 2017, SSE's paid maternity leave increased from six weeks full-pay and 12 weeks half-pay, to 21 weeks full-pay, and a gradual return to work scheme offers 100% pay for 80% hours for six months. Analysis at the end of 2018 found that number of women who didn't return from maternity leave or left within 12

months of coming back had fallen to zero in every area of the business other than Retail. Within Retail, this fell from 18% to 3%. SSE estimates the new benefits have led to around 50 women staying in the company.

ON: Agile working

Assisted by a significant investment in improved technology, SSE is encouraging employees to take advantage of job sharing, compressed and flexible hours, and regular home working. Between 2017/18 and 2018/19, the proportion of employees who thought they could work differently increased from 37% to 44%. Around 80% of new roles advertised since December 2018 explicitly stated flexible working options were available.

ON: Wider benefits

SSE has a range of employee benefits including buying extra holiday days and a childcare salary sacrifice scheme. 2018/19 analysis showed that 40% of extra holiday days were used for caring responsibilities and spending time with family. In line with women typically undertaking significantly more caring and family responsibilities than men, the uptake of these benefits in SSE is proportionally higher for female employees. This means they have an impact on the gender pay gap – excluding them reduces SSE's 2019 UK median gender pay gap from 21% to 19.7%. However, SSE believes these options benefit employees and will continue to offer them and hopes that gender norms will shift both in work and the home.

UP: Internal opportunities

A key element of SSE's responsible employer ethos is progressing employees from within, and empowering them to move up in the organisation. With a greater emphasis on the merits of diversity within SSE, there was a significant increase in female internally recruited employees, from 32% in 2017/18 to 41% in 2018/19.

UP: Ambitions for senior leadership

Last year, in response to the Hampton-Alexander review, SSE committed to three new gender balance for senior leadership in SSE post-merger of SSE Energy Services, with the aim of achieving them by March 2021. In 2018/19, SSE also set a further ambition around female membership on the Board. Significant restructuring of SSE's senior leadership teams came into force on 1 April 2019. Progress against these targets is therefore shown at this date.

	30% Women within SSE's Group Executive Committee and its direct reports, excluding administrative employees.	25% Women in the Group Executive Committee, its sub-committees and Business Unit Executive Committees.*	20% Women in roles at £70,000 (indexed from 31 December 2017) or above.
31 March 2018	20%	16%	14%
1 April 2019	25%	21%	16%

*Note this ambition has been changed to reflect the reduction in SSE's sub-committees and the creation of Business Unit Executive Committees. This restructuring will continue over early 2019/20.

2018/19 in numbers

50 estimated number of women who stayed with SSE because of gradual return to work scheme

79% advertised roles offering flexible working

44% employees that can 'work differently' (2017/18: 37%)

2.6% women on a technical apprenticeship or Technical Skills Trainee (2017/18: 1.9%)

35% proportion of women on SSE's Career Development Programme (December 2018, 28% in June 2018)

12,773 employees that completed Inclusion and Diversity learning course (2017/18: 202)

36% female proportion of external recruitment (2017/18: 30%)

41% female proportion of internal recruitment (2017/18: 32%)

UP: Developing talent

SSE has a number of programmes designed to develop future leaders within its workforce. The proportion of women on SSE's Career Development Programme increased from 27.5% in Wave 1 in June 2018 to 35.1% in Wave 2 in December 2018, and around 38% of all training interventions in 2018/19 were completed by women. In 2018/19, 15 women (out of a total of 53) participated in SSE's accredited mentor training programme for leaders.

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AS AT 5 APRIL 2019

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 Electricity Ltd	4,930	41.6/58.4	14.9	2.7	41.4/58.6	42.1/57.9	35.7/64.3	54.0/46.1	59.4	75.1	15.2/11.1
SSE Metering Ltd	2,737	84.7/15.3	3.6	11.8	77.8/22.2	85.6/14.4	94.2/5.8	86.3/13.8	1.8	-6.7	24.5/11.0
SSE Contracting Ltd	2,116	87.9/12.1	20.3	21.6	75.0/25.1	87.2/12.8	95.1/4.9	94.6/5.4	-5.9	-14.0	33.0/8.2
Southern Electric Power Distribution plc	1,942	78.8/21.2	20.7	22.1	57.4/42.6	82.4/17.6	86.6/13.4	92.1/7.9	24.5	5.1	10.8/4.6
SSE Services plc	1,926	56.2/43.8	22.7	23.5	47.5/52.5	49.16/50.8	55.1/44.9	76.1/23.9	51.2	26.5	28.0/24.0
SSE Generation Ltd	1,092	86.4/13.6	22.4	29.6	73.4/26.6	85.2/14.8	94.1/5.9	94.8/5.2	35.2	24.1	83.2/74.3
Scottish Hydro Electric Power Distribution plc	1,056	77.6/22.4	18.2	20.7	61.9/38.1	78.1/21.9	85.0/15.0	88.1/11.9	45.0	24.7	20.5/12.7
SSE Energy Supply Ltd	741	53.4/46.6	32.1	8.9	54.6/45.4	45.4/54.6	46.4/53.6	72.2/27.8	86.2	28.9	36.6/15.9
Scottish and Southern Energy Power Distribution Ltd	652	96.3/3.7	15.8	27.4	91.3/8.7	98.1/1.9	97.5/2.5	98.1/1.9	60.6	41.7	6.4/12.5
SSE Home Services Ltd	471	80.5/19.5	19.1	22.4	42.2/57.8	94.9/5.1	99.1/0.9	88.7/11.3	-26.1	-49.5	81.0/2.2
SSE Telecommunications Ltd	412	76.0/24.0	23.6	31.7	54.5/45.5	80.2/19.8	85.0/15.0	90.1/9.9	65.1	26.5	40.6/29.3
Scottish Hydro Electric Transmission plc	350	80.9/19.1	26.6	32.4	59.3/40.7	85.9/14.1	92.9/7.1	92.9/7.1	48.8	26	39.9/37.3
SSE Renewables Holdings (UK) Ltd	283	65.0/35.0	31.5	37.6	56.3/43.7	60.0/40.0	61.4/38.6	93.7/6.4	46.8	53.4	72.3/53.5
TESGL Ltd	257	79.4/20.6	36.7	42.1	39.1/60.9	92.1/7.9	95.2/4.8	93.7/6.4	39.1	53.4	43.1/24.5
Total SSE plc (UK)	19,480	68.8/31.2	21.4	21.0	53.7/46.3	64.3/35.7	78.9/21.1	82.8/17.2	33.8	9.3	30.6/15.7