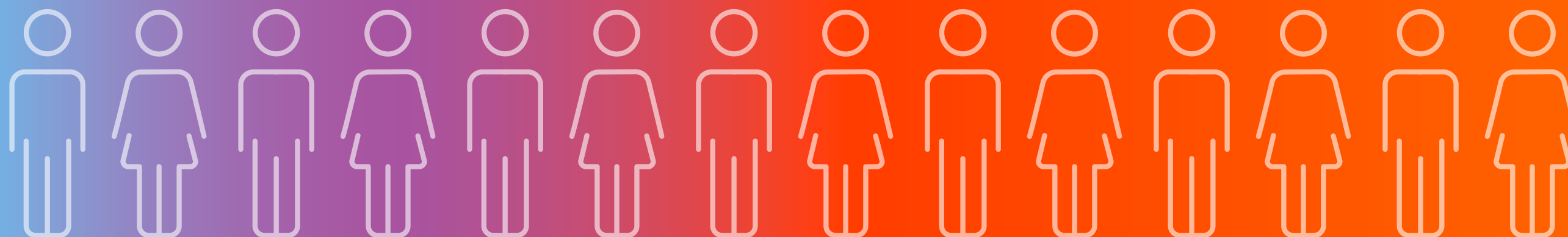




SGN

Your gas. Our network.

Gender pay gap report 2018





Introduction

At SGN we're committed to building a more diverse workforce and creating an inclusive culture. We firmly believe diversity without inclusion adds no real value to a business and we're working hard to create an atmosphere where everyone feels valued, respected and encouraged to do their best work.

We're fully supportive of gender pay gap reporting, believing it acts as a catalyst to ensure businesses embrace diversity and inclusion (D&I) activity as essential, rather than nice to have.

We're encouraged our continued focus on both diversity and inclusion has resulted in positive change. This year our mean gender pay gap stands at 8.8%, down by 1%, and well below the national average. With women comprising 16% of our workforce, we're committed to addressing the imbalance, with initiatives to attract, develop and retain female employees.

The analysis has been conducted in-line with UK Government gender pay gap regulations, which require us to report on the individual companies within our Group employing more than 250 employees. We have also published SGN Group figures which include all our employees, to provide a more meaningful and helpful representation.

You can find more details within this report, which is published on our website, as well as some of the actions we're taking to further close our pay gap.

Kate Naylor

HR & Services Director

March 2019

“ We believe gender pay gap reporting acts as a catalyst to ensure businesses embrace diversity and inclusion ”

Kate Naylor

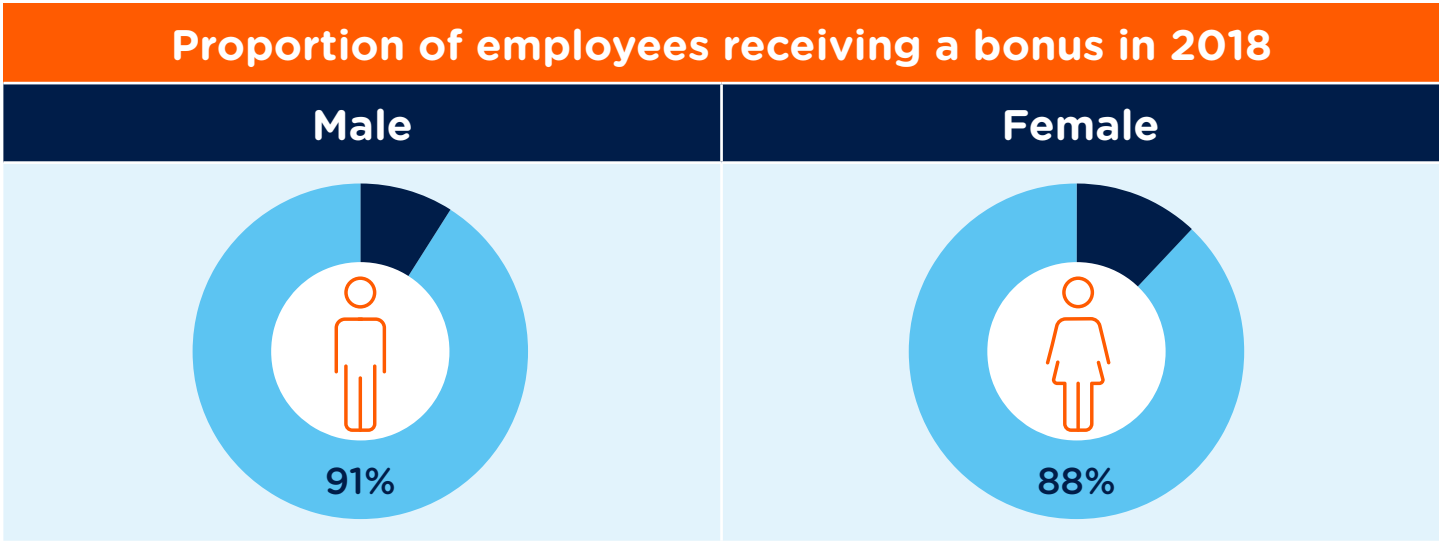
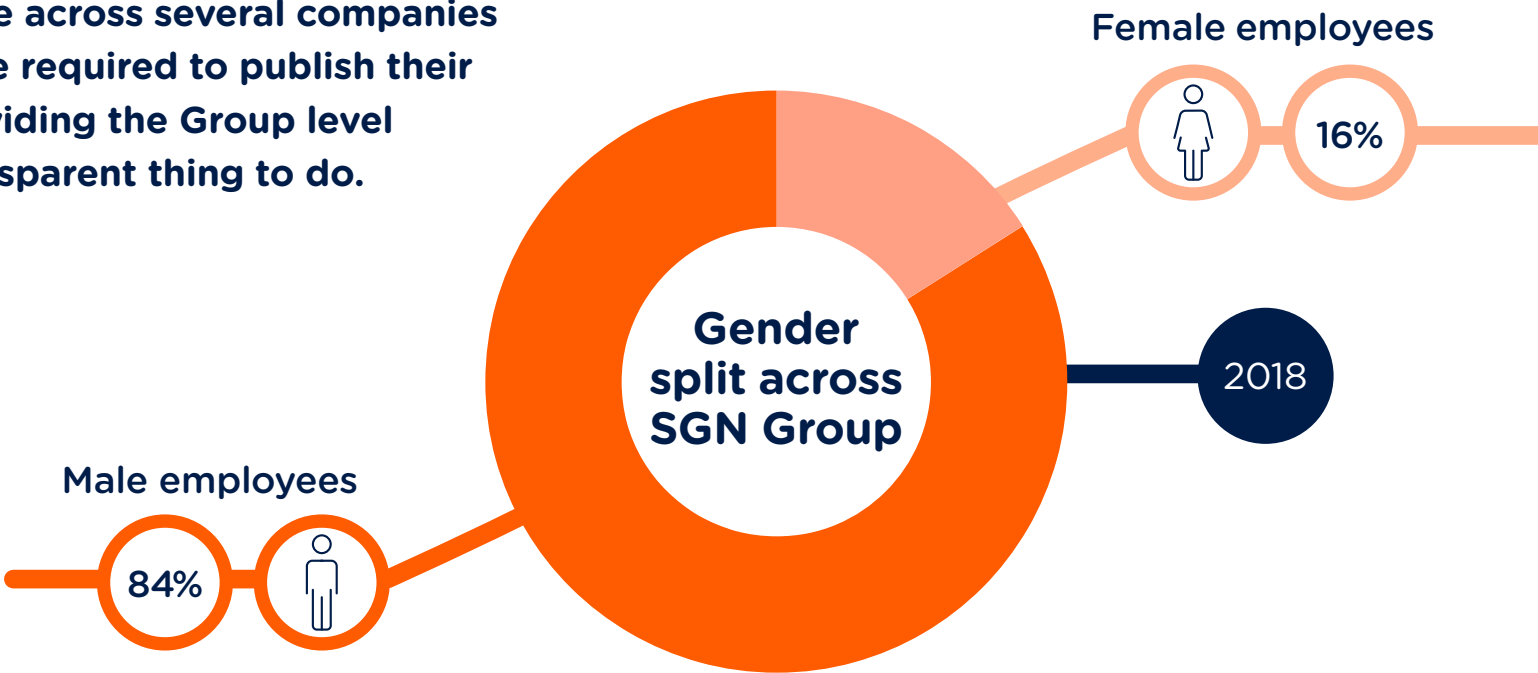




Our 2018 results at a glance

The gender pay regulations only require us to report on the individual companies within our Group which have over 250 employees. On 5 April 2018, we employed more than 3,800 people across several companies across the UK. Of these, three companies had 250 or more employees and we are required to publish their gender pay gap data under UK law. However, as we did for 2017, we are also providing the Group level figures which include all our employees, as we believe this is the helpful and transparent thing to do.

SGN Group mean and median pay and bonus gap				
Year	Mean		Median	
	2017	2018	2017	2018
Gender pay gap	9.8%	8.8%	12.1%	13.6%
Gender bonus gap	39.5%*	19.5%	0%	0%



Proportion of employees across the pay quartiles				
Year	2017		2018	
Quartile	Males	Females	Males	Females
Upper	85%	15%	86%	14%
Upper middle	92%	8%	89%	11%
Lower middle	91%	9%	88%	12%
Lower	74%	26%	73%	27%

*It should be noted, due to a calculation error, the mean bonus figure for 2017 for the overall group was incorrectly reported as 16.6% when it should have been 39.5%.



A summary of the main changes to our results

We are pleased to report our mean gender pay gap decreased by 1% to 8.8% compared with 2017, and is well below the national average.

The tables on the previous page show how this overall figure is distributed across the different quartiles of our organisation.

As was the case last year, we continue to have a much higher number of male employees than women. Not surprisingly this will take some time to address sustainably, and the initiatives we have in place are helping to ensure this imbalance will gradually be addressed. Proportionally, in the reporting period in question, we made more female hires than male hires, which has resulted in a small improvement in the overall gender balance in the organisation – 16% women in 2018, compared to 15% in 2017.

Most of our employees received a gainshare (bonus) payment, which is the same amount for all employees in the relevant grades. This payment explains why our median percentage for this measure is zero as it compares the middle man and the middle woman's bonus. Our mean bonus gap is bigger and reflects market practice in mainly professional roles where bonus opportunities are greater. Again, as we have more senior men than women, our mean bonus figure is higher.

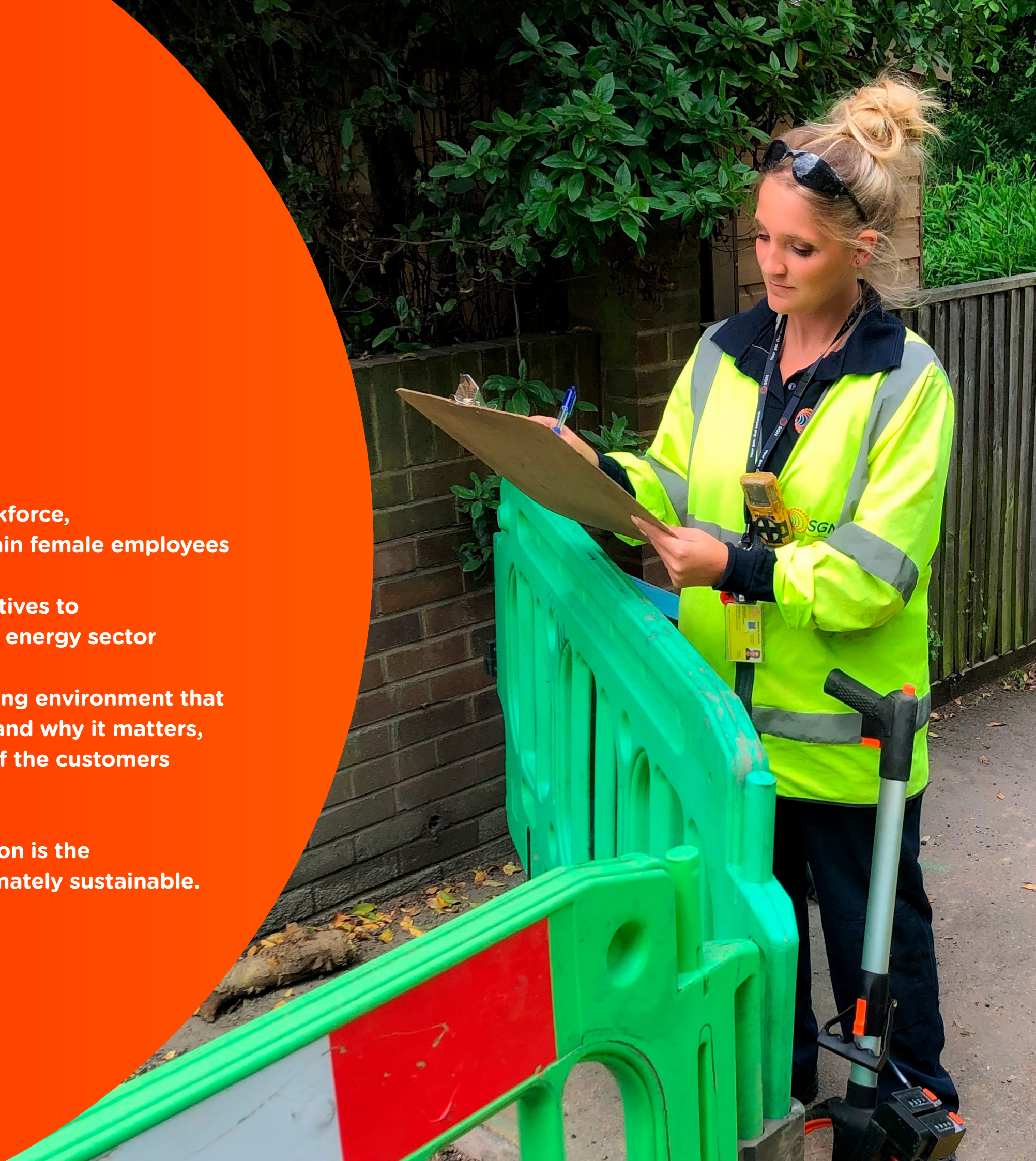


The positive steps we are taking

We are focusing on three key areas:

- 1** Addressing the imbalance of our own workforce, with initiatives to attract, develop and retain female employees
- 2** Active participation in industry-wide initiatives to champion a more diverse workforce in the energy sector
- 3** Developing a culture of inclusion - a working environment that understands the difference between D&I, and why it matters, and that truly reflects the diverse nature of the customers and society we serve.

These commitments are long-term. Our expectation is the changes we seek to make will be gradual but ultimately sustainable.





Advancing gender diversity on our Board

In October 2018 we welcomed Laura Sandys as a new Independent Director to our Board. With a wealth of experience from across the energy industry, Laura is also one of the co-founders of POWERful Women (PfW), a highly influential organisation which promotes women's roles in the energy sector. We believe Laura's knowledge and expertise in this field will help us raise and sustain a much wider understanding, among both our own senior and middle managers, of the importance of having more women involved at all levels across the industry.

Laura said: "I'm delighted to be working with SGN and helping the team shape an exciting strategy which has people at the heart and advances the company's desire to bring gender diversity into its culture. There's no doubt sustainably addressing gender imbalance across the energy industry will take time, but we now have industry-wide collaboration as well as a real desire to change, driven from the top."

Our HR & Services Director Kate Naylor added: "Our Independent Directors complement our Board by providing an independent voice and offering their expert guidance. Laura's experience will prove invaluable as we advance our D&I initiatives to deliver lasting change, not just for our company, but also influencing the industry overall."

"I'm delighted to be working with SGN and helping the team shape an exciting strategy..."

Laura Sandys





Our D&I journey

As we stated last year, we face several demographic challenges over the next decade, including an ageing workforce, a skills gap and a lack of diversity. These are all issues which exist right across the energy sector.

As we identified in our 2016 D&I audits, we've been focusing on several key areas over the past 12 months to build a more diverse SGN and ensure everyone, regardless of difference, feels valued. Some initiatives saw us:

- Roll-out a programme of **D&I awareness and training** for managers with a focus on appropriate behaviour in the workplace and a banter line campaign, with a video and team briefing to continue the conversation.
- Apply an inclusion lens to every stage of an employee's journey, from hire to retire, to identify improvements to ensure delivery of a **great employee experience**. These include a preboarding app, manager checklists for onboarding and offboarding, and capturing feedback through regular employee lifecycle surveys and Glassdoor reviews.
- Introduce a simple framework, **Manager Essentials**, with inclusive behaviours being an integral part of each element of management focus – direct, engage and support. Roll-out is an ongoing process with a three-day residential programme, 'stepping into management'.
- Support **national D&I campaigns** including International Women's Day, Mental Health Awareness Week and for the first time, National Inclusion Week (NIW). The latter involved powerful employee storytelling, videos and examples of small steps to make inclusion an everyday reality.







Looking ahead

An extensive D&I plan was developed, with planning and activity already well underway throughout 2018 and exciting initiatives in the pipeline for 2019. Building on activities listed on the roadmap, these include:

- **Taking D&I beyond a HR priority**
to one that's driven by the whole business with D&I volunteers driving change. Introducing a number of D&I groups (DIG) to engender greater business involvement with a steering group, partners and volunteers, along with a programme of D&I focused training and education, starting at the top with our Executive team.
- **Improving diversity data**
by implementation of on-line recruitment processes and our 'REAL you' personal data capture campaign targeting all employees. More accurate diversity data will allow us to create D&I scorecards at corporate and directorate levels, resulting in more meaningful and tailored directorate D&I plans.



- **Collaborative working**
through the Energy & Utility Skills Partnership, with 32 leading employers launching a sector Inclusion Commitment. The idea is to drive change and work together to attract, recruit and retain a more diverse talent to the sector.
- **Thinking differently about recruitment** with several initiatives planned: short animated videos showcasing recruitment in 2019, targeted social media campaigns, interview feedback to improve candidate experience, bias awareness training for managers and Glassdoor D&I display campaigns.



External partnerships

We are pleased to work with various partners, from peers in the energy industry to support organisations, to help us build a more diverse, inclusive and balanced workforce. We value these partnerships which enable us to build awareness, collaborate and encourage a wider range of people to join SGN. These partnerships include:

Armed Forces Partnership

In 2018 we were awarded the Ministry of Defence's Employer Recognition Scheme (ERS) Gold Award for our ongoing commitment to the Armed Forces community. As a signatory to the Armed Forces Covenant, we pledge to support people from military backgrounds.

We provide employment opportunities for Armed Forces leavers and veterans which allows us to broaden our talent pool by recruiting people from diverse backgrounds and experiences. The skills and experience they bring, such as working under pressure and problem solving, are a good match for our industry.

Energy & Utilities Skills Partnership

We are delighted to be part of the Energy & Utilities Skills Partnership. Leveraging our collective impact, the partnership is committed to working across all sectors. Its aim is to recruit and attract a workforce that mirrors and speaks to the communities we serve and position our ongoing commitment to inclusive employment and training. Through the Inclusion Commitment, we have made the following pledges:

- 1 To improve the diversity of our workforce
- 2 To inspire more women, those from Black, Asian and minority ethnic (BAME) communities and people with disabilities to join our sector, crucial to ensuring a resilient, future-focused workforce
- 3 To work collaboratively, to ensure our skilled workforce reflects the local communities and millions of customers we serve every day.

“In our company, diversity and inclusion are priorities. We've been making some positive changes over the past two years and we're proud of the progress made. However, we recognise the journey is slow and there's much more to do to allow inclusion to thrive. There's no 'one size fits all' approach but by working collaboratively as a sector, we can learn from others, knowing that great ideas come from having many voices in the conversation.”

John Morea, CEO





2018 and 2017 full group results, by legal entity

SGN business entity with 250 employees or more	Proportion of males and females in business entity	Mean hourly pay difference between male and female employees	Median hourly pay difference between male and female employees	Proportion of men/women in upper quartile pay band	Proportion of men/women in upper middle quartile pay band	Proportion of men/women in lower middle quartile pay band	Proportion of men/women in lower quartile pay band	Mean bonus pay difference between male and female employees	Median bonus pay difference between male and female employees	Proportion of men/women receiving bonus pay
2018 full group results, by legal entity										
SGN Group	Male 84% Female 16%	8.8%	13.6%	Male 86% Female 14%	Male 89% Female 11%	Male 88% Female 12%	Male 73% Female 27%	19.5%	0%	Male 91% Female 88%
Southern Gas Networks plc	Male 92% Female 8%	-1.5%	-3.6%	Male 92% Female 8%	Male 88% Female 12%	Male 95% Female 5%	Male 91% Female 9%	-66.5%	0%	Male 99% Female 98%
Scotland Gas Networks plc	Male 91% Female 9%	5.5%	1.4%	Male 94% Female 6%	Male 90% Female 10%	Male 93% Female 7%	Male 90% Female 10%	-65.6%	0%	Male 100% Female 97%
SGN Contracting Ltd	Male 82% Female 18%	1.4%	9.5%	Male 82% Female 18%	Male 90% Female 10%	Male 85% Female 15%	Male 71% Female 29%	-39%	0%	Male 88% Female 85%
2017 full group results (adjusted), by legal entity										
SGN Group	Male 85% Female 15%	9.8%	12.1%	Male 85% Female 15%	Male 92% Female 8%	Male 91% Female 9%	Male 74% Female 26%	39.5%*	0%	Male 93% Female 88%
Southern Gas Networks plc	Male 92% Female 8%	0.7%	-1.3%	Male 93% Female 7%	Male 90% Female 10%	Male 92% Female 8%	Male 94% Female 6%	-17.8%*	0%	Male 100% Female 100%
Scotland Gas Networks plc	Male 91% Female 9%	4.2%	6.6%	Male 90% Female 10%	Male 96% Female 4%	Male 94% Female 6%	Male 87% Female 13%	-55.5%	0%	Male 100% Female 100%
SGN Contracting Ltd	Male 83% Female 17%	3.8%	5.7%	Male 83% Female 17%	Male 88% Female 12%	Male 89% Female 11%	Male 73% Female 27%	-30.5%	0%	Male 89% Female 85%

*It should be noted, due to a calculation error where some long service payments and a long-term incentive payment were inadvertently omitted, the mean bonus figures for 2017 were incorrectly reported. The correct 2017 figures for the mean bonus pay gap were SGN Group 39.5%, Southern Gas Networks Ltd -17.8%, Scotland Gas Networks Ltd -55.5% and SGN Contracting Ltd -30.5%.



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