

MARCH 2023

MARK MACOUN | REWARD CONSULTANT



OUR APPROACH PHASE IN SCOPE

FINDING THE HEADLINES

PHASE 1

The first part of the process is finding and understanding accurate figures. We run the numbers to get a broad outline overall profile against gender pay regulations.

Provide a comparison between year 4 headline figures against this year's analysis.

UNCOVERING THE RISK

PHASE 2

Further analysis of levels and role profiles will help you identify and resolve any risk and mitigate against legal claims.

LEADING THE WAY

PHASE 4

Build a straightforward narrative and action plan to ensure employees and internal and external stakeholders understand the pay position, and this demonstrates commitment to inclusion and fairness.

TAKING CONTROL

PHASE 3

Focus on practices to help ascertain what may be subtly driving male/female pay differences across all areas of the organisation, as distinct from the pay market and individual contribution. Includes a plan to reduce exposure.



FINDING THE HEADLINES EXECUTIVE SUMMARY

2022 pay gap analysis reveals a modest widening across SGN Group and Contracting in both the mean and median ordinary pay gaps. These did not rise to match the 2020 pay gaps, so can be interpreted as the pay gap stabilising from 2020 to 2022. Southern saw a small decrease in their median pay gap, but is also showing a stable trend from 2020 to 2022.

In contrast, Scotland saw their pay gaps fall significantly from a mean of 11.2% and median of 7.8% in 2021 to 3.4% and 2.0% in 2022. This puts the mean only just outside the 3% threshold, which the EHRC presents as normal pay variation.

The consistent primary driver behind the pay gap is down to the distribution of gender throughout the organisation. Typically around 60-70% of female employees are found in the two lower pay quartiles, compared to just under half of male employees.

The positive change in Scotland's ordinary pay gap can be directly attributed to a change from nearly two thirds of female employees being in the two lower pay quartiles in 2021, to an even split across the lower and upper pay quartiles in 2022.

Comparing externally, in all cases, SGN's pay gaps are below the 2022 national figures of 13.9% mean and 14.9% median. Looking at the sector, which is recorded as Electrical, Gas, Steam And Air Conditioning Supply, SGN's pay gaps are below the published 15.1% mean and 26.9% median.

The bonus pay gap in 2021 was heavily influenced by the lack of recognition payments, which removed a large number of small value payments from the bonus pay gap calculation, and saw large swings in favour of female employees in SGN Group. With the return of recognition payments in 2022 we see a number of large swings again, such as the Group mean and median rising from -51.6% to 17.8% and -475.5% to 31.5% respectively.

The picture is complex and it is recommended that Group and Contracting bonus pay gap trend is considered against 2020, rather than 2021 which can be considered anomalous due to the lack of recognition payments. Through this lens we see falls in both mean and median in Group, from 44.5% to 17.8% and 81.6% to 31.5% respectively.

Scotland and Southern were relatively unaffected by the lack of recognition payments, as they saw near total bonus payment participation in both 2021 and 2022. Both entities have seen a relatively stable long-term trend for their median bonus gap fluctuating around 0%, but in 2022 we see a relatively large gap. For Southern this is 14.7% in favour of male employees and for Scotland this is 8.2% in favour of female employees. If the long-term trend continues these will rebalance in 2023, but should be monitored to ensure this is the case.

The mean bonus gaps for Scotland and Southern are both extreme in favour of female employees, but in both entities can be attributed by a small number of women in senior roles receiving large bonus payments which have a significant impact given the relatively small number of women in those entities. While these gaps should continue to be monitored, the median bonus gap is currently considered more insightful in taking action.



FINDING THE HEADLINES KEY FINDINGS

SGN GROUP HAS A(N):

- Mean gender pay gap of 10.9% (in favour of males). An increase of 0.2% compared to 2021.
- Median gender pay gap of 16.2% (in favour of males). An increase of 0.6% compared to 2021.
- Mean bonus gender pay gap of 17.8% (in favour of males). An increase of 69.4% compared to 2021.
- Median bonus gender pay gap of 31.5% (in favour of males). An increase of 507% compared to 2021.
- Female to male ratio of 19:81, which is a 1% increase in the proportion of females compared to 2021.
- Increased proportion of males receiving a bonus from 30% in 2021 to 49% in 2022.
- Increased proportion of females receiving a bonus from 24% in 2021 to 49% in 2022.
- Female representation in the Upper Pay Quartile increased in 2022 to 16%, versus a long-term trend of 14-15%.

SGN CONTRACTING HAS A(N):

- Mean gender pay gap of 8.1% (in favour of males). An increase of 0.6% compared to 2021.
- Median gender pay gap of 14.0% (in favour of males). An increase of 1.1% compared to 2021.
- Mean bonus gender pay gap of 9.8% (in favour of males). A decrease of 10.4% compared to 2021.
- Median bonus gender pay gap of 150.0% (in favour of females). A decrease of 138.8% compared to 2021.
- Female to male ratio of 20:80, which is stable compared to 2020.
- Increased proportion of males receiving a bonus from 10% in 2021 to 35% in 2022.
- Decreased proportion of females receiving a bonus from 13% in 2021 to 43% in 2022.
- There is an increase in the proportion of females in the Lower Pay Quartile from 34% to 37%. This appears to be driven by male leavers rather female employees being hired into this quartile.



FINDING THE HEADLINES KEY FINDINGS

SCOTLAND GAS NETWORKS HAS A(N):

- Mean gender pay gap of 2.0% (in favour of males), a decrease of 5.8% compared to 2021.
- Median gender pay gap of 3.4% (in favour of males), a decrease of 7.8% compared to 2021.
- Mean bonus gender pay gap of 275.3% (in favour of females), a decrease of 24.9% compared to 2021.
- Median bonus gender pay gap of 8.2% (in favour of females), an increase of 5.8% compared to 2021.
- Female to male ratio of 10:90, which is a 1% increase in female representation compared to 2021.
- Unchanged proportion of males receiving a bonus (99%).
- Unchanged proportion of females receiving a bonus (100%).
- In 2022 there has been a rebalancing and now half of female employees sit in the lower and upper quartiles, compared to nearly two thirds in the lower quartiles in 2021.

SOUTHERN GAS NETWORKS HAS A(N):

- Mean gender pay gap of 0.2% (in favour of females), a decrease of 1.2 % compared to 2021.
- Median gender pay gap of 7.8% (in favour of males), an increase of 0.1% compared to 2021.
- Mean bonus gender pay gap of 160.9% (in favour of females), a decrease of 402.3% compared to 2021.
- Median bonus gender pay gap of 14.7% (in favour of males), an increase of 14.9% compared to 2021.
- Female to male ratio of 9:91, which is a 1% increase in female representation compared to 2021.
- Decreased proportion of males receiving a bonus from 100% in 2021 to 99% in 2022.
- Decreased proportion of females receiving a bonus from 100% in 2021 to 97% in 2022.
- Nearly three quarters of female employees are in the two lower pay quartiles.







SGN GROUP HEADLINE DASHBOARD

YOUR ORDINARY GENDER PAY GAP

Headline figures comparing the basic hourly pay of all employees inclusive of cash payments and allowances

	MEAN	MEDIAN
YOUR GENDER PAY GAP 2022	10.9%	16.2%
Change	0.2%	0.6%
2021 Gap	10.7%	15.6%
NATIONAL PAY GAP 2022*	13.9%	14.9%
Change	-1.0%	-0.5%
2021 Gap	14.9%	15.4%
POWER SUPPLY (Code D)*	15.1%	26.9%
Change	4.2%	2.9%
2021 Gap	10.9%	24.0%

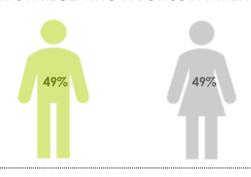
A minus indicates the gap is in favour of females

YOUR BONUS GENDER PAY GAP

Headline figures comparing all bonus payments received in relevant 12 month period

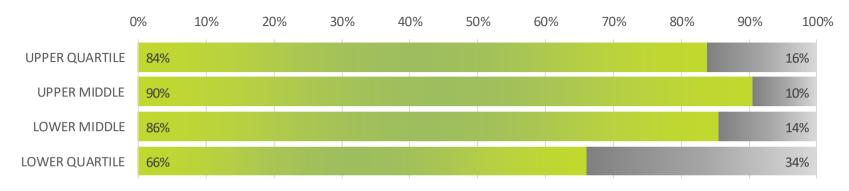
	MEAN	MEDIAN
YOUR GENDER PAY GAP 2022	17.8%	31.5%
Change	69.4%	507.0%
2021 Gap	-51.6%	-475.5%

PROPORTION RECEIVING A BONUS PAYMENT



PAY QUARTILES

The proportion of male and female employees by quartile pay bands



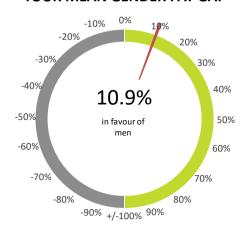


^{*} Source ONS.gov.uk (Released 11 November 2022)

SGN GROUP GENDER PAY GAP - HEADLINES

- The mean headline gender pay gap for SGN Group in 2022 was 10.9% in favour of males which is a small increase from the 10.7% gap in 2021. This remains below the mean national gender pay gap figure of 13.9% (in favour of males), though this has fallen by 1.0% since last year.
- SGN Group's median gender pay gap for 2021 was 16.2% in favour of males, which is a 0.6% increase from the 15.6% gap in 2020. This is above the median national gender pay gap figure of 14.9% (in favour of males), which fell by 0.5% since 2021.
- There continues to be a predominance of male employees within SGN, particularly around the middle levels of the organisation and this is one of the key drivers for the median gender pay gap in favour of males. An example of this is the middle male employee, a Team Leader (Emergency) earned £18.54 per hour which included base pay, standby allowance, stagger payment and phone allowance. However, the middle female employee, a Project Manager earned £15.54 per hour which included base pay only.
- Additional payments such as stagger payments, salary supplements and car allowances all contributed to males' larger average payments. Excluding all allowances from employees pay resulted in a mean and median pay gaps of 2.7 and 3.3% in favour of males respectively

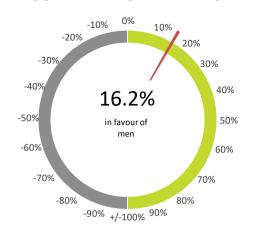
YOUR MEAN GENDER PAY GAP



Female Count	Male Count	Ratio		Female Ma ourly Pay		e Hourly Pay	Pay Gap
678	2,983	19:81	£	17.89	£	20.07	10.9%

A minus indicates the gap is in favour of females

YOUR MEDIAN GENDER PAY GAP



Female Count	Male Count	Ratio		Female Hourly Pay		le Hourly Pay	Pay Gap
678	2,983	19:81	£	15.54	£	18.54	16.2%

A minus indicates the gap is in favour of females

SGN Group is not legally required to publish this information however may voluntary choose to do so on its own website.

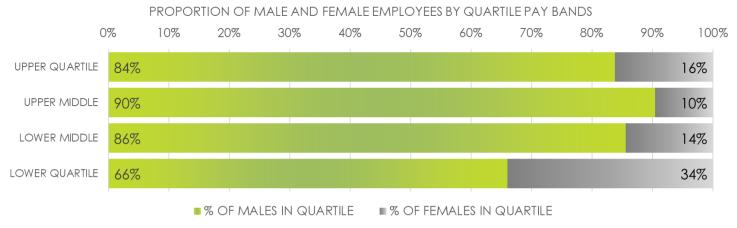
The gender pay gap calculation compares the basic hourly pay of all employees inclusive of cash payments and allowances, allowing a direct comparison of part-time and full-time earners, paid in the relevant pay period.

The difference in the mean & median hourly rate of pay for male and female full-pay relevant employees.



SGN GROUP GENDER PAY GAP - QUARTILES

Nearly half of female employees are in the Lower Quartile Pay Band, while only a fifth of male employees are. This disparity in the distribution of males and females through the organisation is a primary driver for the headline gender pay gaps.



There are no significant pay gaps in the top three pay quartiles, which is indicative of pay parity by level.

In the Lower Quartile, significant pay gaps (Amber) can be observed in favour of males. This appear to be driven by males in this pay quartile being in roles which are much more likely to receive additional payments (16%) than females (1%). A more detailed analysis would need to be undertaken to understand the true picture to identify any potential equal pay discrepancies.

QUARTILE	COUNT OF RELEVANT MALES IN QUARTILE	% OF MALES IN QUARTILE	COUNT OF RELEVANT FEMALES IN QUARTILE	% OF FEMALES IN QUARTILE	MEAN G PAY WITI QUA	GAP HIN	MED GENDE GAP W QUAI	R PAY /ITHIN	% MALES OF ALL MALE EMPLOYEES	% FEMALES OF ALL FEMALE EMPLOYEES
UPPER QUARTILE	768	84%	148	16%	-2.4%	(F)	-1.3%	(F)	26%	22%
UPPER MIDDLE	828	90%	87	10%	-0.6%	(F)	0.3%	(M)	28%	13%
LOWER MIDDLE	783	86%	132	14%	0.6%	(M)	0.0%	(M)	26%	19%
LOWER QUARTILE	604	66%	311	34%	7.5%	(M)	10.6%	(M)	20%	46%

This regulations require the emplover show to proportions of male and full-pav female relevant employees in four quartile pay bands, which is done by dividing the workforce into four equal parts. Employees are ranked from highest hourly rate to lowest hourly rate and then divided into four quartiles.

Each quartile therefore contains 25% of full-pay relevant employees, with the upper quartile encompassing the highest earning 25% of employees, and the lower quartile the lowest earning 25% of employees.

Comparing the results across a quartile will indicate the distribution of full-pay relevant male and female employees in the quartile; Comparing the results between the quartiles will indicate the distribution of full-pay relevant male and female employees across the organisation.



SGN GROUP GENDER PAY GAP MOVEMENT

Overall a widening trend can be observed since 2017 however the gaps have narrowed between 2020 and 2021.



The widening of the mean pay gap between 2021 and 2022 can be attributed to the increase of female employees across the organisation.

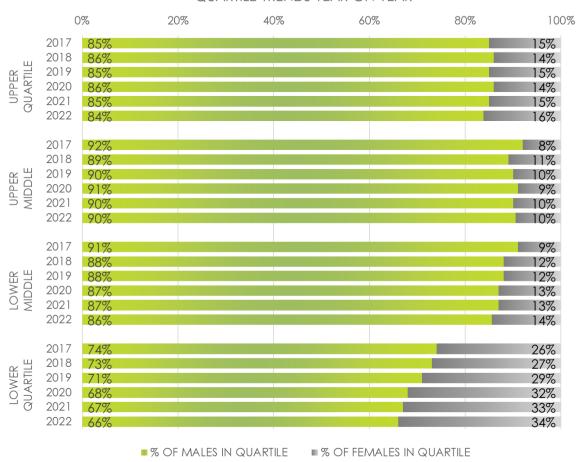
While there was a 1% increase in the Upper pay quartile, there was a 2% in the in the Lower and Lower Middle pay quartiles.

Overall this has the effect of slightly lowering the female employee average pay, resulting in the small widening we see.



SGN GROUP QUARTILE MOVEMENT

QUARTILE TRENDS YEAR ON YEAR



- SGN continues to increase its female headcount year on year, and this is most apparent at the lower quartile, and is starting to show in the lower middle quartile
- The highest concentration of females at the lower quartile continues to be the main driver for the gender pay gaps and this is where the highest pay gaps in favour of males are found
- There has been a small increase in representation of female employees in the Upper Quartile (16%) compared to the long-term trend (14-15%)

Previous year's results published by the government show that in the majority of organisations, there is a gender pay gap in favour of men. What quartile analysis highlights is that the gender pay gap is not the same across the whole organisation.

It demonstrates quite clearly that there are pockets where the gender pay gap exists.

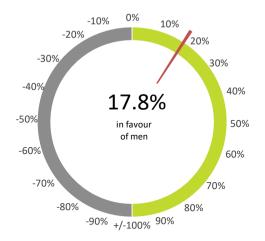
Knowing where the gender pay gap exists within the organisation creates a focus, so monitoring changes, both positive and negative, is important in closing a gender pay gap.



SGN GROUP GENDER BONUS GAP

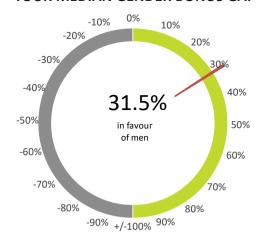
- SGN Group's mean headline bonus gender pay gap for 2022 was 17.8% in favour of males, which is a difference of 69% compared to the 2021 gap of 51.6% in favour of females.
- SGN Group's median gender pay gap for 2022 was 31.5% in favour of males which is a difference of 507% compared to the 2021 gap of 475.5% in favour of females.
- The main drivers for the bonus gender pay gaps include:
 - The absence of low value Recognition payments last year (included in Bonus pay gap calculations) meant that a much lower proportion of employees received bonus pay in 2021 compared to 2022.
 - This has a large impact on the Median and Mean calculations, as none of the c. 1,100 employees receiving bonus payments in 2021 earned less than £200, compared to two thirds of the c. 1,800 employees receiving bonus payments in 2022.
- The swing in pay gap in 2022 compared to 2021 can be driven by the compositional change primarily driven by recognition payments, which added a large number of low value payments driving down the Mean and Median gaps.
- There were 10 employees who received large TUPE payments in 2022. If we model a scenario excluding these payments the mean gap would be 15.0% and the median would be 33.5%, both in favour of male employees.

YOUR MEAN GENDER BONUS GAP



Fem Cou		Male Count	Ratio	Fe	emale	ı	Male	Pay Gap
34	1	1,482	19:81	£	2,631	£	3,199	17.8%

YOUR MEDIAN GENDER BONUS GAP



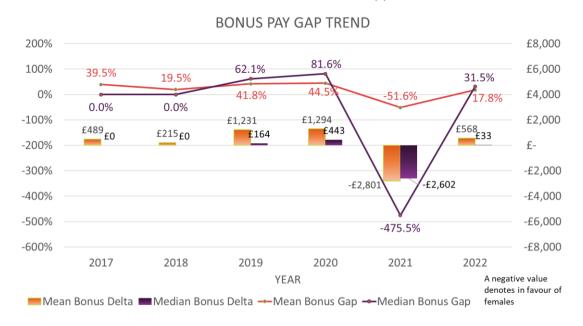
Female Count	Male Count	Ratio	Fen	nale		Male	Pay Gap	
341	1,482	19:81	£	72	£	106	31.5%	

It is worth noting that the gender pay gap calculation uses a conversion to an hourly rate to eliminate differences in part time and full time employees, but, as the regulations state, the bonus gender pay gap calculation uses the actual bonus paid without a conversion to an hourly rate or pro-rated figure.



SGN GROUP BONUS GENDER PAY GAP MOVEMENT

Due to the variability of bonus payments from year to year it is difficult to discern a particular trend; the bonus gender pay gap is also influenced by payments not traditionally considered to be bonus such as recognition and long service awards and these smaller values cause the variations to appear extreme.



The change to the mean bonus gender pay gap in can be attributed to the following:

- 2021 was an anomalous year with lower than normal proportion of employees receiving bonus payments. Nearly twice as many employees received a bonus payment in 2022
- 3 female employees received large (£100k+) bonuses in 2021 compared to none in 2022; this had a large impact on respective mean values

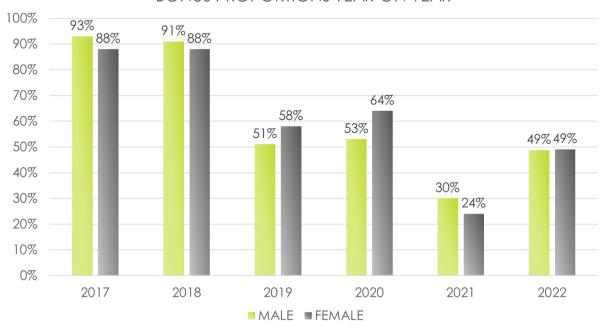
The change to the median bonus gender pay gap can be attributed to the following:

- 2021 was an anomalous year with lower than normal proportion of employees receiving bonus payments, but nearly twice as many employees received a bonus payment in 2022
- The larger number of employees receiving a bonus payment provides a 'balancing' effect making it more likely for the median male and female employee to receive a similar total bonus payment
- This can be seen in the median bonus gap returning to a value more consistent with the long-term trend



SGN GROUP GENDER BONUS PROPORTIONS





- 2022 saw a return to the bonus proportions of 2019 and 2020, after anomalously low proportions in 2021. The primary reason for these significantly lower proportions in 2021 is the absence of recognition payments, which returned in the period 6th April 2021 to 5th April 2022.
- Although the proportions are similar to 2019 and 2020 it is notable that the bonus proportions are lower than those two years.
- There is also an even proportion of male and female employees receiving bonus payments, which bucks the long-term trend of more female employees receiving bonus payments.

This test considers employees who have received a bonus payment, not to be confused with employees who are eligible for a bonus payment. A payment actually needs to have been received even if eligible for a bonus to be included.







SGN CONTRACTING HEADLINE DASHBOARD

YOUR ORDINARY GENDER PAY GAP

Headline figures comparing the basic hourly pay of all employees inclusive of cash payments and allowances

	MEAN	MEDIAN
YOUR GENDER PAY GAP 2022	8.1%	14.0%
Change	0.6%	1.1%
2021 Gap	7.5%	12.9%
NATIONAL PAY GAP 2022*	13.9%	14.9%
Change	-1.0%	-0.5%
2021 Gap	14.9%	15.4%
POWER SUPPLY (Code D)*	15.1%	26.9%
Change	4.2%	2.9%
2021 Gap	10.9%	24.0%

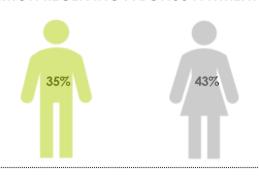
A minus indicates the gap is in favour of females

YOUR BONUS GENDER PAY GAP

Headline figures comparing all bonus payments received in relevant 12 month period

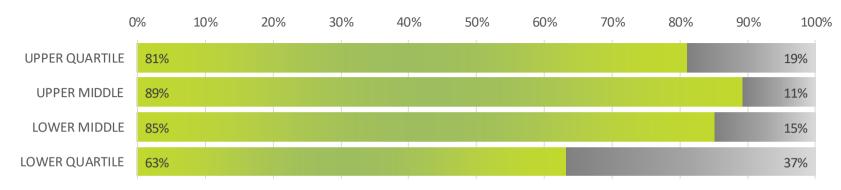
	MEAN	MEDIAN
YOUR GENDER PAY GAP 2022	9.8%	-150.0%
Change	-10.4%	-138.8%
2021 Gap	20.2%	-11.2%

PROPORTION RECEIVING A BONUS PAYMENT



PAY QUARTILES

The proportion of male and female employees by quartile pay bands



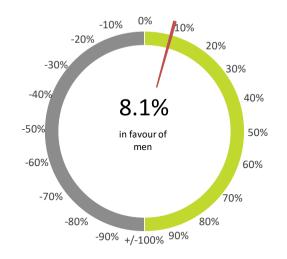


^{*} Source ONS.gov.uk (Released 11 November 2022)

SGN CONTRACTING GENDER PAY GAP

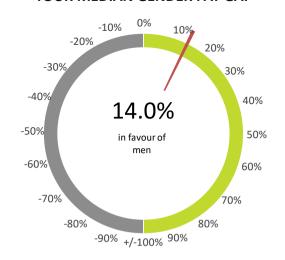
- The mean headline gender pay gap for SGN Contracting in 2022 was 8.1% in favour of men which was an increase of 0.6% compared to the 2021 mean pay gap of 7.5%. This was below the mean national 2022 gender pay gap figure of 13.9% (in favour of males) reported by ONS.
- SGN Contracting's median gender pay gap for 2022 was 14.0%, which was an increase of 1.1% compared to the 2021 median pay gap of 12.9%. This was below the median national 2022 gender pay gap figure of 14.9% (in favour of males) reported in by ONS.
- Key factors behind the gender pay gap include:
 - There is a 3% increase in female representation in the lower pay quartile since 2021, which will lower the average overall female pay. This appears to be the primary cause of the gap widening this year.
 - Almost two-thirds of female employees within SGN Contracting are found in the lowest two pay quartiles and this is a major factor driving both the mean and median pay gaps.
 - Consequently, when comparing the middle male employee (Team Manager Operations) and the middle female employee (Depot Clerk) there is a considerable difference in the hourly pay.

YOUR MEAN GENDER PAY GAP



Female Count	Male Count	Ratio		emale Urly Pay		e Hourly Pay	Pay Gap
599	2,353	20:80	£	17.31	£	18.84	8.1%

YOUR MEDIAN GENDER PAY GAP



Female Count	Male Count	Ratio		emale Irly Pay		e Hourly Pay	Pay Gap
599	2,353	20:80	£	15.21	£	17.67	14.0%

This is the data that supports the report that will be published on SGN's own website and the Government website by 4th April 2021.

The gender pay gap calculation compares the basic hourly pay of all employees inclusive of cash payments and allowances, allowing a direct comparison of part-time and full-time earners, paid in the relevant pay period.

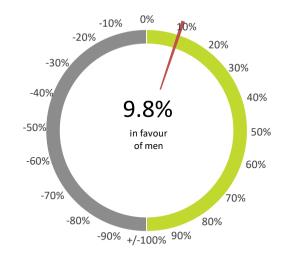
The difference in the mean & median hourly rate of pay for male and female full-pay relevant employees.



SGN CONTRACTING BONUS GENDER PAY GAP

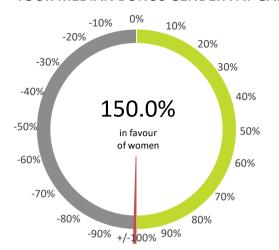
- The mean headline bonus gender pay gap for SGN Contracting in 2020 was 9.8% (in favour of men), a decrease of 10.4% compared to 2021 mean bonus gender pay gap of 20.2% (in favour of men).
- SGN Contracting's median bonus gender pay gap for 2022 was -150% (in favour of women), which was an increase of 139% compared to 2021 mean bonus gender pay gap of -11.2% (in favour of women).
- The main drivers for the bonus gender pay gaps include:
 - The absence of low value Recognition payments last year (included in Bonus pay gap calculations) meant that a much lower proportion of employees received bonus pay in 2021 compared to 2022.
 - This has a large impact on the Median and Mean calculations, as they added a large number of low value payments driving down the Mean gaps, and exaggerating the Median gap where a £30 gap yields a 150% gap.
- There were 7 employees who received large TUPE payments in 2022. If we model a scenario excluding these payments the mean gap would become 11.6% in favour of female employees and the median would unchanged at 150% in favour of female employees.

YOUR MEAN BONUS GENDER PAY GAP



Female Count	Male Count	Ratio	Fe	Female		Male	Pay Gap
262	852	24:76	£	2,197	£	2,436	9.8%

YOUR MEDIAN BONUS GENDER PAY GAP

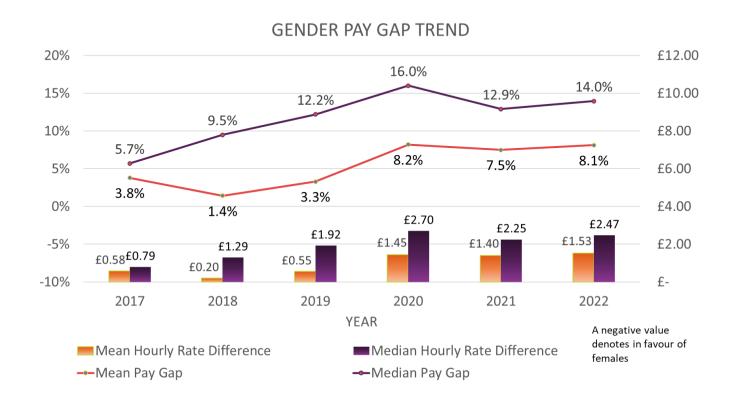


Female Count	Male Count	Ratio	Fer	nale	Male		Pay Gap
262	852	24:76	£	50	£	20	-150.0%

It is worth noting that the gender pay gap calculation uses a conversion to an hourly rate to eliminate differences in part time and full time employees, but, as the regulations state, the bonus gender pay gap calculation uses the actual bonus paid without a conversion to an hourly rate or pro-rated figure.



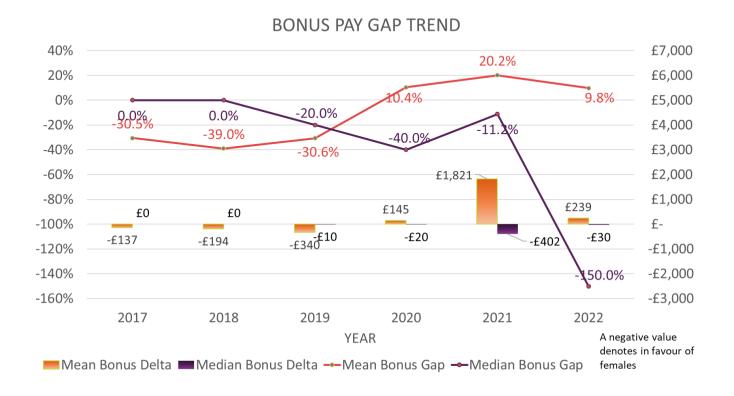
SGN CONTRACTING GENDER PAY GAP MOVEMENT



- As with the overall group numbers, since 2017 both the mean and median pay gaps have widened however between 2020 and 2022 both have stayed broadly flat.
- The gender pay gap has widened in 2022 due to the increase in the proportion of females in the Lower Pay Quartile from 34% to 37%. This appears to be driven by male leavers rather female employees being hired into this quartile.
- The proportion of all female employees in the Upper Quartile did increase from 18% to 19%, which has a positive impact on female pay, but did not offset the increase in the Lower Quartile.



SGN CONTRACTING BONUS PAY GAP MOVEMENT



- A mean gap in favour of male employees and a median gap in favour of female employees is indicative of more female employees receiving bonus payments, but also indicates a cohort male employees receiving much higher bonus payments. This is now an established trend since 2020.
- The return of recognition payments in 2022 has a significant impact on the median, and the gap can be
 misleading. In 2021, without low value recognition payments, there is an 11% gap in favour of female
 employees, which was driven by a median payment of c. £4,000 for female employees vs c. £3,500 for male
 employees. In contrast, in 2022 the gap of 150% is driven by median payments of £50 for female employees
 and £20 for male employees.



SCOTLAND GAS NETWORKS PLC HEADLINE DASHBOARD

YOUR ORDINARY GENDER PAY GAP

Headline figures comparing the basic hourly pay of all employees inclusive of cash payments and allowances

	MEAN	MEDIAN
YOUR GENDER PAY GAP 2022	2.0%	3.4%
Change	-5.8%	-7.8%
2021 Gap	7.8%	11.2%
NATIONAL PAY GAP 2022*	13.9%	14.9%
Change	-1.0%	-0.5%
2021 Gap	14.9%	15.4%
POWER SUPPLY (Code D)*	15.1%	26.9%
Change	4.2%	2.9%
2021 Gap	10.9%	24.0%

A minus indicates the gap is in favour of females

YOUR BONUS GENDER PAY GAP

Headline figures comparing all bonus payments received in relevant 12 month period

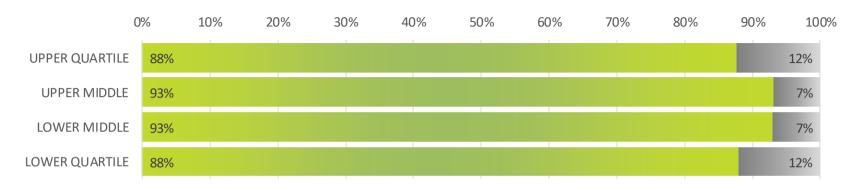
	MEAN	MEDIAN
YOUR GENDER PAY GAP 2022	-275.3%	-8.2%
Change	24.9%	-5.8%
2021 Gap	-300.2%	-2.4%

PROPORTION RECEIVING A BONUS PAYMENT



PAY QUARTILES

The proportion of male and female employees by quartile pay bands



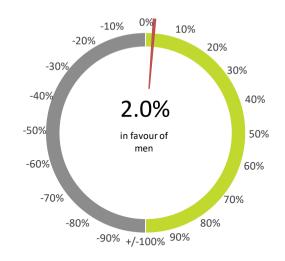


^{*} Source ONS.gov.uk (Released 11 November 2022)

SCOTLAND GAS NETWORKS GENDER PAY GAP

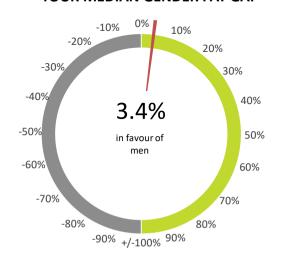
- The mean headline gender pay gap for SGN Scotland in 2022 was 2.0% in favour of men which is a decrease of 5.8% from the 7.8% gap in 2021. This was below the mean national gender pay gap figure of 13.9% (in favour of males) reported by the Office of National Statistics (ONS).
- SGN Scotland's median gender pay gap in 2022 was 3.4% in favour of males, which was a decrease of 7.8% compared to the 2021 median pay gap of 11.2%. This was below the median national gender pay gap figure of 14.9% (in favour of males) reported by the ONS.
- Key factors behind the pay gaps include:
 - In 2021 nearly two thirds of female employees were in the two lower quartiles. This meant female pay was likely to be lower than male pay.
 - In 2022 there has been a rebalancing and now half of female employees sit in the lower and upper quartiles. This has seen average female pay rise relative to 2021 and close the gap on male pay.

YOUR MEAN GENDER PAY GAP



Female Count	Male Count	Ratio		emale urly Pay		e Hourly Pay	Pay Gap
22	208	10:90	£	22.75	£	23.21	2.0%

YOUR MEDIAN GENDER PAY GAP



Female Count	Male Count	Ratio		emale urly Pay		le Hourly Pay	Pay Gap
22	208	10:90	£	20.52	£	21.25	3.4%

This is the data that supports the report that will be published on SGN's own website and the Government website by 4th April 2021.

The gender pay gap calculation compares the basic hourly pay of all employees inclusive of cash payments and allowances, allowing a direct comparison of part-time and full-time earners, paid in the relevant pay period.

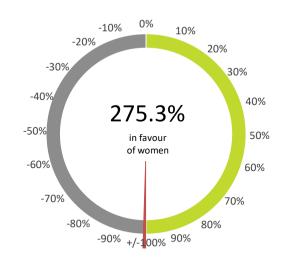
The difference in the mean & median hourly rate of pay for male and female full-pay relevant employees.



SCOTLAND GAS NETWORKS BONUS GENDER PAY GAP

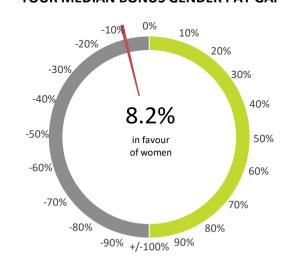
- The mean headline bonus gender pay gap for SGN Scotland in 2022 was 275.3% (in favour of women) which is a decrease of 24.9% compared to the 2021 pay gap of 300.2% (in favour of women).
- SGN Scotland's median bonus gender pay gap for 2022 was 8.2% in favour of women, which was a 5.8% increase on the 2.4% pay gap in 2021.
- The main drivers for the bonus gender pay gaps include:
 - The number of female employees is relatively small and the mean gap is heavily influenced by large bonus payments made to 7 women in mid-level and senior roles.
- One female employee received a large TUPE related payment in 2022, and if we model a scenario without this payment the mean gap would become 105% in favour of female employees. The median gap would be unchanged.

YOUR MEAN BONUS GENDER PAY GAP



Female Count	Male Count	Ratio	Fe	Female		Male	Pay Gap	
23	209	10:90	£	5,256	£	1,400	-275.3%	

YOUR MEDIAN BONUS GENDER PAY GAP

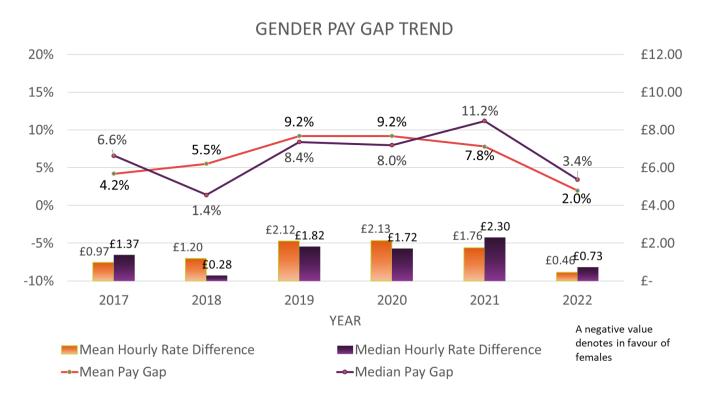


Female Count	Male Count	Ratio	Female			Male	Pay Gap	
23	209	10:90	£	130	£	121	-8.2%	

It is worth noting that the gender pay gap calculation uses a conversion to an hourly rate to eliminate differences in part time and full time employees, but, as the regulations state, the bonus gender pay gap calculation uses the actual bonus paid without a conversion to an hourly rate or pro-rated figure.



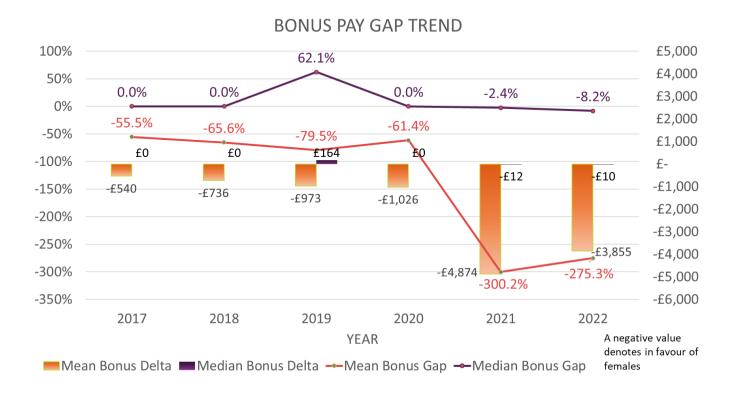
SCOTLAND GAS NETWORKS GENDER PAY GAP MOVEMENT



- In contrast to the Group, SGN Scotland saw a significant fall in both pay gaps in 2022.
- In the absence of direct pay discrimination pay gaps are typically driven by 'structural' issues, e.g. women being more likely to occupy the lower paid roles and men being more likely to occupy the higher paid roles. The significant reduction in pay gap can be directly linked to female representation moving from nearly two thirds in the lower pay quartiles in 2021 to an even split between the lower and upper pay quartiles in 2022.



SCOTLAND GAS NETWORKS BONUS GENDER PAY GAP MOVEMENT



- SGN Scotland's mean bonus gender pay gap widened sharply in 2021 and has stayed at a similar level in 2022. This can be attributed by a small number of large bonus payments to women in senior roles having a disproportionate impact on the mean calculation due to the relatively small number of female employees in this entity.
- The median bonus gender pay gap has remained at (or around) 0% since 2017 with the exception of 2019. It is starting to widen in 2022 and this should be monitored in case the trend continues and a long-term gap is established.



SOUTHERN GAS NETWORKS PLC HEADLINE DASHBOARD

YOUR ORDINARY GENDER PAY GAP

Headline figures comparing the basic hourly pay of all employees inclusive of cash payments and allowances

	MEAN	MEDIAN
YOUR GENDER PAY GAP 2022	-0.2%	7.8%
Change	-1.2%	0.1%
2021 Gap	1.0%	7.7%
NATIONAL PAY GAP 2022*	13.9%	14.9%
Change	-1.0%	-0.5%
2021 Gap	14.9%	15.4%
POWER SUPPLY (Code D)*	15.1%	26.9 %
Change	4.2%	2.9%
2021 Gap	10.9%	24.0%

A minus indicates the gap is in favour of females

YOUR BONUS GENDER PAY GAP

Headline figures comparing all bonus payments received in relevant 12 month period

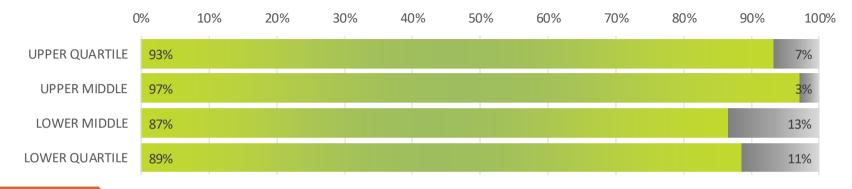
	MEAN	MEDIAN
YOUR GENDER PAY GAP 2022	-160.9%	14.7%
Change	402.3%	14.9%
2021 Gap	-563.2%	-0.2%

PROPORTION RECEIVING A BONUS PAYMENT



PAY QUARTILES

The proportion of male and female employees by quartile pay bands





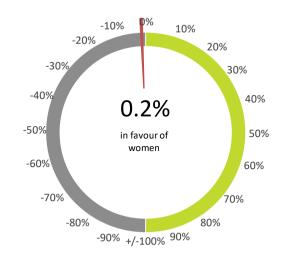


^{*} Source ONS.gov.uk (Released 11 November 2022)

SOUTHERN GAS NETWORKS GENDER PAY GAP

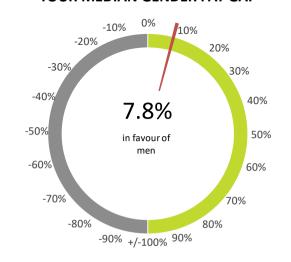
- The mean headline gender pay gap for SGN Southern in 2022 was 0.2% in favour of females which was a decrease of 1.2% compared to 2021 mean gender pay gap of 1.0% in favour of males. This was below the mean national gender pay gap figure of 13.9% (in favour of males) reported by the Office of National Statistics (ONS).
- SGN Southern's median gender pay gap for 2022 was 7.8% in favour of males, which was an increase of 0.1% compared to the 2021 median pay gap of 7.7% in favour of males. This was below the median national gender pay gap figure of 14.9% (in favour of males) reported by ONS.
- Key factors behind the pay gaps include:
 - Nearly three-quarters of female employees are found in the lower two pay quartiles. This impacts the median pay gap causing the female median to be found lower in the range of hourly pay compared to males.
 - Consequently, when comparing the middle male employee (Asset Engineer) and the middle female employee (Network Support Assistant) there is a difference in the hourly pay.
 - The mean pay gap is negligible as a number of female employees in high paid roles have a significant impact on the mean calculation due to the relatively small number of female employees in the entity.

YOUR MEAN GENDER PAY GAP



Female Count	Male Count	Ratio		emale Irly Pay		e Hourly Pay	Pay Gap	
36	381	9:91	£	24.33	£	24.28	-0.2%	

YOUR MEDIAN GENDER PAY GAP



Female Count	Male Count	Ratio		emale urly Pay		e Hourly Pay	Pay Gap	
36	381	9:91	£	21.06	£	22.84	7.8%	

This is the data that supports the report that will be published on SGN's own website and the Government website by 4th April 2021.

The gender pay gap calculation compares the basic hourly pay of all employees inclusive of cash payments and allowances, allowing a direct comparison of part-time and full-time earners, paid in the relevant pay period.

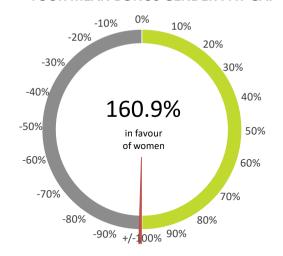
The difference in the mean & median hourly rate of pay for male and female full-pay relevant employees.



SOUTHERN GAS NETWORKS BONUS GENDER GAP

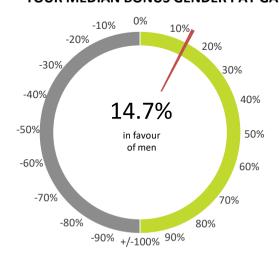
- The mean headline bonus gender pay gap for SGN Southern in 2022 was -160.9% (in favour of women) which was a decrease of 402.3% compared to the 2021 pay gap of -563.2%.
- SGN Southern's median bonus gender pay gap for 2022 was 14.7% (in favour of men), which has increased by 14.9% compared to the 2021 pay gap of 0.2% in favour of women.
- The main drivers for the bonus gender pay gaps include:
 - A small number of women in senior roles receiving large bonus payments has a significant impact on the mean calculation due to the relatively small number of female employees in the entity
 - The median bonus payment is more representative that nearly three quarters of female employees are in the lower pay quartiles, compared to only half of male employees. This means the middle earning female is much more likely to be less than the middle earning male.
- One male employee received a large TUPE related payment in 2022, and if we model a scenario without this payment the mean gap would become 172% in favour of female employees. The median gap would be unchanged.

YOUR MEAN BONUS GENDER PAY GAP



Female Count	Male Count	Ratio	Fe	emale		Male	Pay Gap
35	380	8:92	£	5,364	£	2,056	-160.9%

YOUR MEDIAN BONUS GENDER PAY GAP

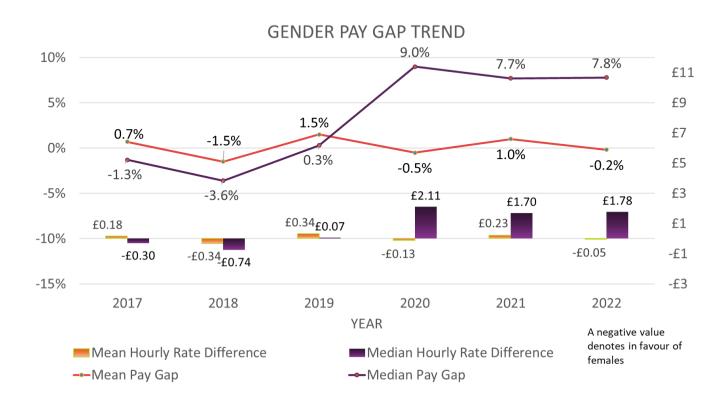


Female Count	Male Count	Ratio	Female			Male	Pay Gap
35	380	8:92	£	116	£	136	14.7%

It is worth noting that the gender pay gap calculation uses a conversion to an hourly rate to eliminate differences in part time and full time employees, but, as the regulations state, the bonus gender pay gap calculation uses the actual bonus paid without a conversion to an hourly rate or pro-rated figure.



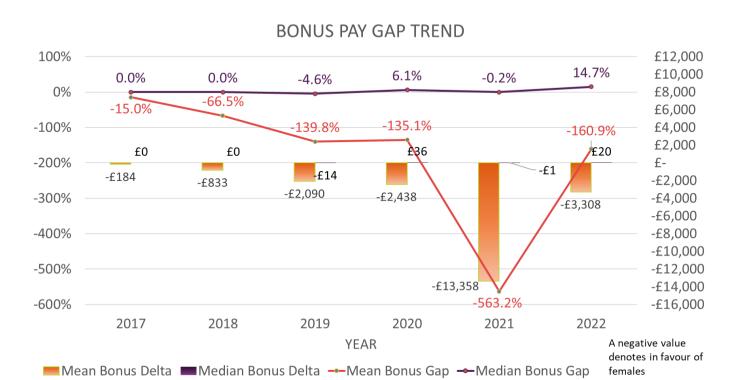
SOUTHERN GAS NETWORKS GENDER PAY GAP MOVEMENT



• SGN Southern's mean gender gap has continued to remain at around 0% whilst the median has widened since 2017 primarily due to the introduction of stagger payments in 2020.



SOUTHERN GAS NETWORKS BONUS GENDER PAY GAP MOVEMENT



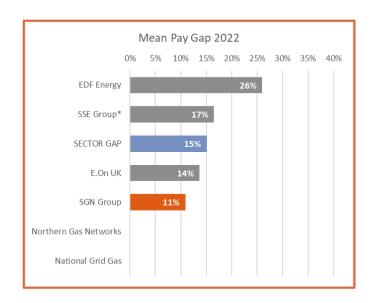
- SGN Southern's median bonus pay gap has fluctuated year on year, but does not show a consistent trend favouring one gender over another. 2022's gap of 14.7% is the largest median bonus pay gap observed since 2017 and should be monitored so it does establish itself as a long-term trend.
- The extreme mean gap in 2021 reduced considerably, returning to the levels seen in 2019 and 2020. The
 mean bonus payment for female employees is heavily influenced by large bonus payments to a small
 number of women in senior roles, which have a significant impact given the relatively small number of
 female employees in the entity. While the mean gap should be monitored, the median gap is currently
 more insightful in understanding gender pay in this entity.

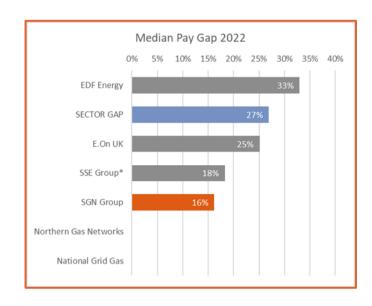


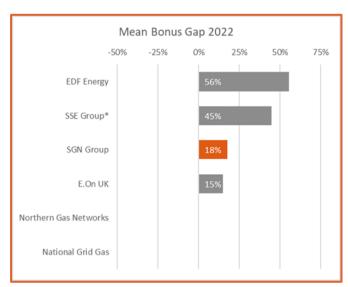


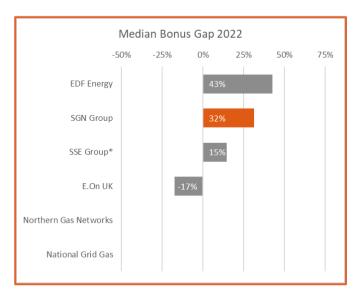


COMPETITIVE INSIGHT COMPARABLE ORGANISATIONS 2022







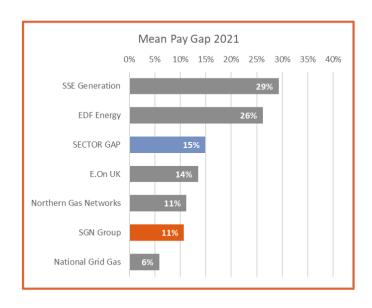


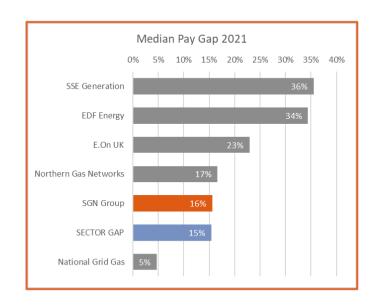
Note:

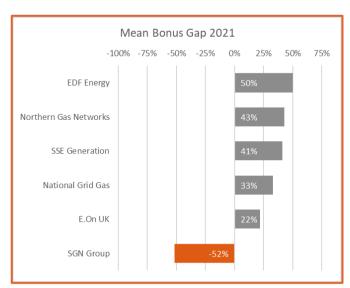
- SSE Generation Ltd are not listed as an SSE Group entity; SSE Group figures have been substituted
- · At the time of writing Northern Gas Networks and National Grid Gas do not have published 2022 Gender Pay Gap reports

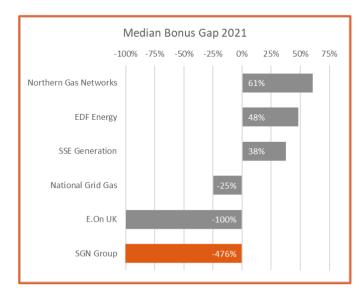


COMPETITIVE INSIGHT COMPARABLE ORGANISATIONS 2021



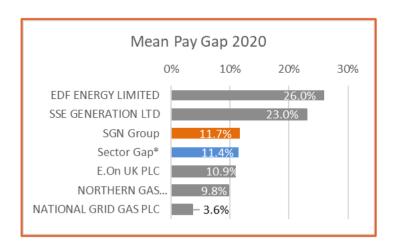


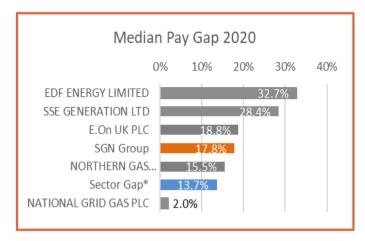


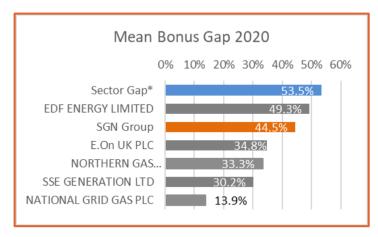


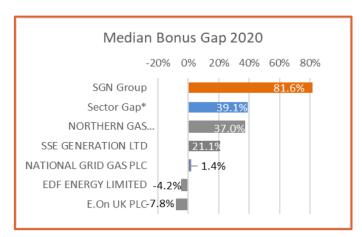


COMPETITIVE INSIGHT COMPARABLE ORGANISATIONS 2020





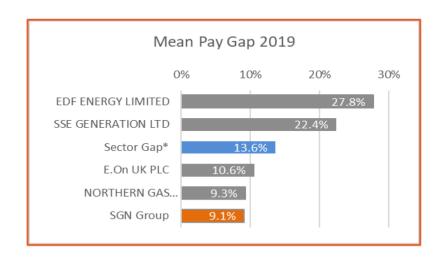


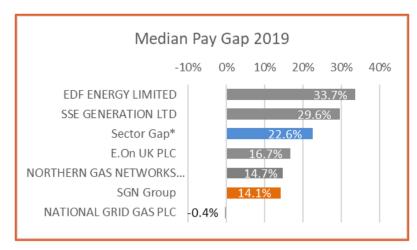


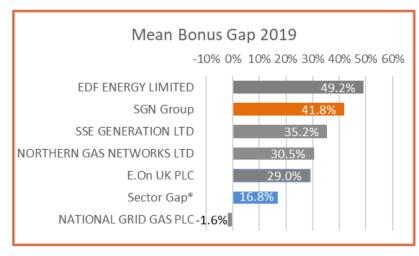
^{*}Sector Gap is Electricity, Gas, Steam and Air Conditioning Supply

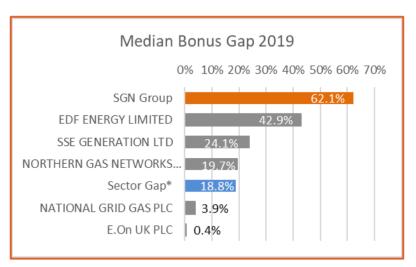


COMPETITIVE INSIGHT COMPARABLE ORGANISATIONS 2019











^{*}Sector Gap is Electricity, Gas, Steam and Air Conditioning Supply





UNDERSTANDING THE REGULATIONS REPORTING REQUIREMENTS

The gender pay gap regulations came into effect on 6th April 2017 following a Government consultation and require that:

- All relevant employers as defined by Schedule 19 to the Equality Act 2010 with 250 employees or more on the snapshot date report their Gender Pay Gap.
- If a business has a number of limited companies in its structure, the obligation to report falls on each entity separately (subject to meeting the qualifications on employee numbers). A separate legal company, or separate legal entity means each company registered at Companies House.
- Reporting be done annually; gender pay gap results must be published by 4th April each year using pay data from the "relevant pay period", defined as the pay period during which 5th April of the previous year (the "snap-shot date") falls, as well as the previous 12 months' bonus payments, up to and including the 5th April "snap-shot date", for a separate bonus gender pay gap calculation.
- Headline gender pay gap calculations are based on the definition of "Ordinary Pay", which includes base pay and allowances, and "Bonus Pay", paid in the relevant pay period, as well as the separate bonus gender pay gap calculation.
- You report on your external website (accessible by the public and employees) and a sponsored government website. The person who registers on the government website will be the one whose name appears on the report therefore we advise that whoever signs the report should be the one to register it on the website.
 - 3 years' of data be kept visible on your website so that year-on-year comparisons can be made.

The government will monitor the levels of compliance and failure to comply will constitute an 'unlawful act'.



UNDERSTANDING THE REGULATIONS GENDER PAY GAP CALCULATIONS

The difference in the mean hourly rate of pay for male and female full-pay relevant employees. The difference in the median hourly rate of pay for male and female full-pay relevant employees. The difference in the mean bonus pay for male and female relevant employees. The difference in the median bonus pay for male and female relevant employees. The numbers and percentage of male and female relevant employees employed in quartile pay bands of lower, lower middle, upper middle and upper quartile expressed as a percentage of the full-pay relevant employees within that band. The difference between proportions of male and female employees who were awarded bonus pay.



UNDERSTANDING THE REGULATIONS EMPLOYEES IN SCOPE

PERMANENT EMPLOYEES

Actual heads as opposed to FTF.

FIXED-TERM CONTRACTS

This group has the same employment rights as permanent employees.

ZERO HOURS CONTRACTS

If the employee(s) in question have worked during the reporting period.

CONTRACTORS

Working under a contract of employment, a contract of apprenticeship and a contract to personally perform work.

OVERSEAS EMPLOYEES

UK outbound employees working overseas on the snapshot date who are maintaining a link to the UK, as per their work contract.

CASUAL WORKERS

A casual worker should be included if they are not genuinely casual as defined in their contract (see description to the right). Hourly rates used to establish the gender pay gap figures have been calculated using 'full pay relevant employee' pay received during the pay reference period and contractual working hours in effect on the snapshot date.

Employees excluded include partners, Non-Executive Directors, employees being paid at a reduced rate or received no pay due to annual, maternity, adoption, shared parental, sick or special leave, or having not worked, and consultants and contractors because they are not personally contracted to carry out work or no mechanism is in place to record hours worked.

Casual workers can be excluded if they are genuinely casual. So, for example, are they hired and dismissed on separate contracts whenever they work? Is there an ongoing expectation that they will receive work and can they turn it down, or would they then 'lose their job'? It's a legal grey area; we advise to veer towards including them if you are under any doubt as to whether they are genuinely 'casual', and instead fall under 'workers', 'contractors' or 'employees'.



UNDERSTANDING THE REGULATIONS DEFINING ORDINARY PAY

The payroll snapshot date for calculations is 5th April each year and must be calculated based on the 'relevant pay period' where the date normally falls.

This is the period in which the relevant employer pays the employee basic pay, whether weekly, fortnightly, monthly etc. Organisations must calculate 'ordinary pay' before deductions for PAYE, national insurance, pension schemes, student loan repayments and voluntary deductions. As such 'ordinary pay' includes:

1	Basic pay (post salary sacrifice deductions)
2	Holiday pay
3	Maternity pay – only if this is the same or higher than the rate of pay the individual would have received had they not been on maternity leave
4	Sick pay - only if this is the same or higher than the rate of pay the individual would have received had they been working on the snapshot date
5	Location or area allowance

6	Shift premiums
7	Car allowances paid through the payroll
8	On-call allowances
9	Standby allowances
10	Clothing allowances
11	First-aider allowances
12	Fire-warden allowances
12	Fire-warden allowances

The following are not included within the 'Gender Pay' Reporting definition for ordinary pay:

Overtime pay, expenses, the value of salary sacrifice schemes, benefits in kind, redundancy pay, arrears of pay and tax credits, remuneration referable to redundancy or termination of employment, remuneration in lieu of leave or remuneration provided otherwise than in money.



UNDERSTANDING THE REGULATIONS DEFINING BONUS PAY



Employers must record all amounts of bonus pay paid during the relevant pay period, which should be pro-rata'd where applicable – this, along with the basic pay regulations on the previous slide, constitutes the definition of Ordinary Pay for the purposes of the Gender Pay Gap calculations.



Employers must also record all bonus payments paid in the previous 12 months ending on the 5th April 2021 - these are used to calculate the Bonus Gender Pay Gap figures and are based on actual amounts as opposed to pro-rata or FTE figures.



The bonus gender pay gap is the difference between the bonus pay paid to male relevant employees and that paid to female relevant employees and must be calculated using both the mean and median bonus figures.



Employees on sick leave/maternity leave who are excluded from the Ordinary Pay calculations due to receiving a reduced rate of pay during the relevant pay period are included in the bonus gender pay gap calculations.



Bonus pay is defined as money, vouchers, securities, securities options or interests in securities, and relates to profit sharing, productivity, performance, long service, incentive or commission. Elements of bonus that are awarded as shares or share options are to be treated as paid at the point in time when they would give rise to taxable earnings and the value to be considered for calculating the bonus pay figures is the taxable amount.



UNDERSTANDING THE REGULATIONS GLOSSARY

RELEVANT EMPLOYEES are employees employed by the employer on 5 April of a given year. This term includes full-pay relevant employees. A full-pay relevant employee is an employee who is employed on the snapshot date and who is being paid their usual full pay during the pay period that includes the snapshot date.

SNAPSHOT DATE is the date which determines the period of pay you are reporting on, which is 5 April. You will then have 12 months to publish your Gender Pay Gap. The information must be published within the 12 months following the snapshot date of 5 April each year which means that you will need to publish your Gender Pay Gap report by 4 April 2022 at the latest.

THE 'RELEVANT PAY PERIOD' is the pay period within which the 'snapshot date' falls. It is the period in respect of which the relevant employer pays the employee basic pay, whether weekly, fortnightly, monthly or any other period, or if the relevant employer does not pay the employee basic pay, the period in respect of which the employer most frequently pays the employee one of the elements of ordinary pay.

THE 'RELEVANT BONUS PERIOD' is the twelve-month period that ends on the 'snapshot date'. The relevant bonus period will always be the preceding twelve months ending on the 'snapshot date' being used for calculations. For example, where the snapshot date is 5 April 2021, the relevant bonus period will be 6 April 2020 to 5 April 2021.

REDUCED RATE OF PAY is pay received by employees in the relevant pay period that is less than their usual or contractual pay, or nil, due to being on or having been on leave (maternity leave, parental leave, sabbatical). In this case they are not a 'full pay relevant employee' and should be excluded from the ordinary pay calculation. If an employee is paid less than usual for reasons other than leave (for example because they have been on strike during the pay period), they still count as a full pay relevant employee.

MEDIAN relates to a value lying at the midpoint of a distribution of values, such that there is an equal probability of falling above or below it.

MEAN is the average number in a set of data.



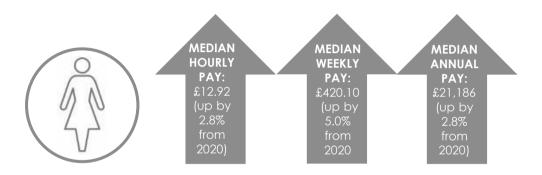


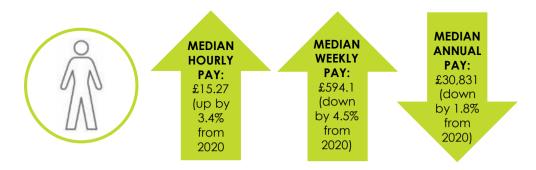


TRU

CONTEXTUAL INFORMATION ONS AND UK GOVERNMENT

2021 Update: "Gender pay gap widens to **15.4%**"





The ONS report released on the 3 November 2020 reported the 2020 Gender Pay gap to be 15.5% in favour of men, however, the current release of the same report shows the 2020 Gender Pay gap as 14.9% in favour of men. The ONS advises that "comparisons with 2020 need to be treated with caution" because "the data for 2020 was affected by both the coronavirus (COVID-19) pandemic, in terms of wages and hours worked in the economy, and also disruption to the collection of data from businesses".

The 2021 Gender Pay figures published by the ONS reports that the gender pay gap among all employees is **15.4% in October 2021, up from 14.9%** in 2020. However, the gender pay gap has been declining slowly over time, falling approximately a quarter over the last decade.

The median hourly earnings for full time employees in 2021 shows women earning 92.1% of men's hourly pay. This is a Gender Pay gap of 7.9%, up from 7.0% in 2020.

Part-time hourly earnings reveal a Gender Pay Gap in favour of women. Part-time male employees earned 97.3% of women's part-time hourly pay. This is a Gender Pay Gap of -2.7%, down from -3.5% in 2020.

The data collected in ASHE 2021 relates to the pay period covering 21 April 2021, at which point approximately 3.7 million employees were furloughed under the Coronavirus Job Retention Scheme, where approximately a half of these furloughed employees received reduced pay. This has the potential to artificially affect the gender pay gap estimates. For example, if a notably higher proportion of men than women (or vice versa) were furloughed with reduced pay, the headline gender pay gap estimates would be more likely to reflect short-term labour market conditions rather than underlying pay trends.

SOURCES:

2020 ONS Gender Pay Report:

 $\frac{https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpay}{gapintheuk/2020}$

2021 ONS Gender Pay Report:

https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpay appintheuk/2021



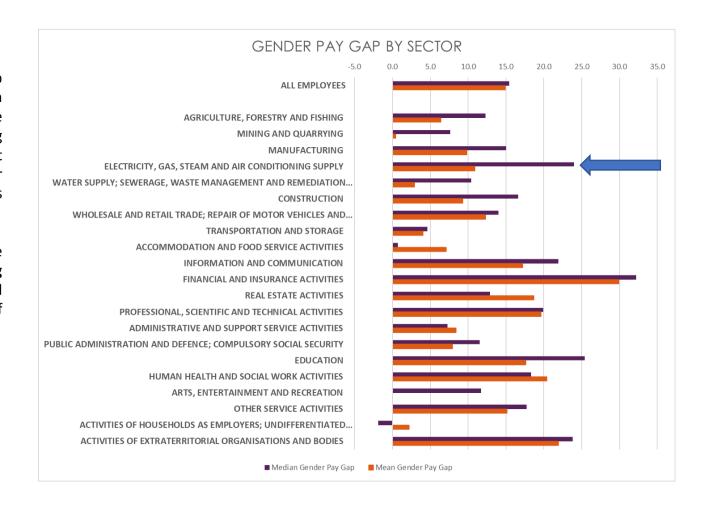
TRU

CONTEXTUAL INFORMATION SECTOR CONTEXT

ELECTRICAL, GAS, STEAM AND AIR CONDITIONING SUPPLY

The current median National gender pay gap for the reporting year 2020/21 released in October 2021 is **15.4% in favour of men**. Due to the Coronavirus pandemic, the reporting deadline for compulsory reporting for relevant organisations was extended to the 5th October 2021, resulting in 9,298 organisations publishing their gender pay gaps.

Based on ASHE data provided by the ONS, the Electrical, Gas, Steam and Air Conditioning Supply sector has a mean pay gap of 24% and a median pay gap of 10.9% both in favour of men.









WHAT NEXT? USEFUL CHALLENGES, GOING FORWARD

	At present the primary contributory factor towards the base pay gap is that females tend to be the most prominent population within the lower grades and this diminishes as you move up through the grades.
	Is there a barrier impacting the progression of females at the higher grades. We recommend that consideration is given towards succession planning, talent mapping, hiring, pay progression, and pay setting policies and processes.
Succession planning	Are there any areas which might lead to unconscious bias against women. For example, it is widely acknowledged that unconscious bias plays a part in our decision making - even with the best of intentions - and adopting an approach of structured interview questions, which you ask all applicants, ensures you are taking a consistent and objective approach to all candidates. There are also training courses available to help your managers with unconscious bias.
	The end game is to take a fresh view of existing practice and put in place an action plan which will support in attracting, retaining and developing the best talent regardless of gender.
Learning &	Do men and women have the same access to development opportunities?
development	Are courses or learning opportunities easily accessible to both genders?
	Are you satisfied with how many women were promoted within a $1-3$ year period and does this compare favourably with your organisation's overall gender composition?
Career	Do you regularly audit the ratio of males to females being promoted according to gender in any given year, or looked at it by manager to uncover any potential gender bias? Can you track how far each gender progresses?
progression	Do you regularly audit the proportion of roles filled by external recruitment vs. internal promotions? If so, are there any levels that are particularly problematic?
	Can you monitor and evidence that your career progression plans take account of career breaks for women?
	Does your organisation effectively promote successful female role models?
Proactive	Do you encourage networking amongst female employees?
initiatives	Do you offer management development that is specifically targeted towards female emerging leaders?



WHAT NEXT? USEFUL CHALLENGES, GOING FORWARD, CONT'D

Overall Reward	Is there a commitment to consider and address matters of gender & equal pay?
strategy	Can it be supported and demonstrated at a senior level?
	What does your action plan look like – in the short/ medium/long term?
	Would developing or strengthening an Equal Pay Policy help?
Action Plan &	What policies and practices need to change?
Policies	How (or will you) communicate this?
	How can you best track progress made over time?
	How will you set goals, and meet gender diversity targets?
	Are you satisfied that you have a robust job evaluation system in place? Or that you are applying it fairly and consistently?
Job evaluation	This will provide the foundation for fairly recognising internal job relativities, i.e. work of equal value.
Pay arrangements	Do you have clear and consistent policies in place? Can you audit to ensure that managers are consistent in the application of base salary levels for new starters, for promotions and 'out of cycle' increases? Beyond base pay levels, do both genders have the same opportunity to obtain bonus payments or any additional allowances?
Recruitment	Can you confidently say that your organisation strives to employ a fair and realistic balance of women and men across the organisation?
	What do you do to proactively sell your sector to both genders at all levels?
	Can you be confident providing evidence that your recruitment system is free from gender bias?
	Do you monitor the ratio of female to male applications in comparison to the number of employees you actually hire?



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