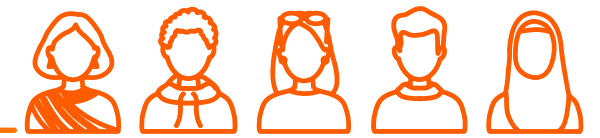




Diversity Pay Gap Report 2020





Introduction

SGN remains committed to diversity, inclusion and equality – we recognise it helps to attract and retain the best talent needed to meet the challenges ahead, and it drives innovation and creativity, supporting our growth ambitions and delivering value to customers and stakeholders. Our Diversity and Inclusion strategy has been in place for some time and over the last couple of years we've started to see real change happen.

It's been a challenging year, which has meant we've had to change how we deliver D&I programmes, or pause them entirely. We've recruited more females into roles that have previously been filled predominantly by men and, with the support of different practices and policies such as flexible working and succession planning, over time we'll start to see the ratio of females to males becoming more balanced. Our holistic approach to diversity and inclusion has also led to a greater focus on ethnicity, with 'Let's Talk About Race' initiatives and our first Black History Month campaign.

This is our fourth year to report on the Gender Pay Gap and it will take time before the positive steps we've already made, and continue to make, will start to close the pay gap. This is a challenge facing our whole industry and we'll continue on our journey of correcting this legacy imbalance. It's a long-term plan and while there is a great deal to do, the gap may get worse before it gets better, but we're proud of our changes so far.

One of the commitments of the 'Race at Work Charter' is to measure the ethnicity pay gap and we've decided to voluntarily publish our data for the first time this year ahead of any legal requirement. Our results are positive and overall we have a small ethnicity pay gap in favour of our BAME employees. It's helped us to identify that 13% of our employees have not declared their ethnicity – this needs to improve so we can make sure we can produce more complete pay gap reports in the future and enable us to track progress more effectively.

This combined pay gap analysis sets the tone for diversity pay gap reporting going forward. Our Executive Leadership Team remains fully committed to driving forward change, with managers who advocate and support this alongside employees who want to make a difference. This collective effort will increase the pace of change and I value that. We would like to showcase what we have already done and outline our next phase of change.

Kate Naylor

*HR & Services Director
March 2021*



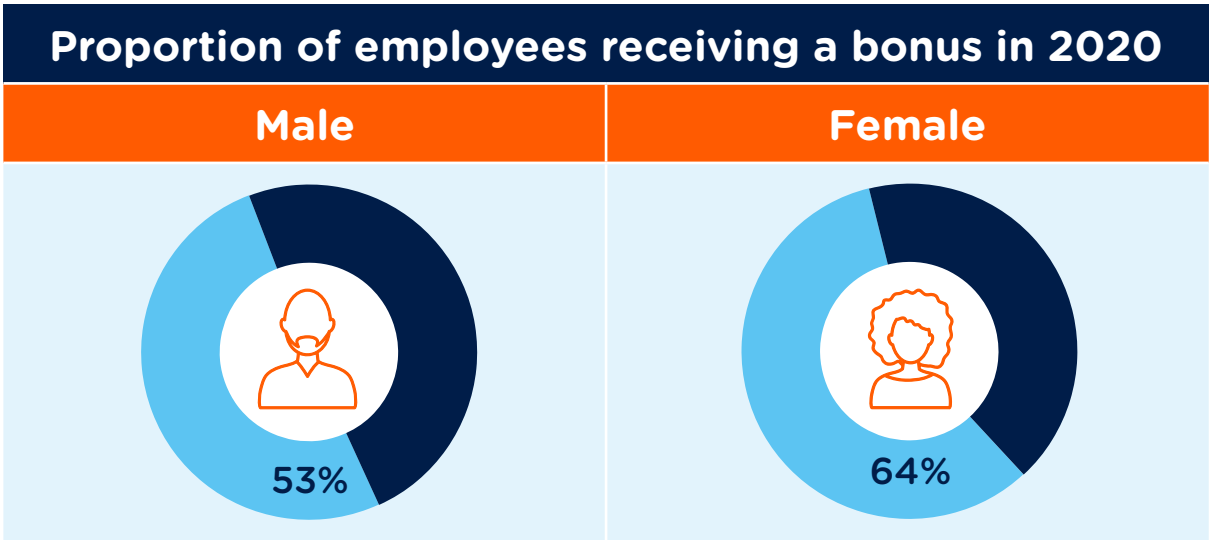
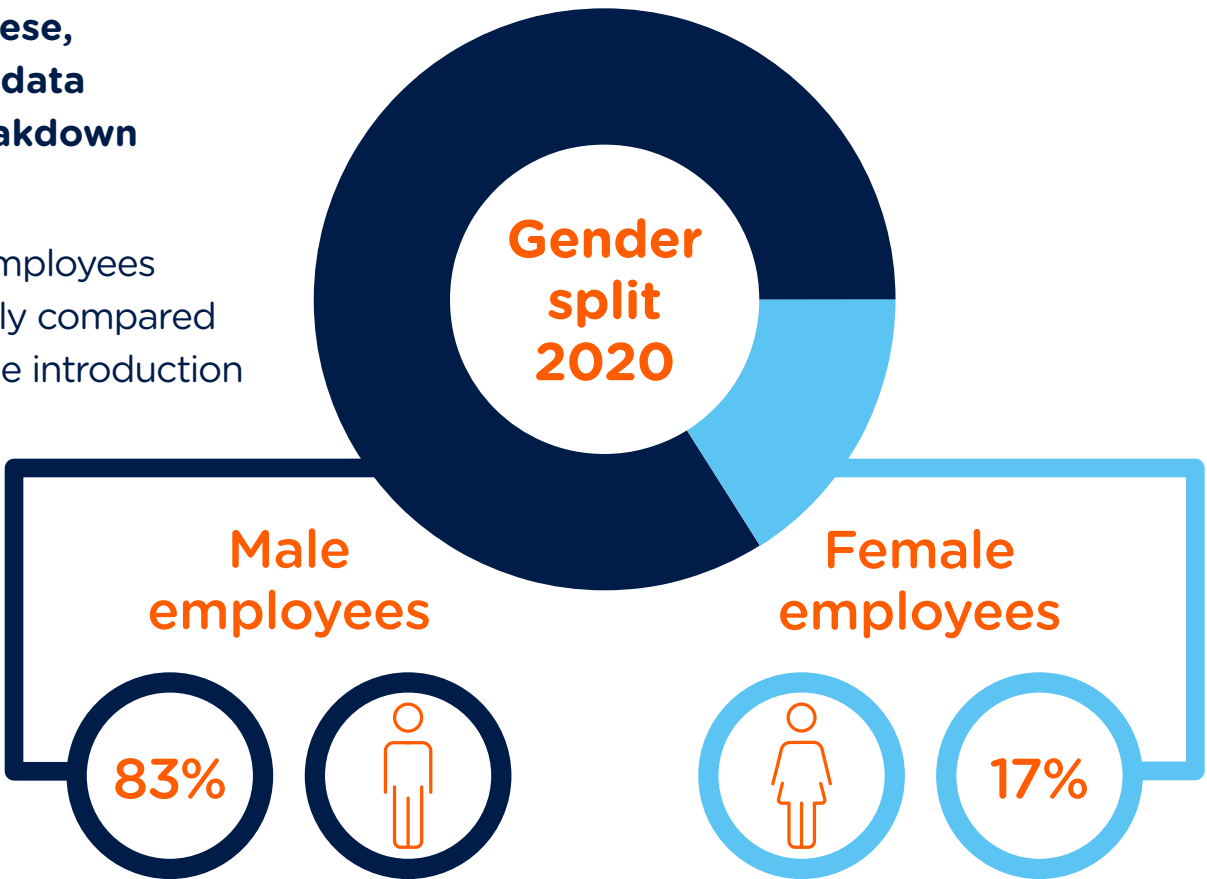


Our 2020 gender pay gap results

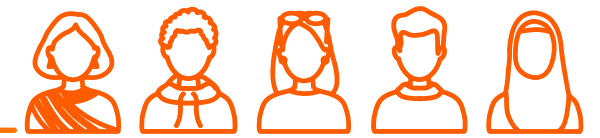
We are only required to report on the individual companies within our Group which have 250+ employees. On 5 April 2020, SGN in the UK employed nearly 4,000 people across several entities. Of these, three entities had 250 or more employees and are required to publish their gender pay gap data under UK law. As in previous years for complete transparency, we continue to provide a breakdown for these three companies within our group and the Group level figures.

The gender pay gap change is subtle due to various changes to our headcount and the number of employees that fall into the reporting requirements. The positive is that our pay gap is positioned more favourably compared to our competitors. The median gender pay gap this year could have been particularly affected by the introduction of stagger payments applied to our predominantly male field force.

SGN Group mean & median pay and bonus gap						
	Mean			Median		
Year	2018	2019	2020	2018	2019	2020
Gender pay gap	8.8%	9.1%	11.7%	13.6%	14.1%	17.8%
Gender bonus gap	19.5%	41.8%	44.5%	0.0%	62.1%	81.6%



Proportion of men and women across the four pay quartiles								
Year	2017		2018		2019		2020	
Quartile	Male	Female	Male	Female	Male	Female	Male	Female
Upper	85%	15%	86%	14%	85%	15%	86%	14%
Upper middle	92%	8%	89%	11%	90%	10%	91%	9%
Lower middle	91%	9%	88%	12%	88%	12%	87%	13%
Lower	74%	26%	73%	27%	71%	29%	68%	32%



A summary of the main changes to our results for gender

Our Group's mean gender pay gap for 2020 is 11.7% in favour of males and the median is 17.8%, both of which have increased slightly from last year. However, the mean gender pay gap is still below the national mean gender pay gap of 15.5%.

These results show the impact of the steps we've taken as part of our diversity and inclusion strategy in which we now see more females in roles that have traditionally been more dominated by males. This is as a result of more successful recruitment and onboarding initiatives. While this is a step in the right direction, it has resulted in our pay gap widening as we have increased the proportion of females within the lower pay quartile – over time we will see these females

progressing and moving through levels in our company.

The bonus pay gap has increased, likely to be because of stopping our previous recognition scheme (SGN Way awards) in March last year, which was based on monetary awards. The tables on the previous pages show how this overall figure is distributed across the different quartiles of the organisation.

We need to keep focused on the long-term goal and while COVID-19 has impacted progress in some areas, it has allowed us to fast track in others. With the continued support from our senior leadership, the Board, and our employees, collectively we are all committed to helping build an inclusive organisation where everyone is valued, respected, and encouraged to do their best.

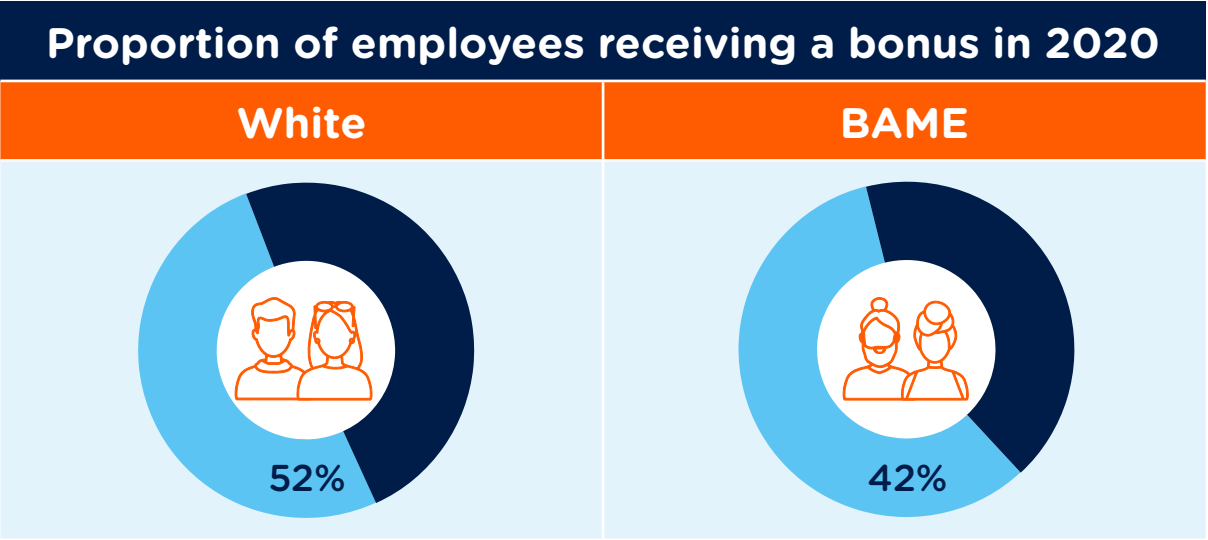




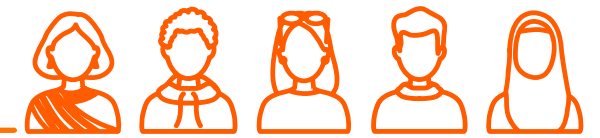
Our 2020 ethnicity pay gap results

To further demonstrate our commitment to D&I, we have also calculated our ethnicity pay this year for the first time. It is not yet a legal requirement, although it is widely anticipated that organisations with 250 employees or more will soon be required to report their ethnicity pay gap. We want to be ahead of it, to understand what our ethnicity pay gap looks like, to share and publish the results and to provide total transparency. For completeness, the BAME category covers, Black, Asian, and minority ethnic employees, with the non-BAME category predominantly white.

SGN Group mean and median ethnicity pay and bonus gap		
	Mean	Median
Ethnicity pay gap	1.3%	0.3%
Bonus ethnicity pay gap	30.0%	20.0%



Proportions of white and BAME employees across the four pay quartiles		
Year	2020	
Quartile	White	BAME
Upper	95%	5%
Upper middle	96%	4%
Lower middle	97%	3%
Lower	95%	5%



A summary of our results for ethnicity

The ethnicity pay gap reveals the difference in the average pay and bonuses between BAME and non-BAME employees across our organisation. While the regulations haven't yet been published, we can assume the calculation will follow the same methodology as the gender pay gap reporting.

We are 13% away from achieving 100% ethnicity declaration and therefore we've not been able to include what equates to around 500 employees of our workforce in our calculations – this gap could change our pay and bonus gap figures. While the 87% of people that have declared gives us a good representation, for the next run of reporting our goal will be to run calculations on 100% ethnicity declarations.

Our Group's mean ethnicity pay gap for 2020 is 1.3% and the median is 0.3% both in favour of BAME employees, better than the median national ethnicity pay gap of 2.3% in favour of white employees. All four quartiles report a mean and median ethnicity pay gap of less than 3% which indicates pay equality between ethnic groups.

The ethnicity bonus pay gap highlights that white employees receive mean bonus payments 30% higher on average than BAME employees. The median reports bonus pay gaps 20% higher also in favour of white employees. The proportion in receipt of a bonus payment is 10% more white employees receiving bonus payments than BAME employees.

We have a lower representation of BAME employees, with ethnicity-declared numbers showing only 5% BAME and 95% categorised as white and we see the same distributions across the four quartiles.

With around 500 missing declarations, our ethnicity pay and bonus gaps will not show a complete picture and one of the reasons we have carried out calculations in advance of the compulsory regulation is to ensure that we understand the gaps, but this requires more disclosure and analysis.

We hope that publishing our ethnicity pay gap data voluntarily and having complete transparency will put us in good stead for increasing our declaration rates and for measuring the impact of our D&I strategy.





The positive steps we're taking

Not only do we want to continuously drive new initiatives that make SGN seen as an inclusive and diverse organisation, we also want to ensure that they are lasting, embedded into our culture and the way we do things.

Changes that had been seen as initiatives, such as the RISE Women's Development Programme, have become business as usual for us. This enables us to evolve and create the type of inclusive workplace that all employees will be proud of.

We recognise there's still a way to go to having a truly inclusive workplace where everyone can thrive and we have a robust action plan across three strategic pillars - educate, embed and engage - to deliver on our ambition. Our plans are informed by data and are business-driven, and everyone is responsible for delivery.

Proud
to be



EDUCATE

To increase awareness and understanding of D&I and the value it brings

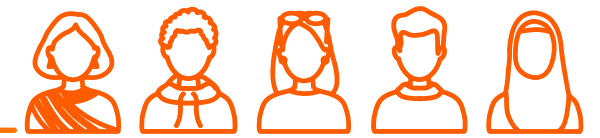
EMBED

To build D&I into business as usual at SGN

ENGAGE

Increase the engagement with, and discussion around, D&I





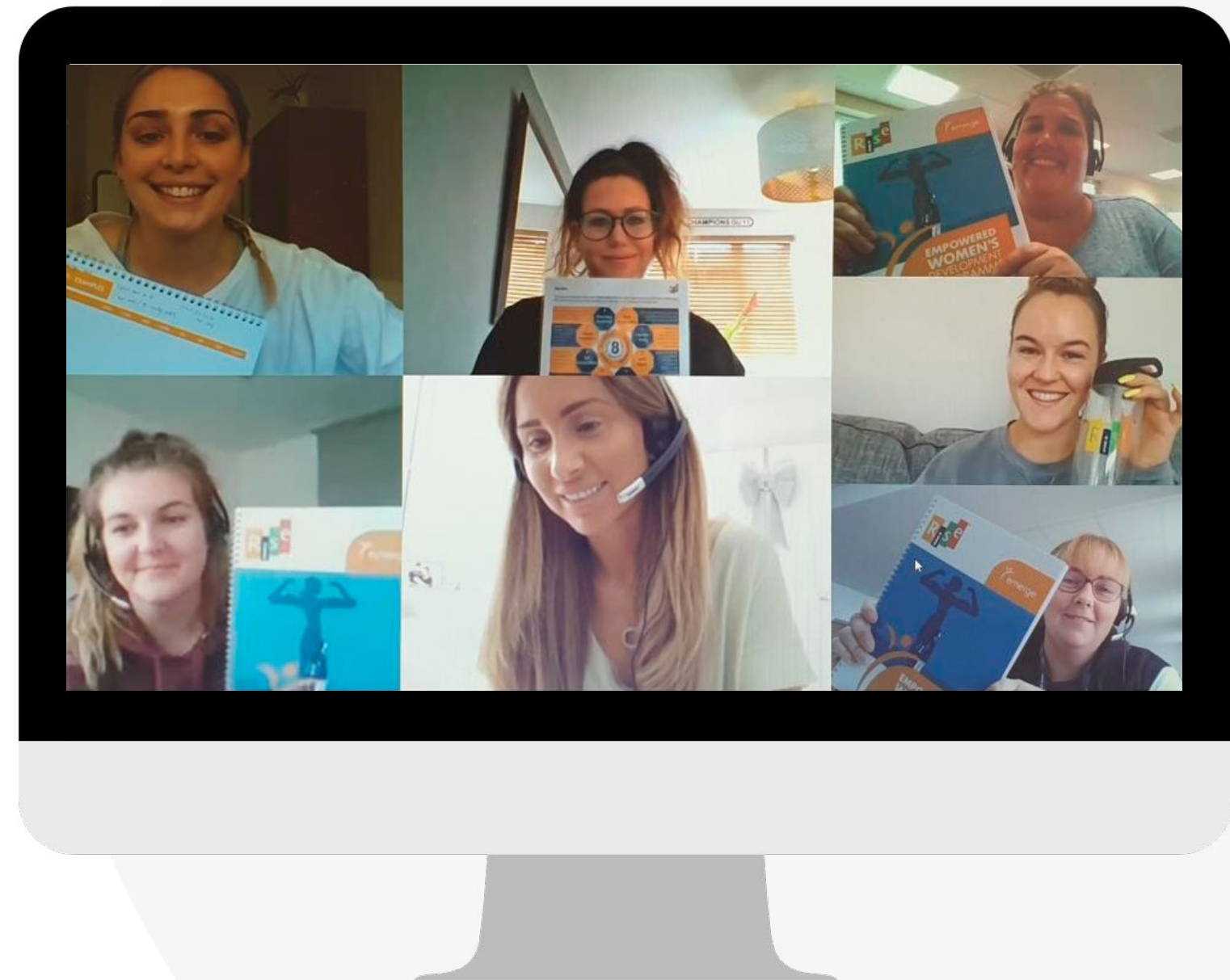
Creating more gender balance

We have made great strides in creating a more gender-balanced workforce over the last three years and we'll continue to make progress in the coming years.

We're reaping the benefits of a more **inclusive approach to recruitment**, such as gender-neutral language, targeted social media campaigns and inclusive recruitment training for hiring managers. The use of candidate experience surveys gives us greater insight into the recruitment experience and supports our ongoing improvements. Gender diversity in applications and hires continues to improve, with female applicants increasing by 10% and female hires making up 40% of all job offers in 2020.

Video screening technology was introduced for bulk recruitment campaigns, enabling candidates to promote their CV using video. We saw more females attending the pre-COVID-19 assessment days, with an increase in job offers to females into predominantly male roles.

Our **RISE Women's Development Programme**, aimed at helping our women reach their true potential, was redesigned for virtual delivery due to the pandemic, ensuring our 2020/21 intakes could be delivered as planned.





Case study

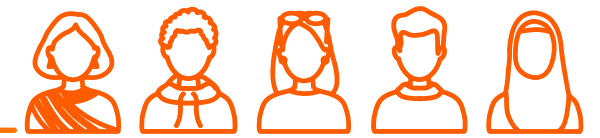
“I joined SGN in 2008 as a maintenance apprentice – I hadn’t considered engineering before but I applied after looking into the company and being impressed by the ethics of customer service and sustainable energy investment. I undertook a three-year apprenticeship learning new skills, thoroughly enjoying every second, and assigned a mentor while learning on the job. They were great at making sure I felt welcome on the patch and that I was getting to see something new every day.

After completing my apprenticeship, I was given the opportunity to cross flex into other areas of the business such as records control, emergency and new connections – a great way to experience other parts of SGN and gave me a good understanding of the gas industry. With the company’s support, I embarked on an Open University BEng (Hons) degree in Engineering, Energy and Sustainability, and around early 2015 I joined Major Projects Transmission Construction, where I was responsible for overseeing the construction of high-pressure transmission stations. I was later chosen for a place on a leadership training course – a great place to learn leadership and presentation skills while networking throughout the business.

The team in Engineering Policy has been incredibly supportive, coaching me through my final year of exams and offering to mentor me so I can achieve Incorporated Engineer status. I’ve also taken part in SGN’s RISE programme where I met lots of like-minded women with a passion for engineering. I love the fact I’m learning something new every day in a supportive environment that pushes me to grow my abilities and I can’t wait to tackle the next challenge.”

Jennifer Stant, Policy Engineer





Our journey towards inclusion

Reflecting on our D&I journey over the past year, we've made some good progress in becoming a more diverse and inclusive SGN, and this work remains a priority. Some of the initiatives introduced in 2020 include:

An **onboarding workshop** for all new hires to ensure a great employee experience from day one, with an introduction to the business, key people, policies and systems. A dedicated D&I section explains what it means at SGN and why it matters. The virtual workshop proved effective during lockdown to help people feel welcome and connected.

A **bias awareness campaign** to highlight the impact of bias on behaviours and decisions. The Press Pause campaign included a video, managers' resources, eLearning and a range of articles and employee stories. Additional eLearning modules are set to follow during 2021.

Our partnership with Solutions for the Planet allows us to run **diverse youth panels** with 14 to 16-year-olds,

giving insight into inclusive recruitment practices and brand perception. The feedback will help in the attraction of a younger and more diverse audience to SGN.

The pandemic forced us to advance aspects of D&I that were hard to progress, including **remote working**, greater autonomy and trust to deliver from afar. Technology, policies and processes were fast tracked to enable new ways of working, leading to greater collaboration and creativity, increased focus on wellbeing and commitment to supporting a healthy home/work life balance, and supportive and compassionate leadership. We'll embrace the opportunities COVID-19 has presented as we agree future ways of working.



PressPause

Those who can't change their minds,
won't change anything



pressing pause



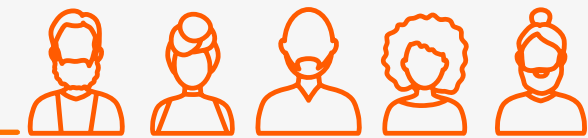
being aware of our biases



discussing with others



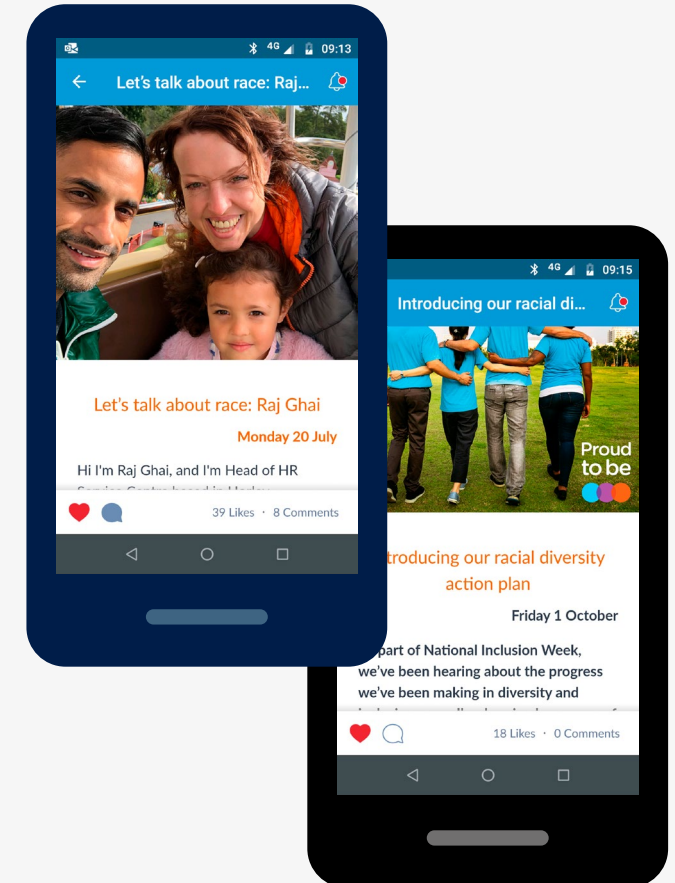
identifying changes



Let's talk about race

The pandemic also highlighted issues such as Black, Asian and minority ethnic (BAME) people groups being adversely affected. During 2020, we broadened our focus from gender to include racial diversity – as highlighted in last year's report.

- Our starting point was to analyse **diversity data** for recruitment, progression and retention, to understand the barriers faced by minority groups. Two campaigns – bias awareness and safe to speak up – provide the education, tools and processes.
- **Listening sessions** gave us insight into the lived experiences of our BAME colleagues, with personal stories shared on our digital comms app, helping our people better understand and talk about the impact of racism. Supporting Black History Month for the first time allowed us to share these insights and demonstrate our commitment to change.
- The **racial diversity action plan**, shaped by colleagues, includes actions to improve ethnicity data, gain a better understanding of barriers faced by minority colleagues, support programmes improving opportunities for minority groups, and updating policies, processes and manager resources.





Case study

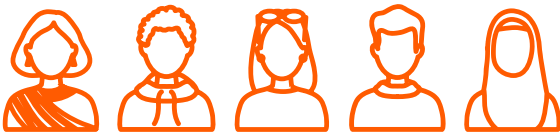
“Last year, during Black History Month, I shared an account of my experiences moving from a privileged life in Kogi State, Nigeria to a working-class neighbourhood in Liverpool. Having the platform to tell my story also gave me the opportunity to share my views on racial tensions throughout history and the importance of judging people as individuals, without arriving at conclusions based on the colour of a person’s skin.

For me, it wasn’t until I arrived in Liverpool at the age of 12 that I realised what it meant to be Black. I had lived all my life never contemplating race or skin colour, however, my education on racism was swift and immediate. Being born in Nigeria and raised in Britain has gifted me with a unique set of perspectives and while it’s true I experienced racism in its cruellest form, I’ve also had many positive encounters and opportunities.

I firmly believe we’re shaped by the stories we’re told and I’m proud to work for a company that encourages colleagues to share their stories. It’s only by listening to those with lived experiences that we can truly understand the problem and how we can influence positive change. As a society we have some way to go but I’m encouraged by the positive steps being taken and I’m grateful to be involved in the work to advance racial diversity at SGN.”

Sunny Onuh, Senior Data Assurance Analyst





(2021 dates are subject to change due to COVID-19)



What's next?

The delivery of our D&I plan continues with several actions scheduled for 2021. Building on the activities listed on the roadmap, these include:

Signing the **Race at Work Charter** is one of the actions we're taking to amplify our commitment to improving racial equality. Changing the composition of our senior leadership at the top will take time, but we believe having a passionate executive ally with the power to make positive changes will lead to action supported at the top.

We've committed to two programmes aimed at improving opportunities for young Black people – the **Greater London Authority (GLA) WIN Design Labs** and **#10000 Black Interns**. As one of ten companies participating in the GLA Design Labs 12-month programme, we'll be working collaboratively to tackle the underrepresentation of young Black men in the construction and infrastructure sectors.

An **Equality, Diversity and Inclusion (EDI) audit** will give an independent view of EDI efforts to date and a baseline performance to measure future success from, with recommendations to inform our D&I action plan for the next five years. The audit will help us understand any challenges and barriers to embedding inclusion into HR processes.

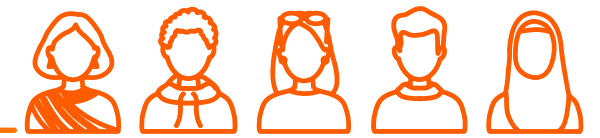
We continue to develop a wealth of **D&I resources** for all our people, including our forthcoming Gender and Sexuality Guide, eLearning packages, and a campaign highlighting what it means to be an ally, building towards embedding National Inclusion Week as an annual company-wide initiative.

We'll use the lessons we've learned during the pandemic to explore different **ways of working** to further demonstrate our commitment to being an inclusive employer.



“Inclusion is at the heart of everything we do. We're proud of our progress but we can always go further to create a more diverse workforce. I'm delighted that SGN has signed the Race at Work Charter and we are determined to make sure that ethnic minority employees are represented at every level within our business. We will succeed as a nation when race at work is no longer a subject for debate and employees with a range of different life perspectives exist and excel together through equality of opportunity. There's a long way to go and SGN will continue to play its part on the journey.”

Rob Gray, Director of Stakeholder Relations and Communications and Executive Sponsor for Race



Leadership commitment

D&I is firmly on the Executive Agenda. It's also included within the leadership diversity scorecard, with regular reporting on progress to the Board. We have ambitious D&I goals and, with the support of leadership behaviours and programmes, our leaders remain fully committed and understand their responsibility in driving progress towards making our culture more inclusive and diverse.



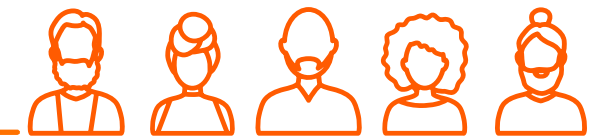
“Diversity is critical for the energy system of tomorrow. Diversity brings in different people with different ideas and contributions. Diversity means that as an industry we need to reflect our customers and the communities in which we serve.

Our sector is one of the least diverse in the UK and we want to be clear: diversity is much more than a legal requirement or just a ‘nice-to-do’ – it is a *must-do* because it has a direct impact on performance and our ability to get better outcomes for consumers.

We are all in this together, as an organisation and as an industry, and we need to work together to make meaningful change happen. Given the lack of diversity at SGN, our Executive team are pledging to learn about the experiences of different groups within our sector through our diversity-based mentoring programme. We’re taking steps to attract talent from under-represented groups and we need to continue developing a stronger network of partnerships, and work collaboratively with bodies such as the Greater London Authority Infrastructure Group and the Energy and Utility Skills D&I Forums.

It’s equally important that we expand our view and learn from other organisations outside of the Utilities sector and continue to be held accountable by our external stakeholders. We have ambitious plans but we’re proud to be leading the way in making our industry fit for the future.”

John Morea, CEO



Full results by group 2020, 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
2020 full group results, by legal entity										
SGN Group	Male 83 Female 17	11.7%	17.8%	Male 86 Female 14	Male 91 Female 9	Male 87 Female 13	Male 68 Female 32	44.5%	81.6%	53% of men 64% of women
Southern Gas Networks plc	Male 92 Female 9	-0.5%	9.0%	Male 94 Female 6	Male 98 Female 2	Male 88 Female 12	Male 86 Female 14	-135.1%	6.1%	100% of men 100% of women
Scotland Gas Networks plc	Male 91 Female 9	9.2%	8.0%	Male 92 Female 8	Male 93 Female 7	Male 93 Female 7	Male 85 Female 15	-61.4%	0%	100% of men 100% of women
SGN Contracting Ltd	Male 81 Female 19	8.2%	16.0%	Male 85 Female 15	Male 89 Female 11	Male 85 Female 15	Male 66 Female 34	10.4%	-40.0%	38% of men 59% of women



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