

Pay Gap Report

2022



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Foreword

Having a diverse workforce, that reflects our communities will only make us a better organisation, one that can drive positive change internally and in society.

This year we are voluntarily publishing our first ever ethnicity pay gap, alongside our gender pay gap.

We believe in the value of driving transparency and diversity throughout our business and are committed to reporting our ethnicity pay gap annually, something we are keen to see become a statutory reporting requirement for all large companies in the UK.

Last year, we proudly became the first UK gas distribution network to sign up to the Race at Work Charter, an initiative designed to improve outcomes for ethnic minority colleagues. We see reporting our ethnicity pay gap as another crucial step in fulfilling our Race at Work call to action.

As society evolves, we continue to review our plans to ensure our commitment and ambition remains relevant. This year we affirm our commitment to Equity, Diversity and Inclusion (ED&I) with the launch of our reformed strategy. This strategy revolves around our three key priorities: placing ED&I at the heart of our employee lifecycle, becoming an anti-racist organisation, and driving inclusive leadership with ED&I at its core.

Each of these strategic priorities has its own working group, with a diverse range of contributors from across the business eager to help drive change, take action, and monitor our progress.

Thanks to the inspiring commitment from all, I am pleased to announce that over the past year we have seen a reduction in both our gender and ethnicity pay gaps across all key measurements.

Whilst we recognise there is still much work to do in reducing both of these gaps further, it is great to see our commitment to ED&I leading to meaningful progress.

I am excited to be involved in the next stage of our journey and look forward to seeing us build on this progress over the coming year.



Steve Fraser
Chief Executive Officer



Our Numbers

What a pay gap is and how it's calculated

Pay gaps show the difference in the average hourly rate of pay between two groups of individuals, irrespective of any differences in the work they do, expressed as a percentage of the average earnings of the first group. Pay gaps are **not** the same as equal pay, which relates to the difference in pay between two groups doing the same or similar jobs.

We have calculated our gender pay gap in line with gender pay gap regulations. We have chosen to use the same calculation method for our ethnicity pay gap to drive transparency. This includes calculating and reporting our mean and median pay gaps, mean and median bonus gaps, the percentage of white and ethnic minority colleagues who are paid a bonus, and our pay quartile breakdown.

We have included our 2021 figures to help provide clarity on how we are progressing.

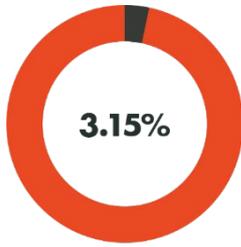
The mean and median explained

The mean figures are calculated by adding up all relevant colleagues' pay, then dividing that figure by the total number of relevant colleagues. The mean ethnicity pay gap is the difference between the mean hourly pay of ethnic minority colleagues and the mean hourly pay of white colleagues, as a percentage.

The median figures are calculated by finding the middle of a range when pay of all relevant colleagues are lined up from smallest to largest. The median gap is the difference between the median hourly pay of ethnic minority colleagues and the median hourly pay of white colleagues, as a percentage. The same calculations are used for gender pay figures.

Our 2022 ethnicity pay gap

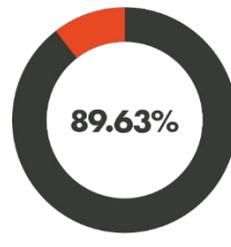
Our ethnicity pay gap shows the difference in the average hourly rate of pay between individuals from ethnic minority backgrounds and white individuals, expressed as a percentage of the average ethnic minority earnings.



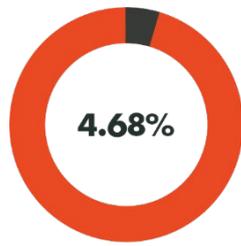
MEAN ETHNICITY PAY GAP
2021 figure: 4.47%



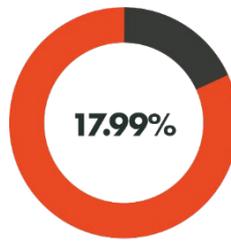
MEAN ETHNICITY BONUS GAP
2021 figure: 19.72%



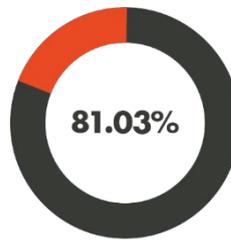
PERCENTAGE OF WHITE EMPLOYEES PAID A BONUS
2021 figure: 79.72%



MEDIAN ETHNICITY PAY GAP
2021 figure: 9.11%



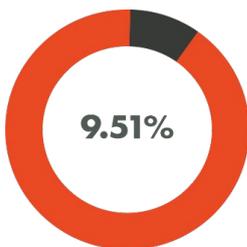
MEDIAN ETHNICITY BONUS GAP
2021 figure: 29.53%



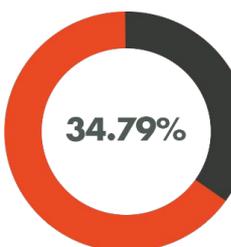
PERCENTAGE OF ETHNIC MINORITY EMPLOYEES PAID A BONUS
2021 figure: 66.35%

Our 2022 gender pay gap

Our gender pay gap shows the difference in the average hourly rate of pay between male and female individuals, expressed as a percentage of the average female earnings.



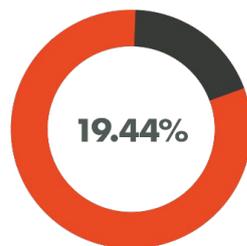
MEAN GENDER PAY GAP
2021 figure: 13.19%



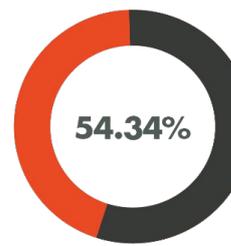
MEAN GENDER BONUS GAP
2021 figure: 35.38%



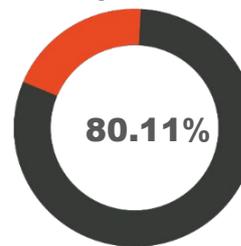
PERCENTAGE OF MALES PAID A BONUS
2021 figure: 76.62%



MEDIAN GENDER PAY GAP
2021 figure: 24.27%



MEDIAN GENDER BONUS GAP
2021 figure: 57.55%



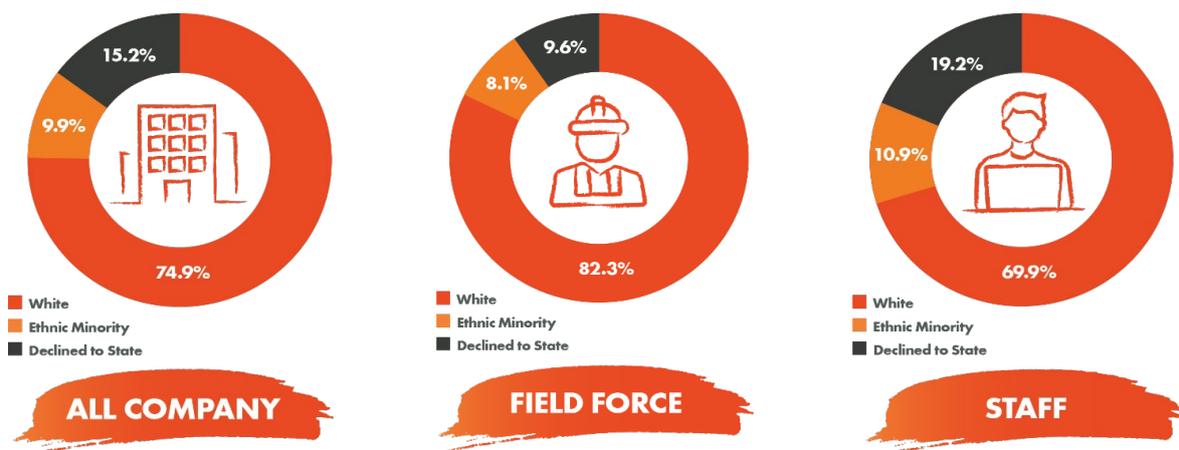
PERCENTAGE OF FEMALES PAID A BONUS
2021 figure: 55.60%

Our ethnicity pay gap explained

We recognise that we do have an ethnicity pay gap. As we continue working to address this, we are committed to reporting these figures annually alongside our gender pay gap to help drive accountability, transparency, and improvements. We are pleased to see a reduction of our ethnicity pay gap compared to last year, across all measures.

There are two main factors causing our ethnicity pay gap: underrepresentation of ethnic minority colleagues in senior roles, and a higher proportion of our ethnic minority colleagues working in office-based roles as opposed to field roles.

To improve ethnic minority representation in senior roles, our executive committee have created their own ED&I Action Plan which will be measured and published internally. The plan focuses on nine tangible, outcome-focused actions, which will have a real impact, specifically where our senior leaders can make the most difference. These actions include ensuring we develop an ED&I plan within each function in the business, reviewing the diversity and representation at committees annually, and seeking to have a diverse talent pool for all senior leader appointments.



We have lower representation of ethnic minority colleagues in our field force compared to office colleague. Our field force colleagues' pay comprises of a salary and allowances (such as stand-by payments, shift allowance and London area allowance), plus monthly performance bonuses; therefore, our field colleagues' mean and median hourly rates are significantly higher than the rates for office colleagues. Due to the disproportionate representation of ethnic minority colleagues in office roles compared to field force roles, our ethnicity pay gap is affected negatively.

To address these representation issues in our field force, we are working hard to attract more diverse talent. Through signing the Race at Work charter, we have committed to clear actions to support ethnically diverse talent.

In the past year, we have piloted a set of workshops aimed at identifying what barriers to progression ethnic minority colleagues face in our networks. We are also working to develop training for all line managers to help remove these barriers and are currently considering accelerated development programmes for progressing under-represented talent. In addition, we also offer mentoring and reverse mentoring schemes to help colleagues develop the skills and knowledge needed to progress into senior roles.

We are also working hard to create a more inclusive workplace. We are reviewing our Rewards and Benefits scheme to ensure these are inclusive for everyone.

Disclosure rates

We recognise that we have work still to do to improve our ethnicity data. Whilst the number of colleagues disclosing their ethnicity has improved over the past year, we currently have 15.2% of colleagues who have not yet stated their ethnicity. This means that their pay information cannot be included in our ethnicity pay gap calculations. This is an ongoing area for improvement which currently impacts on our ethnicity pay gap.

We do not use the term 'BAME' (Black, Asian and minority ethnic) as we believe it puts emphasis on certain ethnic minority groups (Black and Asian) whilst excluding others. Instead, we use the term 'ethnic minorities' to refer to all ethnic groups except white groups.

We also recognise the benefit in breaking down our pay gap by more detailed categorisations of ethnicity. However, as analysis by each ethnic minority group breaks down data into small sample sizes, we are reporting our ethnicity pay gap this year in terms of ethnic minority pay compared to white colleagues' pay to increase the reliability of our figures. As our organisation changes and our disclosure rates increase, we will review the way in which we report our ethnicity pay gap annually.

Proportion of ethnic minorities in each quartile

Quartiles are calculated by listing the pay of every colleague from lowest to highest, before splitting that list into four equally sized groups, called quartiles. The ethnicity breakdown of the colleagues in each quartile is shown in the images.

UPPER QUARTILE



UPPER MIDDLE QUARTILE



LOWER MIDDLE QUARTILE



LOWER QUARTILE



Our quartile breakdown shows that the highest representation of ethnic minority colleagues is in our Upper Quartile, highlighting good representation in management roles across the business. We recognise that more work is needed to progress our ethnic minority colleagues from these management roles into our senior leadership positions.

This year, we have also begun working towards a recognised inclusion standard, ClearAssured. This service not only helps provide structure to the many ED&I activities across the business but supports us in achieving our ED&I strategic objectives and provides resources and up-to-date content to do so.

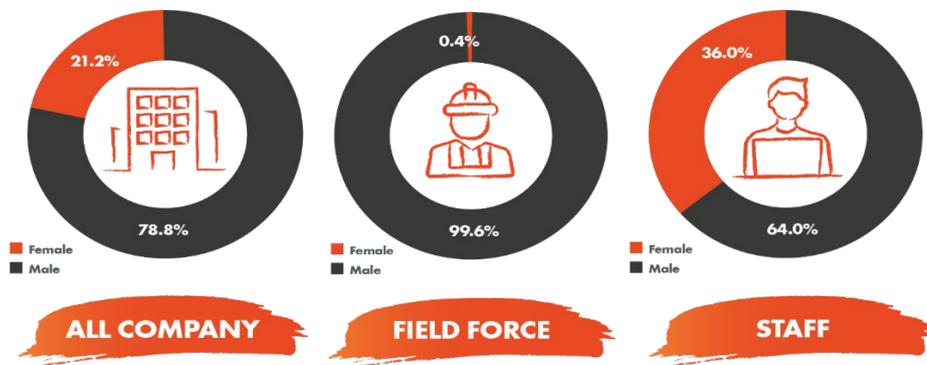
Over the coming months and years, we will be working with ClearAssured, making our efforts more visible, and allowing us to track and understand our progress towards becoming a thought leader in ED&I.

We are also working across the industry to address the challenge of successfully attracting diverse talent into STEM (Science, Technology, Engineering and Mathematics) roles. In line with our current focus activities, we are reviewing our recruitment processes and developing recruitment guidance to remove any unconscious bias from this process. We are also trialling a shortlisting matrix and blind CVs to ensure our recruitment is fair and inclusive for everyone.

Our gender pay gap explained

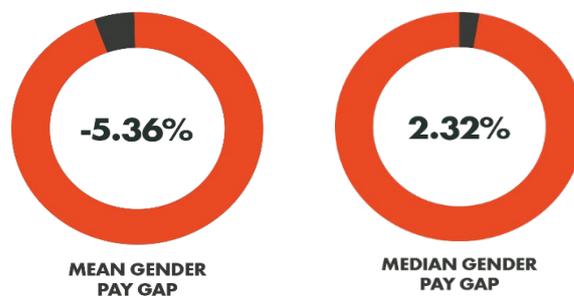
We are pleased to show that since our previous report, we have seen a reduction in both the mean and median hourly pay gap, in addition to a reduction in the mean and median bonus pay gap. Whilst this is a definite step in the right direction, we know that we need to do more.

A key reason for our gender pay gap is due to the make-up of our colleagues in staff roles compared to field roles and the nature of their pay, similarly to how our ethnicity pay gap is affected. Due to the nature of our field operations work, providing a 24/7 gas emergency service, the pay of our field operations colleagues comprises of a salary and allowances (such as stand-by payments, shift allowance and London area allowance), plus monthly performance bonuses. As the vast proportion of the field operations population is male, the male hourly rate is drastically increased by this factor, impacting negatively on our gender pay figures.



With our field force colleagues bonuses paid monthly, there is also a significant impact on the percentage of colleagues paid a bonus. Office colleagues are paid a bonus annually each July, and pay gap figures are calculated in April, therefore office colleagues in their first year working with us, may be counted as having not been paid a bonus if they joined after July. This impacts our female figures disproportionately as we have a higher percentage of women in office roles than in field force roles.

Base salary pay gap figures



Please note: a negative percentage figure indicates lower average pay for male colleagues compared to female colleagues.

If calculated on base salary alone (not including regular allowances and payments), our mean gender base salary pay gap is favourable towards women, with a gender pay gap of -5.36%.

Improving our employee offering

This past year we held our first 'ED&I Big Meet', a chance for all those involved in ED&I activities to come together, reflect on our achievements, and re-focus our attentions.

One outcome from this has been the steps taken to increase our provisions for families, which is vital in creating an equal workplace for all to thrive alongside any family commitments. With this in mind, we are further reviewing our family provision policies on maternity, paternity, adoption, shared parental leave, infertility, and bereavement in order to support more equal opportunities for all.

We also offer our colleagues extensive flexible benefits which work through salary sacrifice. Whilst we are proud to offer such benefits, these do impact negatively our gender pay gap figures, as a larger proportion of female colleagues choose to utilise these benefits compared to male colleagues.

Proportion of males and females in each pay quartile

Quartiles are calculated by listing the pay of every colleague from lowest to highest, before splitting that list into four equally sized groups called quartiles and noting what proportion of each quartile are male and female. The figures below show the proportion of males and females in each quartile. We have a higher proportion of female colleagues in the lowest pay quartile, which contributes to our gender pay gap.

UPPER QUARTILE



UPPER MIDDLE QUARTILE



LOWER MIDDLE QUARTILE



LOWER QUARTILE



Case Studies

Over the past year, Embrace, our colleague-led community to support colleagues of all faiths and ethnicities, has once again led the way in raising awareness and starting open, honest conversations about society, our culture, and ways in which we need to change.



This community serves as a critical friend with ambitious plans for helping remove barriers and improving racial equity. Embrace have been integral in our commitment to signing the Race at Work Charter and reporting on our ethnicity pay gap.

This year Asif Aziz, Senior Investment Programme Manager and Embrace co-chair, was shortlisted for the Inspirational Leader Award, given to a Black, Asian, or minority ethnic business leader who has used their influence to affect positive change for racial inclusion.



Speaking on publishing our first ethnicity pay gap, Asif said: “Embrace has worked to strongly advocate the publishing of our ethnicity pay gap and I am personally delighted to see it become a reality with the support of our leadership team. This builds on us becoming the first Gas Distribution Network to sign up to the Race at Work Charter and further highlights the commitment to continue to take strides in our ED&I journey.

We recognise there is still work to do, particularly in the areas of disclosure rates as well as understanding why we are not seeing more ethnic minority colleagues in the most senior roles. But we are also confident that we will see further improvements and Embrace looks forward to continuing to work with the business to achieve our ED&I ambitions.”

Women in Cadent

Our employee community, Women in Cadent has continued to develop its impact across the business this year. This community is well established and provides a network of passionate colleagues, of all genders, working towards creating equity and supporting women’s professional and personal development.



Women in Cadent have hosted several thought provoking events, including an impactful event discussing menopause. Sessions such as this are helping to develop our culture and educate our workforce on what friends, family and colleagues may be going through.

Lucy Stuart, Risk and Assurance Manager and Menopause lead, has helped start the conversation on Menopause, whilst supporting colleagues and working towards achieving Menopause Friendly Employer status. Thanks to her efforts in making our workplace more inclusive, Lucy has been shortlisted for this year’s Community Award at the Menopause Friendly Employer Awards.



Continuing the Conversation: Cadent and the Menopause, discussing Women in Cadent subgroups

She said: “I feel very proud to have been shortlisted for the inaugural Menopause Friendly Awards. I’m passionate about supporting others experiencing the menopause, when my menopause journey began, I felt overwhelmed. We spend a lot of time at work, and for me, it was important to start the conversation about how working and experiencing the menopause could and should feel in the workplace.”

Courtney Murray, Head of Investment Planning Office

“My career journey in Cadent over the last 6 years has been thoroughly rewarding. I like to use my experience as an example of what you can achieve in the business when you set your mind to it. I was initially daunted when I joined as I am not a particularly technical person, which left me feeling concerned about my future being in an engineering and male dominated business. However, despite not being an engineer, I have used my skills in managing performance and processes to bring a different perspective to the teams I work with, and those skills compliment the technical capabilities around me.



I would encourage any aspiring women to trust your instinct and thrive in what you are good at. This will naturally deliver great work, but crucially you will also feel happier and more fulfilled in your role. Use those strengths to stand out from the crowd and bring value to the business in a different way, and don’t let yourself be pigeon-holed into any ‘category.’

Cadent has been extremely supportive of my career journey to date and recently even more so having just returned from my first maternity leave. Upon returning this April, I am thrilled to now be leading large teams of engineers, analysts and designers and I am a testament to the fact that the business will recognise your ability no matter your education, background, and skills. My biggest piece of advice to aspiring women would be to find a mentor, build a career plan (being flexible to adjust it too!) and take advantage of every opportunity that comes your way no matter how challenging or daunting they may seem, as if you put your mind to it you will succeed.”

Amir Mohsenifar, Customer Operations Supervisor

“I graduated in 2018 studying Chemical Engineering, and being a graduate, finding opportunities was not easy. I was on a Graduate Programme for an energy company offshore when I decided the programme was not for me. I decided to seek an opportunity which would challenge me but also let me share my ideas and implement them within the business. This was when I joined Cadent on the Engineering Trainee Programme. Cadent allowed me to really grow and become more confident to now supervise projects which connect customers to our network and be part of their Cadent experience.



I have been given many opportunities with senior leaders within the company by not only mentoring me, but through putting me on a career development plan to gain vital leadership skills and knowledge of the wider business. Within my time I have also been able push my innovative ideas forward and present them to the business. I have been here for almost four years now and it has been a very rewarding journey!”

William Bessa-Simons, Senior Delivery Support Manager

“After spending half of my life in Ghana where I worked for the largest gold mining and later for steel manufacturing companies in West Africa, I moved to the UK. I joined on a 1-year industrial placement as part of my Engineering Degree and was later sponsored to complete my degree. I then returned via the 2007 Engineering Graduate scheme. I have been privileged in my career and development so far to work in various departments (Operations, Dispatch, Resource Management, Commercial, Capital Delivery etc.) in the company, working on various projects with very talented diverse teams. In each case, I have had a voice and have contributed to the success of the roles and projects.



Thus, supporting and developing a strong, balanced, yet diverse team and the next generation is always a pleasure for me. It is important to lead by example, be approachable and show that hard work pays off. I always strive to be credible, share my knowledge and experience, and believe that having representation forms the basis for growth and hence this enables the next generation to have diverse role models to aspire to.”

Jenna Smith, Customer Operations Supervisor

When I joined the business nearly 20 years ago, I came here as a stopgap until I figured out what I wanted to do as a career; if you'd have asked me back then if I could see myself studying for a degree in engineering, I would probably have laughed at you.

Being surrounded by people who champion and encourage me made me start to think that I was capable of much more than I was doing. After a few conversations with my leadership team about what I might like to do and looking into what was available to me, I soon found myself enrolling in higher education with the sponsorship of the business.

I feel extremely lucky to work with such a supportive business that's willing to make investments like this in their teams, it's been a huge boost not only to my appetite for learning, but also to my confidence.

The business supports me in both formal education and in my own professional development by encouraging and enabling me to take time to go and see what's happening around the business, with our teams being only too willing to share the great work that they do keep our millions of customers receiving their gas supply.



Closing statement

I'm proud of the work we have done over the past year where we've continued to make an impact by prioritising what matters to our people and identifying opportunities to accelerate our progress.

As our ED&I Executive Sponsor, I am proud of our proactive commitment to report our ethnicity pay gap annually and believe it will help us tackle long-standing challenges that transcend our industry.

We have seen a reduction across both our ethnicity and gender pay gaps over this past year, highlighting the hard work to embed our ED&I values in everything that we do. Minority ethnic colleagues and women across the business are using their talents and expertise to shape the future of gas whilst keeping our communities safe and warm, and it is good to see that reflected in our pay gap.

Our well-established employee communities have once again continued to grow their impact across the business and create an important space for colleagues of all backgrounds to develop, both professionally and personally.

This year, as well as spending time within our communities, listening to the changes we need to drive, I have also been out across our networks having conversations with colleagues about diversity and safe spaces in our operational environments, all of which provide more clarity and perspective and new ways of thinking and working.

The passion of my fantastic colleagues has led the way in making Cadent a better place to work and I would like to thank them for their hard work and dedication throughout the past year and I look forward to working together and building on our progress.



Ranjit Blythe
Chief of Staff, and ED&I Executive Sponsor