



ESP UTILITIES GROUP LIMITED

ASSET MANAGEMENT POLICY

INTRODUCTION

The Asset Management Policy of the ESP Utilities Group Limited (the “ESPUG”) has been developed by the Senior Management team to ensure that the ESPUG’s asset portfolio is managed in accordance with good engineering practice and general industry requirements. Asset Management in the context of this policy is deemed to include both the acquisition and on-going management of the asset portfolio by the ESPUG.

The Senior Management team therefore expects that all employees will strive to meet the objectives set out in this policy. Our joint goal is to provide the business with safe and efficient gas and electricity distribution networks for use by our customers (gas Suppliers and Shippers and electricity Suppliers) and our industrial, commercial and domestic end users.

The Senior Management team recognises that the ESPUG is ultimately responsible for the management of its asset portfolio and that successful management contributes to successful business performance. To achieve this aim we are committed to developing both our gas and electricity businesses such as to reduce or eliminate the losses associated with network failures and incidents.

This Asset Management Policy has been produced in order to define our Strategic Objectives for managing our asset portfolio in compliance with both our MAMCoP and Safety Case obligations for our gas business, ES Pipelines Limited (“ESP”), and the Safety Case and Distribution Safety Rules of our electricity business ESP Electricity Limited (“ESPE”).

GENERAL POLICY STATEMENT

Purpose

This Asset Management Policy has been produced by the Senior Management team of the ESPUG and defines our Strategic Objectives and arrangements for the maintenance of each of the key asset groups for all of the individual

gas and electricity distribution networks contained within our asset portfolio, which are;

Gas Assets:

- our Mains Pipework infrastructure networks;
- our Service Pipework infrastructures;
- our Metering equipment;
- our Pressure Regulating equipment;
- our Remote Monitoring equipment fitted at strategic Pressure Regulating equipment sites.

Electricity Assets:

- our Mains Cable infrastructure networks;
- our Service Cable infrastructures;
- our Primary Substation equipment;
- our Distribution Substation equipment;
- our LV Link Box equipment.

THE POLICY

Asset Acquisition

It is our policy that with regard to the acquisition of new assets we will outsource the construction of these assets, either indirectly by means of adopting assets designed and built by third parties, generally Utility Infrastructure Providers (“UIPs”) for gas assets and Independent Connection Providers (“ICPs”) for electricity assets under the terms of an Asset Adoption Agreement, or directly by the construction of gas assets designed by ESP and built by third parties employed by ESP under the terms of a bespoke construction contract.

Asset Management

It is our policy that with regard to the management of the key asset groups identified we will endeavour to:-

- ensure that our asset portfolio is managed in such a way as to minimise the risk to our customers, our customers’ end users and the general public associated with the failure of any of the key asset groups;
- recognise our obligations to meet with relevant legislative requirements appertaining to Asset Management. These requirements will be regarded as minimum standards;
- manage our asset portfolio with the objective of maintaining the uninterrupted

distribution of gas and electricity to our customers' end users' premises at all times, and where interruption is unavoidable, to minimise its duration and disruption;

- review this Asset Management Policy at regular intervals to ensure compliance with both new legislation and developments within our business;
- bring the contents of this Asset Management Policy to the attention of all of our employees;
- make the contents of this Asset Management Policy available to its stakeholders as appropriate;
- manage all of our external Service Providers to ensure that that our requirements with regard to Asset Management are met.

DELIVERY OF STRATEGIC OBJECTIVES

The Strategic Objectives that the implementation of this Asset Management Policy shall be required to deliver are:

- Commercial - to ensure that the life expectancy of the our Asset Portfolio is maximised and that the best 'value for money' is thereby attained for our stakeholders;
- Safety - to ensure that safety standards are at the very least maintained at their current level but wherever possible improved;
- Operational - to ensure that both the acquisition of new assets and the management of key asset groups are in compliance with the MAMCoP and the Safety Case of ESP, the Safety Case and Distribution Safety Rules of ESPE and the ESPUG's Asset Management System;
- Reputation - to maintain the ESPUG's corporate image and standing within our market sectors.

The delivery of these Strategic Objectives will be achieved by the on-going audit, performance monitoring and review and the continual improvement of our Asset Management Processes.

RESPONSIBILITIES

The ESPUG's Senior Management team has responsibility for the development of this Asset

Management Policy and for ensuring that this policy is implemented and regularly reviewed.

The Managing Director is ultimately responsible for ensuring that all of our employees who are involved with the management of our asset portfolio are aware of this Policy and its requirements. In practice this responsibility may be delegated to the Operations Director.

Our employees will be expected to co-operate with the Senior Management team with regard to all aspects of Asset Management associated with our business activities.



Robert Wallace, Managing Director
ESP Utilities Group Limited
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