



Our policy on

Asset strategy and planning

This asset management policy defines the key principles and requirements we will apply to our assets. It will help us to make sure that our assets are managed in a way that contributes towards the water for life vision by delivering the outputs expected safely, sustainably and efficiently.

The policy plays a key role in creating an overall 'line of sight' between our asset interventions and the Southern Water corporate objectives and business strategy. More specifically, it provides the Asset Management Framework and the document hierarchy used to translate our overall objectives into effective asset strategies and asset management plans.

This policy is endorsed by the Executive Leadership Team.

It is the responsibility of all Southern Water employees to ensure its implementation. Southern Water is committed to reviewing its policies, so they remain fit for purpose while reflecting the changing requirements of customers and stakeholders.

A handwritten signature in black ink, appearing to read "Ian McAulay".

Ian McAulay
Chief Executive Officer

January 2022

Overview/commitment:

This document has been developed based on good practice guidance from internationally recognised sources to comply with the requirements of the ISO55000 series of standards.

The extent of the discipline of asset management has been defined to adopt the 39 subjects within the Asset Management Landscape, developed by the Global Forum for Maintenance and Asset Management (GFMAM) and the Institute of Asset Management (IAM).

What we will do:

This Asset Management Policy is based on a set of **eight policy statements** aligned to corporate objectives that reflect company role, purpose and vision:

1. We will reduce safety risks both to the public and our workforce as far as reasonably practicable, ensuring compliance with all legal requirements and in alignment with our Health and Safety Policy.
2. Activity on our assets is carried out in full compliance with relevant legislative and statutory Requirements.
3. Ensure our asset systems, which deliver the essential services of wholesome drinking water and recycled water, meet expected levels of asset performance in the short, medium and long term to ensure inter-generational fairness. This includes:
 - Ensuring we deliver clean, safe and sustainable drinking water to all customers. This means continually improving our Compliance Risk Index performance and to meet the challenge of improving water quality standards. This also means reducing mains bursts and reducing customer interruptions.
 - Protecting our environment and making sure our rivers, lakes, reservoirs and coasts are healthy and clean across our region. This means reducing pollutions (with a long-term target of zero by 2040), improving treatment and improving water quality in our rivers and bathing waters.
 - Being sustainable. This means reducing leakage (by 50% by 2050), helping customers reduce their consumption to 100 l/p/d by 2040, creating new sustainable water resources, recycling waste to provide power, heat, water, natural fertiliser and minerals to benefit local communities and the environment. This also means utilising long-term planning, so our asset systems are resilient to meet future challenges.
4. The management of asset related risks will be undertaken on an evidence led basis in accordance with the corporate Risk Management Policy and through the risk and resilience frameworks (for both the wholesale water and wholesale wastewater businesses).
5. The asset management approach will be supported by the Southern Water IT/OT strategy.
6. The asset management approach will be appropriate to criticality of the assets and asset systems in achieving the overall organisational objectives.
7. We will proactively seek structured continuous improvement of our asset management capabilities and activities, and assure value for money for customers and stakeholders.
8. Assets and systems will be managed in accordance with sustainable development principles, including due consideration of long-term financial, societal and environmental impacts (this will include the value of natural capital and human capital as well as the impact of carbon). This will ensure we achieve our long-term corporate vision.



Asset management principles

In order to deliver these policy statements, Southern Water will apply an asset management system approach, consistent with the requirements of ISO55001. The Asset Management System will encompass the following **eight asset management principles**:

1. Ensure that the safe continued operation of all assets is paramount in any decision-making process, and that all infrastructure is managed in a safe manner.
2. Undertake asset management in a consistent way, working to align organisational and functional approaches to develop a truly integrated approach with a clear 'Line of Sight', linking all activities to organisational objectives and business strategy. This will include a clear understanding of risk appetite from our customers and shareholders to inform the acceptable level of risk.
3. Manage our assets in a systematic way and one which is in line with the approved asset management process. We will apply this starting at the highest level of the asset hierarchy to individual component assets of the 'asset system'.
4. Strike the best value approach to asset management between reducing risk, maximising resilience, improved asset performance and achieving best whole life cost within the regulatory totex funding envelopes of the current and future Asset Management Period. This includes adopting the Asset Criticality Framework (ACF) to manage our assets based on understanding the consequences of failure and impact on our service, customers, and stakeholders.
5. Align all asset management interventions to the principles defined in our asset policies and processes, that set out the major requirements and decision-making criteria for the work we do to deliver the required outputs (regulatory, legislative and performance) within the totex envelope defined by our corporate risk appetite. These policies and processes will be continuously improved to:
 - Be based on whole life, whole system costs and evidence based. This will be underpinned by appropriate evidence-based asset information to provide actionable insight.
 - Define and have plans in place to detail and record our approach to asset maintenance, inspection, and renewal, supported by reliability, availability, maintainability and legislative requirements. The approach should embed best practice and be outcomes based (focussed on delivering our asset management policy and long-term asset strategies).
 - A risk-based approach to determining intervention requirements to specified levels of reliability and availability for our assets and systems.
 - Define resilience requirements based on consequences for both our water and wastewater systems. This will consider a range of specified weather conditions (taking account of emerging knowledge of climate change) and a number of future population growth scenarios.

6. Develop technology, tools and methods to support evidence based whole life cycle decisions for maintaining, renewing and enhancing the infrastructure and improving our capability for predicting and preventing failures. These tools will include forecasts of the outputs that are expected as a result of the decisions, including documenting all assumptions made and benefits anticipated.
7. Create an environment where our asset management teams are motivated, driven by customer needs and proud of their work. This will be supported by investment to professionalise our competency in asset management.
8. Develop the asset management capabilities of the organisation and our supply chain to an appropriate level of maturity, in order to deliver efficient outcomes for customers and stakeholders including a commitment to share best practice, on lowest first cost solutions.

Delivering the policy

We will deliver the policy and our long-term shared outcomes through major transformative initiatives, including Target 100 and Network 2030, to ensure a constant supply of high-quality drinking water, as well as ensuring we remove wastewater effectively through Drainage 2030 and looking after the environment through Catchment First. We shall also ensure we recycle and re-use our resources as best we can through resource hubs. To support the delivery of these initiatives we will:

- Ensure excellent customer service, putting customers, the environment and other water users at the heart of everything we do.
- Embed robust and transparent decision frameworks (such as the Asset Criticality Framework) which incorporate benefit, total costs, risk and uncertainty. This will allow us to fully optimise our service performance in terms of risk management, asset performance and total whole-life costs within the totex envelope set by our corporate risk appetite.
- Embed customer and stakeholder priorities within our investment decisions, working in partnership with a range of stakeholders, local groups and communities to deliver more effectively.
- Embed a culture of innovation technology including collaborating with our customers. Other companies, other industries and academia. This will ensure we will proactively embrace emerging technologies and new approaches to meet future challenges and threats.
- Meet or exceed the performance levels promised to our customers while ensuring affordable bills for current and future generations.
- Accommodate regional growth and additional demand without detriment to our performance.
- Embed quality management systems for our asset management processes, information management and reporting.

- Embed Reliability Centred Maintenance (RCM) and Lean operating standards where cost beneficial. This will ensure efficient, high-quality service delivery for our customers and the environment.
- Continuously improve our best practice asset management in accordance with the principles of international standard ISO55001 and embed a corporate asset management framework.
- Employ and develop great people with the right capability, training and experience to develop and implement our strategies and plans.
- Develop the above through use of key capability development milestones over the course of AMP7.