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## 1 INTRODUCTION

- 1.1 Members of Mutual Energy Limited (the "**Company**") are selected and appointed in accordance with the policy and procedures set out in this document (the "**Membership Policy**"). Save as otherwise defined herein or the context otherwise requires, words and expressions defined in the Company's Articles of Association shall bear the same meanings where used in this Membership Policy.
- 1.2 The Membership Policy is a public document, available for inspection at the registered office of the Company. The Membership Policy will be reviewed by the board of directors of the Company (the "**Board**") from time to time, including upon the request of the Northern Ireland Authority for Utility Regulation or any successor thereto (the "**Authority**"). The Board shall send to the Authority (a) a report on the outcome of such review and (b) any proposed revisions which (having regard to the outcome of such review) the Board considers ought appropriately to be made to such policy. Following such review, the Board shall be entitled to make such revisions to the Membership Policy from time to time as it considers ought reasonably to be made, provided always that no such revisions may be made unless those revisions have previously been approved:-
- (a) by the Members at a general meeting of the Company; and
  - (b) by the Authority, provided always that in the event that the Authority does not notify the Board in writing within 28 days of receipt of such revisions that it objects to such revisions then such revisions shall be deemed to be approved by the Authority.

The first review will take place not later than by 30<sup>th</sup> September 2012 and thereafter at intervals of not more than three years.

## 2 COMPANY LIMITED BY GUARANTEE

- 2.1 The Company is a "company limited by guarantee", registered in Northern Ireland under The Companies (Northern Ireland) Order 1986. It was formed on 31 January 2005. The Company serves several purposes as follows:-
- (a) The Company is the ultimate holding company of a group of companies which owns the Scotland to Northern Ireland Pipeline ("**SNIP**"). More particularly, the Company owns the whole issued share capital of Northern Ireland Gas Transmission Holdings Limited ("**NIGTH**"), which in turn beneficially owns the whole issued share capital of Premier Transmission Holdings Limited ("**PTH**"). This company owns the whole issued share capital of Premier Transmission Financing plc ("**PTF**") which is the owner of the whole issued share capital of PTL. PTF is the vehicle which, through the issue of bonds, finances the acquisition of PTL, the company which owns the SNIP infrastructure assets.
  - (b) The Company is the ultimate holding company of a group of companies which owns the Belfast Gas Transmission Pipeline. The Company owns the whole issued share capital of Belfast Gas Transmission Holdings Limited ("**BGTH**"), which in turn beneficially owns the whole issued share capital of Belfast Gas Transmission Financing plc ("**BGTF**"). BGTF is the vehicle which, through the issue of bonds, financed the acquisition of Phoenix Natural Gas Limited, now renamed Belfast Gas Transmission Limited ("**BGTL**"), the company which owns the Belfast Gas Transmission infrastructure assets.

- (c) The Company is also the direct holding company of Moyle Holdings Limited ("MHL"). MHL in turn owns the whole issued share capital of Moyle Interconnector (Financing) plc ("MIF"). MIF is the vehicle which, through the issue of bonds, financed the acquisition of Moyle Interconnector Limited ("MIL"), the company which owns the Moyle Interconnector infrastructure and assets.
- (d) A joint services company, Interconnector Services (NI) Limited ("ISL"), has been incorporated as a direct wholly owned subsidiary of the Company. ISL provides joint management and other services to both the Moyle group of companies and also to the SNIP and BGT groups of companies in a more cost efficient manner than each of those groups could have sourced those services independently.
- (e) The Company's wholly owned subsidiary, Moyle Energy Investments Limited, may be used as a vehicle for acquiring and holding other energy assets and investments.
- (f) As a company limited by guarantee, the Company has no share capital and therefore no shareholders. Individuals appointed as members of the Company ("Members") do not receive dividends nor do they have any other financial interest in the Company and, accordingly, all financial surpluses generated, if any, will be retained by the Company for the benefit of its operating companies and, ultimately, energy consumers.

2.2 Membership is personal and cannot be transferred. Members are not appointed to represent any particular group or stakeholder interest.

### 3 MEMBERS OF THE COMPANY

#### 3.1 Role of and selection of Members

3.1.1 The Board is accountable to Members for its management of the Company's business. Members will therefore play a role in scrutinising each group company's performance against commercial and other targets, as well as against energy industry benchmarks for quality of service and cost efficiency. Similarly, if in due course any other energy asset owning companies are brought within the Company's group, Members will play a role in scrutinising the performance of those companies against their commercial and other targets, as well as against energy industry benchmarks for quality of service and cost efficiency. Accordingly, the role of Members is similar to that of shareholders in a public limited company, save that Members have no financial interest in the Company. Members will perform this corporate governance role by receiving regular reports on the Company's performance and by participating in Members' conferences and in general meetings of the Company.

3.1.2 In addition, Members will have a role in:

- (a) approving certain changes to the Company's constitution;
- (b) approving the appointment, re-appointment and removal of directors;
- (c) approving the Company's annual report and accounts;
- (d) approving the report of the Company's remuneration committee; and
- (e) approving the appointment, re-appointment and removal of the Company's auditors.

3.1.3 Members will be selected on merit and against objective criteria, the intention being that the Company has a membership which has the necessary skills, expertise, industry experience and/or capacity to contribute to these key governance roles and, in particular, to represent effectively energy consumer interests.

### 3.2 **Number of Members**

Unless otherwise agreed by the Authority, the Company will have not less than thirty Members. The membership should be large enough and sufficiently diverse as to ensure that there is adequate representation of energy consumers. Members should be motivated to ensure that the Board and management of the Company and associated companies operate on a sound commercial footing in energy consumers' interests. Whilst the minimum number of Members should (subject as aforesaid) be thirty, the number of Members should be sufficiently restricted as to ensure that each Member takes sufficient interest in and responsibility for monitoring the Company and ensuring that it and its Board and management are accountable. The number of Members should not be so large as to impede the Board from being able to manage effectively.

### 3.3 **Term of appointment**

It is the Board's intention that Members' appointments will be for periods of three years. Membership may be renewed by the Board beyond the initial period of three years. Membership may be renewed, provided that:-

- (a) the maximum tenure for members will be the higher of (i) three consecutive three year terms or, (ii) where the member is also a director, the members term of office as a director;
- (b) for the avoidance of doubt, any renewal may not be made for more than a three year term; and
- (c) any renewal will require the approval of the Membership Selections Committee on the basis of agreed criteria.

A Member's appointment shall cease:-

- (a) if he or she becomes of unsound mind or permanently incapable of acting; or
- (b) if her or she is convicted of any arrestable criminal offence (other than an offence under road traffic legislation in Northern Ireland or elsewhere for which a fine or non-custodial penalty is imposed); or
- (c) if he or she is guilty of conduct tending to bring himself or the Company or any of its subsidiaries into disrepute; or
- (d) if he or she becomes bankrupt or makes any arrangement with creditors; or
- (e) if he or she sends to the Company notice in writing of his or her retirement; or
- (f) if his or her membership is terminated by the Board on the grounds that it is in the best interests of the Company or on the grounds of failure by the Member to observe the provisions of the Membership Policy or the Articles of Association of the Company.

### 3.4 **Liability of Members**

In the event that the Company were ever "wound up", then every Member would be required to contribute £1 to the assets of the Company. This is the maximum liability of any Member and this liability would only arise at all if the Company were to be wound up in circumstances where the Company was unable to meet all its debts in full.

### 3.5 **Members' right to receive expenses**

No portion of the income or property of the Company may be distributed to Members, whether by dividend, bonus or other form of profit. Members will, however, be reimbursed all reasonable expenses incurred in respect of their attendance at the annual general meeting, Members' conference(s) or similar events.

### 3.6 **Standard of conduct**

Members must at all times observe the highest standards of propriety in relation to their membership. Members must:

- (a) take decisions as Members in the interests of the Company, having regard to the interests of the energy consumers of Northern Ireland, and not to gain any financial or other material benefits for themselves, their family, their friends or any particular organisation or other interest group;
- (b) exercise their rights and powers as Members to further the objects of the Company as set out in the Company's Memorandum of Association;
- (c) not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties;
- (d) make their choices on merit in carrying out Company business, including where making appointments to the Board, recommending individuals for rewards and benefits and approving transactions to be entered into by the Company;
- (e) be as open as possible about all the decisions and actions that they take, giving reasons for their decisions and restricting information only when the wider public interest clearly demands;
- (f) be accountable for their decisions and actions and submit themselves to a level of scrutiny which is appropriate to their membership of the Company;
- (g) not use their position as a Member, or information received by virtue of their position as a Member, to further private interests or to frustrate or influence policy, decisions or actions of the Company in an improper manner;
- (h) declare to the Board any private interests relevant to their membership or the activities of the Company; and
- (i) conduct themselves in a manner which will maintain and strengthen the public's trust and confidence in the Company and avoid any action which would, or could, bring the Company's name and reputation into disrepute.

## 4 **SELECTION OF MEMBERS**

4.1 Members will be appointed by the Board on the recommendation of a selection committee (the "**Membership Selections Committee**"). The Membership Selections Committee will be comprised of the following:-

- (a) two Members who are not also directors of the Company;
- (b) two non-executive directors of the Company; and
- (c) two independent representatives of the Authority,

provided always that in the event that from time to time any person referred to in any of (a) to (c) above has not been appointed to the Membership Selections Committee such that the Membership Selections Committee is less than six, the Membership Selections Committee shall comprise such persons as have at the relevant time been appointed to it.

4.2 The two Members referred to in paragraph 4.1(a) above shall be selected by the Board on the basis of agreed criteria and for a maximum term of five years and, to this end, the Board shall be entitled to seek applications from Members on the occasion of a vacancy. Any such Member shall cease to be a member of the Membership Selections Committee if he/she:-

- (a) ceases to be a Member; or
- (b) resigns his/her membership of the committee; or
- (c) is or has been suffering from mental ill health or becomes a patient for any purpose of any statute relating to mental health and the Board resolves that his/her office is vacated; or
- (d) is absent without the permission of the committee from meetings of the committee for twelve consecutive months and the Board resolves that his/her office is vacated; or
- (e) becomes bankrupt or compounds with creditors generally; or
- (f) joins the Board.

4.3 The two directors referred to in paragraph 4.1(b) above shall be selected by the Board from amongst its number and any person so selected shall cease to be a member of the Membership Selections Committee:-

- (a) in any of the circumstances referred to at paragraph 4.2(b) to (e) above apply; or
- (b) if the Board so resolves

4.4 There shall not be any fee paid in respect of attendance at the Membership Selections Committee but Committee members shall be entitled to reimbursement of reasonable expenses in connection with service on the Membership Selections Committee.

## 5 **HOW MEMBERS MAY BE SOUGHT**

As noted earlier (see paragraph 3.2 above) the membership should be large enough and sufficiently diverse as to ensure, inter alios, that there is adequate representation of energy consumers. As also previously noted (see paragraph 3.1.3 above)) Members should have the necessary skills, expertise, industry experience and/or capacity to contribute to the

membership's key governance roles and, in particular, to represent effectively the interests of consumers. To ensure that this is the case the Membership Selections Committee will be required to select candidates through two routes:-

- (a) Key stakeholders and consumer groups determined by the Membership Selections Committee from time to time will be asked to put forward candidates for consideration and such list, as amended from time to time, shall be included in the Appendix,; and
- (b) in addition, it is intended that there should be an open and transparent recruitment process similar to that used for public appointments.

The Membership Selections Committee will issue an invitation for candidates to apply for membership which will include the following information:

- (a) the date by which a response to the invitation should be given;
- (b) background information on the Company and on the group's business;
- (c) details of the requirements, responsibilities and rights of Members;
- (d) a copy of the constitutional documents of the Company; and
- (e) such other information as the Board considers appropriate.

In all cases potential Members must submit a written application to the Company Secretary.

## 6 THE APPOINTMENT PROCESS

6.1 The Membership Selections Committee will assess applications from potential Members and make its recommendation to the Board.

6.2 The assessment process will comprise three stages.

**Stage 1:** On receipt of applications, the Company Secretary will review them to ensure that they have been properly completed. The Company Secretary will then compile a list giving brief details of each potential Member, and will pass this to the Membership Selections Committee for initial review.

**Stage 2:** The Membership Selections Committee will carry out an initial review of the list of potential Members. If there are any potential Members that the Membership Selections Committee deems to be unsuitable or inappropriate, then a member of the Membership Selections Committee will write to such individuals advising them of the Membership Selections Committee's decision. The Company Secretary will record and keep appropriate details in the Register of Applications for Membership.

6.3 **Stage 3:** For those which proceed beyond the initial review, the Membership Selections Committee will assess applications against the Company's published criteria for membership, particularly as regards the qualities and industry experience (whether specific or general) of the potential Member, his or her independence and personal integrity, his or her ability to contribute to the Company and the need to ensure a balanced membership. In carrying out this assessment it may be necessary to contact the potential Member to seek further clarification of his or her application. If this is necessary, all such communication will be in writing. Shortlisted applicants may be invited

to interview. The Chairman of the Membership Selections Committee and at least one other member of the Membership Selections Committee will be present and a record of the interview will be prepared.

- 6.4 The Membership Selections Committee will submit a report to the Board on the potential Members considered by it together with a clear recommendation as to which should be invited to become a Member. Having made its decision the Board will issue an invitation to membership as appropriate.
- 6.5 The Board can reject potential Members recommended by the Membership Selections Committee where the appointment process set out in this Membership Policy has not been properly observed. Only potential Members recommended by the Membership Selections Committee can be appointed as Members.
- 6.6 The Board will confirm in writing to the potential Member whether or not their application for membership has been successful and the Company Secretary will record the new Member's details in the Register of Members.
- 6.7 Those responsible for the selection and approval of Members will be required to be able to show that objectivity and probity have been exercised throughout the selection process.

## 7 CORPORATE GOVERNANCE

Only those companies whose shares are listed on the London Stock Exchange are required to comply with the Combined Code on Corporate Governance (the "**Combined Code**") set out in the Listing Rules published by the UK Listing Authority. Notwithstanding this, and subject always to recognition being given to the differences between the structure of a conventional listed company and the structure and aims of the Company, the Company shall be seen to be adopting best practice, by endeavouring to adhere to the Combined Code where appropriate. In particular, the Combined Code's key principles of accountability, transparency and effectiveness should be key guiding principles for the corporate governance of the Company. Without prejudice to the foregoing generality, the Board shall appoint a committee relative to the appointment of members to the Board (the "**Board Nominations Committee**"), an audit committee (the "**Audit Committee**"), a remuneration committee (the "**Remuneration Committee**") and a risk committee (the "**Risk Committee**"). The operation of each of the Nominations Committee, Audit Committee, Remuneration Committee and Risk Committee shall so far as is reasonably practicable be in accordance with the Combined Code.

## 8 PROVISION OF INFORMATION TO MEMBERS

The Company will keep the Members informed of the Company's activities, progress and performance:

- (a) by the issue of an annual report and financial statements;
- (b) at an Annual General Meeting which will include presentations on the group's general and financial performance, including specifically the performance of each of the infrastructure assets, its maintenance programme, compliance with the terms of the relevant licence, an analysis of expenditure as compared with budget and details of compliance with financial ratios and customer service ; and
- (c) at any other Members' conferences which from time to time the Board may consider necessary or desirable.

## 9 GENERAL

### 9.1 Termination of membership

Membership may only be terminated in accordance with the relevant provisions of the Company's Articles of Association. A Member can resign at any time by serving written notice on the Company Secretary and it will be effective from the time such resignation is recorded in the Register of Members.

### 9.2 Applicability of the Membership Policy

The Membership Policy is to be followed in respect of the selection and appointment of all Members without exception.

### 9.3 Communication with Members

9.3.1 All communication between the Company, potential Members and Members relating to the selection process should normally be in writing through the Chairman of the Board, the Chairman of the Membership Selections Committee, or the Company Secretary.

9.3.2 Where this is not possible full details of oral communication with potential Members should be recorded by or on behalf of the Membership Selections Committee. Any information disclosed to a potential Member during the selection process must, to the extent it is relevant, be disclosed to all other potential Members.

### 9.4 Withdrawing an application

If a potential Member wishes to withdraw at any time during the selection process, then written confirmation of the decision must be submitted to the Company Secretary.

### 9.5 Retention of correspondence

9.5.1 The Company Secretary will be responsible for maintaining all correspondence in relation to Members or potential Members in an appropriate filing system. All correspondence relating to unsuccessful applications will be retained for a period of five years.

9.5.2 Information held by the Company about potential Members and Members will be used only for the administration of the membership and, if relevant, for the proper conduct of the Company's affairs.

### 9.6 Public register of Members

In line with the policy of openness and transparency on which the Company has been founded, the Register of Members (giving the names of Members and brief details) will be published on the Company's website. This is required of all Members and consent for this is given by submission of an application for membership.

### 9.7 Copies of this Membership Policy

Copies of this policy document are available for inspection at the registered office of the Company or on written request from the Company Secretary.

**APPENDIX**

**List of Consumer Groups invited to put forward candidates for membership of the Company**

**POLICY AND PROCEDURES FOR THE SELECTION AND APPOINTMENT OF  
MEMBERS OF MUTUAL ENERGY LIMITED**

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**McGrigors**  
*Edinburgh*

Princes Exchange  
1 Earl Grey Street  
EDINBURGH  
EH3 9AQ  
Telephone: 0131 777 7000  
Facsimile: 0131 777 7003  
E-Mail: [enquiries@mcgrigors.com](mailto:enquiries@mcgrigors.com)  
Web Site: <http://www.mcgrigors.com>