

## **Mutual Energy Limited (“MEL”)**

### **Board Charter**

The Board has adopted this formal Board Charter which details its functions and responsibilities.

#### **The Board**

The Board is comprised of a majority of independent non-executive directors, including a non executive Chairman, with a broad range of skills, expertise and experience from a diverse range of backgrounds. One of the non-executive directors is appointed as the senior independent director.

The Board has ultimate responsibility for setting policy regarding the operations of the MEL Group for the benefit of its stakeholders. The Board is accountable to members for the performance of the MEL Group.

In addition to matters delegated to the various Committees (see further below), the Board’s various responsibilities and functions include:

- reviewing and approving the MEL Group’s long term objectives, strategy and major policies and evaluating performance against them;
- development, implementation and review of the MEL Group’s health and safety management system;
- reviewing and approving the MEL Group’s business plans and budgets and monitoring performance against them;
- approving the annual operating plan and the financial statements;
- approving major capital expenditure of the MEL Group; and
- approving and reviewing the performance and effectiveness of the MEL Group’s corporate governance policies and procedures.

The list of matters formally reserved to the Board is set out in the Schedule.

#### **Board Committees**

There are four standing Committees of the Board to which various matters are delegated:

##### **1. Audit and Risk Committee**

This Committee comprises a number of non-executive directors. Broadly, its responsibilities are to review the MEL Group’s internal systems of control, to monitor the integrity of the Financial Statements and to make recommendations for the appointment of auditors and approve their remuneration.

## **2. Remuneration Committee**

This Committee comprises a number of non-executive directors. Its main role is to set the broad policy and framework for remuneration of executive directors, to review management performance and agree terms of remuneration of executive directors.

## **3. Nominations Committee**

This Committee comprises a number of non-executive directors and is responsible for considering and recommending to the Board appropriate persons to be appointed as executive and non-executive directors, together with succession planning and board evaluation.

## **4. Asset Oversight Committee**

This Committee comprises a number of non-executive directors and is responsible for proactively reviewing the strategies, policies, management, initiatives, targets and performance of the Company, and where appropriate its suppliers and contractors, in the areas of occupational, public and process safety, environment and security.

The responsibilities of the Board Committees are more fully set out in their Terms of Reference available on the company website.

The Board will from time to time form other sub committees to deal with certain matters of detail and the roles of these committees will be determined in their terms of reference.

## **Delegation to Management**

As indicated above, the Board has retained ultimate responsibility for the strategic direction and control of the MEL Group. However, the Board delegates to the executive directors and senior managers the responsibility for delivering the strategic direction and goals of the MEL Group.

## **Administrative Matters**

The Board normally meets seven times during the year, and may meet by way of telephone or video conference. Directors are sent papers for meetings of the Board and those Committees of which they are a member. The Committees of Moyle Interconnector (Financing) plc, Premier Transmission Financing plc and Belfast Gas Transmission Financing plc and West Transmission Financing plc meet concurrently with those of Mutual Energy. Two directors are required to be present at a Board or Committee meeting to form a quorum. There must be a minimum of two non-executive directors present. If a director is unable to attend a meeting, he or she may relay comments and views through another Board or Committee member. The Board also receives presentations and oral updates at the meetings, which are minuted, as well as regular updates on changes and developments to the business, legislative and regulatory environments. This ensures that all directors are aware of, and are in a position to monitor, major issues and developments within the Group. Special Board meetings may be held from time to time to deal with specific business which requires discussion or action between scheduled meetings.

New directors receive induction on their appointment to the Board covering the activities of the Group and its key business and financial risks, the terms of reference of the Board and its Committees and the latest financial information about the Group.

### **Directors' Duties**

In addition to specific statutory duties, each of the directors is required to comply with seven general duties under the Companies Act 2006 as follows:

- to act within the powers of the company;
- to promote the success of the company for the benefit of the members as a whole;
- to exercise independent judgment;
- to exercise reasonable care, skill and diligence;
- to avoid conflicts of interest;
- not to accept benefits from third parties;
- to declare any interest in an existing or proposed transaction with the company.

In performing their duties and coming to decisions the directors will consider:

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster business relationships with suppliers, customers and others;
- The impact of company's operations on the community and environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members.

A procedure is in place for directors to obtain independent professional advice in respect of their duties. The procedure is as follows: the Chairman, senior independent director, or Company Secretary must be informed in advance, then either the Company Secretary will procure the advice on their behalf or the individual at the company solicitors named in the directors letter of appointment will provide or procure advice. Directors also have access to the advice and services of the Company Secretary.

### **Independence of Directors**

Without prejudice to directors' duties at law, no person will be appointed as a non-executive director unless the Board determines that such person is independent in character and judgment, and for these purposes the proposed director will be required to confirm in writing prior to appointment that there are no relationships or circumstances which are likely to affect, or could appear to affect, his or her judgment.

Directors must disclose all existing directorships prior to appointment. Directors are not permitted to take on additional external appointments without approval by the Chairman of the Board, such approval not to be unduly withheld.

If the director, at any time during the term of his or her directorship ceases to be independent, he or she must immediately disclose this in writing to the Board and may no longer be referred to as independent.

Once the Board is made aware of any factor which may affect independence, the board will determine whether the director in question is independent. Should the Board determine that a director is independent it will state its reasons for determining such in the Annual Report. A director held to be not independent by the board may be required by the Board to resign as a director or steps may be instigated to remove that director if the factors calling the directors independence into question could, or could reasonably be perceived, to materially interfere with the director's ability to act in the best interests of the MEL Group.

#### **Term of appointment of Non-Executive Directors**

A director's appointment may be renewed for a second term of up to three years, but may only extend beyond the sixth anniversary of first appointment when justified by specific circumstances and may not exceed nine years from first appointment.

#### **Termination of office**

The office of a director must be vacated if the director:

- resigns his office by written notice;
- is or has been suffering from ill health and the Board, having taken relevant advice, so resolves;
- is absent from Board meetings without the Board's permission for 3 consecutive meetings and the Board so resolves;
- becomes bankrupt or compounds with creditors;
- is prohibited by law from being a director;
- is removed from office by special resolution of the company pursuant to the Articles of Association, or pursuant to the Companies Act 2006;
- is requested to resign in writing by not less than three-quarters of the other directors.

## SCHEDULE 1

### Reserved Matters

All executive powers are exercised through the executive directors in accordance with the authorized limits. Non-executive directors do not have any executive authority. The following are the 'Reserved Matters' from the general delegation of authority to the executive directors of each of the operating companies made by way of a resolution of the Board 07 May 2009.

1. Any material change to the business carried on by the relevant operating company or its subsidiaries (the "Group") (including, without limitation opening, taking an interest in or carrying on of business on any land or at any premises other than those at which the Group carries on business at the date hereof or closing or disposing of any such interest in any such business);
2. The incurring by the company of any unplanned indebtedness or any item of expenditure in excess of £10,000 or by the Group of any expenditure outside of plans, policies, procedures and budgets approved by the Board (the incurring of further indebtedness by the subsidiaries being prohibited under the financing arrangements);
3. Any unplanned acquisition or unplanned disposal, or series of related unplanned acquisitions or unplanned disposals, by the Group of assets or other property (including, without limitation, a disposal by way of lease, assignment or licence) in excess of £10,000;
4. The entry into by the Group of any contract, arrangement or understanding outside the ordinary course of its business or outside of the Group's public procurement obligations or having a value in excess of levels agreed with the Board or whereby any person would or might receive remuneration calculated by reference to its income or profits, or any contract, arrangement or understanding of an unusual, onerous or long-term nature;
5. Other than in the ordinary course of business, the making of any loan or advance to or the entry into of or the giving of any guarantee of the due payment of money or performance of any contract, engagement or obligation of any other person or body or the giving of any indemnity or any credit other than normal trade credit;
6. The entry into or participation by the Group in any joint venture, profit sharing arrangements or partnership;
7. The creation or grant of any mortgage, lien, charge or any other Encumbrance on or over any asset of any the Group;
8. Except for debt collection in the ordinary course of business in an amount not exceeding £10,000 and claims against the Group which are covered by insurance, the commencement, settlement or defence of any action or proceedings brought by

or against the Group and any other material step in the conduct or defence of any material litigation involving the Group;

9. The entry into by the Group of any compromise or arrangement to which the Companies (NI) Order 1986 or the Insolvency (NI) Order, 1986 applies;
10. The establishment or implementation by the Group of any profit-sharing, incentive, share trust, share option or pension scheme for any directors or employees;
11. The factoring of any book debts of the Group;
12. The making by the Group of any political or charitable contribution;
13. Any material amendment, alteration, variation, release or waiver of any provision of this list, and any adoption, passing of or entry into of any further regulations, resolutions, agreements, contracts or arrangements inconsistent therewith;
14. The entry into of any contract, agreement, arrangement or transaction (including (without limitation) any such matter entered into for employment or for the provision of services) made between any member or person who in relation to such member is a connected person and the Group;
15. In the course of materially expanding its business, the Group being involved in the promotion, incorporation of acquisition of any company or creation or acquisition or any unincorporated business;
16. The purchase or subscription by the Group of any shares, debentures, mortgages, securities, instruments convertible into shares (or any interest therein) in any company, trust or other body other than in connection with a re-organisation, amalgamation or reconstruction of the group or any part thereof;
17. The issue, allotment, redemption, purchase or grant of options by the Group over any shares or debentures or any other securities convertible into shares or debentures or any share warrants in respect of shares (including any shares, debentures, securities convertible into shares or debentures or share warrants previously issued or allotted by it), the alteration in any way of the rights attaching to any class of the shares of the Group or the reorganization, reduction, consolidation, subdivision or conversion of its share capital in any way; and
18. The exercise of powers authorities and discretions conferred on the Board in relation to admission of members and appointment of directors of the company.
19. The making of a decision on any matter which, having regard to the burdens and obligations of the financing documents, the Group do not have authority to do (whether with or without consent).