

Miscellaneous Comm.

No. 13-13

R&D



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March 03, 2023

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Yap Representative

Redley Killion
Vice Chairman
Private Sector Representative

Peter Garamfel
Secretary
Private Sector Representative

Johnny David
Member
National Government Representative

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Member
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T.H. Tulensa W. Palik
Governor
Kosrae State Government
Tofol, Kosrae, FM 96944

Transmitted by: Hand Delivery

SUBJECT: UPDATE FROM THE KOSRAE STATE BOARD REPRESENTATIVE

Dear Mr. Governor;


Greetings from the Federated States of Micronesia Petroleum Corporation ("FSMPC").

Since the State of Kosrae has not provided a representative on the FSMPC Board, please allow me to share with you a summary outline of key discussions and decisions by the Board of Directors made during the first meeting 01 of 2023, as "Annex 1." We trust that the information provided will be of interest to your Office.

As we progress into another year of operations, we envisage improving governance mechanisms and promote strengthened coordination to enhance our service delivery.

Given the above, we trust that this report sufficiently addresses the information necessary for noting. Please feel free to contact us directly should you require further information pertaining to the Agenda Items discussed herein.

Sincerely,


Faustino Yangmog
Chairman
Yap State Representative

XC: Speaker, Kosrae State Legislature

Recd 03/23/23
@ 11:11 am
KSP / HSP

ANNEX 1

BOARD MEETING NO. AND DATE HELD	KEY DISCUSSIONS & DECISIONS
Meeting No. 01 of 2023 January 19, 2023	<p>1) General update</p> <ul style="list-style-type: none"> a) Meeting attended and coordinated via zoom b) Quorum for meeting met and agenda items discussed <p>2) Election of New Officers</p> <ul style="list-style-type: none"> a) In order to ensure continuity of Board duties without much hinderance, the Board: b) Approved to retain Mr. Faustino Yangmog as Chairman and Mr. Redley Killion as Vice Chairman c) Mr. Peter Garamfel was selected as the Secretary. <p>3) Trail Balances and Performance Audit(s)</p> <ul style="list-style-type: none"> a) The FY2022 trial balances were presented by the CFO and reviewed by the Board, and they were informed that the trial balances will be released to the auditors. b) The Board was also informed of the meeting held between FSMPC officials and the external ExxonMobil Aviation (EMA) auditor regarding the aviation fuels quality performance audit across all operating locations and the plan to resume annual inspection of all airports in 2023 not that COVID-19 travel restrictions have been lifted. <p>4) Terminal Leases</p> <ul style="list-style-type: none"> a) Mr. Morris notified the BoD that the Yap Aviation lease has expired in 2014 and the Terminal leases for Chuuk, Pohnpei and Yap are also expiring in 2023. b) Mr. Morris indicated that significant investments exceeding US\$1.2 million in aviation refueling infrastructure is needed at the Yap International Airport, as well as the bulk plant to ensure that the potential for increased flights, as well as reliability of services is maintained. c) FSMPC has notified all three jurisdictions and most of quarter one will be focused on progressing liaison and renewing the leases with the relevant authorities and governments. <p>5) Head Office IT Services</p> <ul style="list-style-type: none"> a) The Board reviewed and approved a capital improvement project valued at approximately \$400k to replace essential information and computing equipment that are past their end-of-life. The Board noted that cloud based alternatives were not recommended at this time. The Board approved the award to two (2) Australian companies, Intuit Technology and Caedus Technology. <p>6) World Bank Tender for Chuuk</p> <ul style="list-style-type: none"> a) The Board was informed of the World Bank Tender for solar energy projects in Chuuk. Mr. Morris, notified Board that the FSMPC would investigate a joint venture arrangement to bid for the projects. FSMPC would be seeking, as part of the initiatives to implement the

Transformation Act to become a renewable energy service company (RESCO) and the project would be one way to accelerate this capacity building and services to be offered to the private sector.

- b) The Board were informed of the site visits completed by company engineers, that identified at least two (2) mini-grid sites that are flood prone areas, swampy, or elevated grounds are made of solid rock coverings. These factors would present challenges for the project. Thus, Vital will assess all aspects and decide on submitting bid for the project.

7) Closed Door Session Key Highlights

- a) BoD's with their terms expiring took time to thank the pioneers who started FSMPC including the CEO. They recognized the company for moving ahead with clear direction and vision.
- b) The Chair Mr. Yangmog thanked outgoing Directors and stated that they anticipate new Directors will bring further improvements to the company.
- c) It was discussed that there are always questions raised in the private sector community about fuel prices and the company not adjusting local prices to international fuel price changes. The concept of "slow to rise, slow to fall" needs to be explained in more detail.
- d) Overall, the Board believes the actions of the Vital Group are transparent, and its integrity maintained.

8) Bylaws and FSMPC Boards

- a) To ensure adequate and diverse representation and participation in each meeting, the Board had established a Bylaw that required least five (5) members to be present for a Quorum.
- b) Due to expiring board terms, and the possibility of only three (3) seated members from April 2024 onwards, the Board with the assistance of the legal counsel revised and approved a new Bylaw with a simple majority rule. The Board resolved to amend the quorum language of the Bylaws and align it with PL15-08 where a simple majority is needed to conduct board meetings.

9) Transformation Act

- a) The Board reviewed the recent Transformation Bill for an Act and were pleased that the long-awaited passage would now provide Vital with a clearer mandate in assisting the country achieve a zero-carbon economy.
- b) The support from the Directors to the relevant stakeholders on the importance of the Act was crucial in seeing the Bill passed into an Act and with the Act now in place Vital Energy Group will work on inclusion of renewable energy to its current mandate as a fuel company.

10) Miscellaneous

- a) The Board was informed of CEO's visit to the FSM President in December 2022. CEO was accompanied by Chief Risk and Compliance Officer (CRCO) and Chief Financial Officer (CFO) and the discussions held were on: Transformation Act, governance and oversight and FSMPC Executive Team

b) The Board collectively decided for the next meeting to be held in April to progress several key tasks including discussing results of the CEO's performance evaluation and succession plan.



BM_01_2023

Vital - FSM Petroleum Corporation

Jan 19, 2023 at 10:00 AM Solomon Islands Standard Time to Jan 19, 2023 at 5:00 PM

Solomon Islands Standard Time

Zoom

Meeting Details: <https://zoom.us/j/99136257981>

Agenda

I. Establish Zoom meeting Room and Confirm Connection

10:00 AM

Presenter: Joseph Saimon

Set up Zoom Conference Room and ensure everyone can connect, access documents, talk, and access everything.

II. Agenda [draft] and Roll Call

10:15 AM

Presenter: Faustino Yangmog

For the Chair to confirm that there is a likely quorum for the meeting, to review the draft agenda and time allocations, and advise Management of any likely Agenda additions.

A. Roll Call

10:30 AM

B. Review of Agenda and Time Allocation

Presenter: Faustino Yangmog

III. Closed Session

10:35 AM

Presenter: Faustino Yangmog

BoD to hold candid discussions as a more effective check on management including actions of the BoD that impact the BoD and serve as a valuable foundation for discussions and decisions made by the full board.

IV. Preliminaries

11:05 AM

A. Adoption of Agenda and confirm Quorum

B. Opening Remarks

C. Apologies

D. Declaration of Conflicts of Interest

V. Confirmation of Rules of Procedure: Chatham House Rule or Robert's Rule

A. Chatham House Rule: When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed. B. Robert's Rule: which is also widely known as parliamentary procedure, was developed to ensure that meetings are fair, efficient, democratic and orderly. A skilled chairperson allows all members to voice

their opinions in an orderly manner so that everyone in the meeting can hear and be heard. Information is released via minutes.

VI. Minutes of Meeting 05 of 2023

11:15 AM

The BoD review and adopt the minutes of its meeting 5 of 2023.

VII. Election of Officers

11:30 AM

The BoD elects new Chairperson, Vice Chairperson, and Secretary during its first meeting of each year.

VIII. Trail Balance(s)

11:35 AM

Presenter: Cherish Mendiola

CFO to give status and LE for release by OPA

IX. Lunch Break

12:05 PM

X. Functional Missions and Plans 2023

Function Managers will introduce their perspective on their Mission, their Annual Plan and how it will support the overall VT2025 Strategic Plan. This is submitted for the comment, input, and approval of the Board.

A. PMO: CapEx Report

1:05 PM

Presenter: Jared Morris

Guest: Johnny Adolph

A summary of the projects, their intended benefits and contribution to the Strategic Plan that have been selected to be resourced from the 2023 capital allocation

XI. Enterprise Risks, Issues and Problems

Risk: A hazard event, with an implied probability and consequence. Issue: A Risk with a high risk value that has occurred, and we are mitigating the consequences. Problem: An Risk of minor risk rating that can be managed by the project manager.

A. RISK: Performance Audit

1:35 PM

Presenter: Johnny Adolph

The update on Performance Audit – EI/JIG is provided for the BoD to note the status of the company's management of performance risks.

B. RISK: Terminal Lease Renewal for Chuuk, Pohnpei and Yap

XII. Bids, Tenders, and Contracts

A. Bid: Head Office IT Service Replacement

2:05 PM

Presenter: Jared Morris

Guest: Harbert Tom

Bid and Tender project for Head Office Service replacement @ \$400K

B. Tender: World Bank

2:35 PM

Presenter: Jared Morris

World Bank Early Warning Paper for Chuuk

C. Contracts

XIII. Committee Reports

A. Closed Door Report

3:05 PM

Presenter: Faustino Yangmog

Guest: Joseph Saimon

The BoD to disclose the content of its Closed Door meeting for implementation by Management.

XIV. Bylaws

Presenter: Jared Morris

The BoD resolved to amend the Quorum language in Bylaws and align with PL 15-08 at their meeting 5 of 2022. Management to present revised bylaws by BM_01_2023 for BoD approval.

XV. FSMPC and VEI Boards

3:20 PM

Presenter: Faustino Yangmog

The BoD deliberated on the membership of FSMPC and VEI Boards at their meeting 4 of 2022 and decided to revisit it during its first meeting of 2023.

XVI. CEO Performance Evaluation

3:50 PM

Presenter: Faustino Yangmog

The Chairman with input from all Directors evaluate the performance of the CEO at the end of each fiscal year. The Chairman meets with the CEO separately to go over the evaluation and to determine the sufficiency of the evaluation.

XVII. Transformation Act - PL 22-171

3:55 PM

Presenter: Jared Morris

XVIII. Communication Stream

XIX. Miscellaneous

4:10 PM

Presenter: Jared Morris

Guest: Joseph Saimon

A. CEO meeting with FSM President

B. Management Trip Report

The report by Management highlighting their participation at APAFS 2022 and Board meetings 4 and 5.

XX. Meeting Planner

Presenter: Joseph Saimon

A summary of the i) key governance, risk and compliance (GRC) activities that are either mandatory or best practice, ii) a proposed meeting Schedule and Plan to ensure completion within an 18month cycle for consultation and feedback with the BoD.

A. Prior Meeting Information Requests

4:15 PM

B. Board Meeting Planner

4:30 PM

BoD disclosure of its Oversight of the Business through its Committee and Board meetings.

1. CoGN Meeting Planner

2. CoRA Meeting Planner

XXI. Adjourn

Presenter: Faustino Yangmog

4:49 PM