

BOARD MEETING: 2021/01
SIYOLIT (PVT) LTD (the Company/SIYOLIT)

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE COMPANY (the Board) HELD ON 18TH AUGUST 2021 AT 03.30 P.M. VIA GOOGLE MEET

Present:	Mr. L. E. S. Silva	Chairman & Chief Executive Officer
	Mr. P. S. A. Kumara	Treasury Nominee Director
	Mr. T. Jayasinghe	} Litro Gas Lanka Ltd (LGLL) Nominee Directors
	Ms. W. M. L. C. Hapuarachchi	
	Mr. E. K. P. Edirisinghe	
	Mr. W. K. H. Wegapitiya	} Laugfs Gas PLC (Laugfs) Nominee Directors
	Mr. U. K. T. N. De Silva	} Nominee Director from People's Bank
	Ms. K. N. Senaratne	
By Invitation	Mr. D. M. A. Madhawa	Representing the Bank of Ceylon
	Mr. R. M. P. Rathnayake	Director –Secretary to the Treasury (DST)
	Ms. Ruzniya Abdeen	Director – Department of Public Enterprises
In attendance:	Ms. Tharini Gunasekera	Representing P. R. Corporate Services (Pvt) Ltd

Item no.	Agenda	Actioned by
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1. INAUGURATION OF THE NEW COMPANY AND SPEECH BY THE DST

Prior to commencing the Board Meeting DST Mr. Rathnayake stated that he wishes to explain certain points which are relevant to today's proceedings. He conveyed his appreciation towards LGLL, Laugfs, the two State banks, Department of Public Enterprise, and all other entities for extending their support for the successful incorporation of SIYOLIT (PVT) LTD.

DST stated that the Treasury has no intention to intervene in the business affairs of this Company. However, the Treasury Nominee director will guide the Board towards the set objective and to facilitate to ensure the impartiality of the decision making of the Board.

He stated that this Company was formed as a result of a series of discussions with all stakeholders including the involvement of the President Secretariat and the Treasury. The main objective of the Company is to ensure the continuous gas supply to the nation at the minimum price structure. The other aspects of the main objective is to explore the possibilities of maximum the utilization of LPG industry infrastructure currently available in the country and also value for money in LPG procurement and the economic benefit to the domestic consumers.

At the initial phase the focus is on the domestic gas requirement and during Board discussions the Board can discuss about other alternatives that are feasible depending on the pricing structures. Further if the Company can provide industry standard and quality assured gas with acceptable measurements that will be helpful for the two supplying companies. Also, if this can build the synergy between the two main competitors in the market, that will allow healthy and ethical competition in the future. In the meantime, this Company will help to eliminate some of the duplication of works and get into the economics of scale through combined effort.

The Company will initially operate for six months and depending on the progress extension for a further period will be determined. During the initial discussion there was an understanding that an Independent Director will function as the Chairman and the Chief Executive Officer of this Company. For that purpose, considering the knowledge, experience, and capacity to handle the objectives of this Company DST stated that the Treasury has already communicated to the major stakeholders of the Treasury's intention to nominate Mr. L. E. S. Silva, which appointment is to be formerly adopted at this Board Meeting in terms of the Articles of Association of the Company.

Another important point the DST highlighted is about the ongoing contract LGLL is having with Oman Trading Co. until March 2022. He proposed the Board to discuss how to work on the existing arrangements and to explore additional avenues.

DST proposed the Board to agree on the logistical arrangements, procurement of the gas, supplying of procured gas to the two companies, the cost structure, etc. and to agree upon the equity capital for the necessary administrative expenses.

Mr. W. K. H. Wegapitiya on behalf of Laugfs extended his appreciation to His Excellency the President and the President's Secretary, the Treasury Secretary, DST and the other members of the Finance Ministry for coming up with this idea and implementing within a short period of time and that this is a great opportunity for both companies to work together and harness the benefits toward LPG consumers and the economy.

Ms. K. N. Senaratne and Mr. D. M. A. Madhawa representing the two State Bank expressed their appreciation and to give their fullest cooperation.

2. **ASSEMBLY OF NEWLY APPOINTED DIRECTORS**

The assembly of the newly appointed directors were noted.

3. **APPOINTMENT OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)**

Proposed by Mr. P. S. A. Kumara and seconded by Mr. U. K. T. N. De Silva, Mr. L. E. S. Silva was unanimously appointed as the Chairman and the CEO of the Company.

[DST left the meeting and Mr. L. E. S. Silva took over the Chair]

3.1 **Terms of reference (TOR) for the CEO**

The Chairman requested suggestions from the Board to draft the TOR.

Mr. W. K. H. Wegapitiya commented first and foremost it is important to prepare the Strategic Plan for the Company to understand the strategic objectives, strategic initiatives, resource allocations, key performance indicators of the Company and that the CEO's TOR to be aligned towards the Strategic Plan.

Mr. W. K. H. Wegapitiya proposed the CEO to prepare a brief strategy paper based on the fundamental objective of the formation of this Company and with the discussion of the directors to make improvements.

CEO

The CEO agreeing with Mr. W. K. H. Wegapitiya undertook to prepare and circulate among the Board by 22nd August 2021 a comprehensive Strategic Plan for the long term together with the Action Plan supported with the Budget (for the intended period of operation).

4. **LOCATION OF THE OFFICE**

The Board was of the view that the office should be at a neutral location and preferably furnished.

The CEO undertook to submit proposals of suitable locations for the approval of the Board. (In fact, CEO requested assistance from directors to locate a suitable location.)

CEO

5. **DIRECTOR'S ACCEPTANCE OF FUNDAMENTAL OBJECTIVES OF THE COMPANY, TEAM SPIRIT, MAINTENANCE OF INTEGRITY AND CONFIDENTIALITY**

The Chairman stated that since this Company is represented by the two major LPG competing companies and the two state banks, complexity/intensity of the trade, it is vital that the nominee directors in the Board maintain a certain level of confidentiality and integrity. The Board accepted the same.

6. **APPOINTMENT OF COMPANY SECRETARIES**

As proposed by the CEO the Board resolved to conduct a formal tender procedure by calling for quotations for the appointment of a new Company Secretary under the initiation of Mr. P. S. A. Kumara. *Mr. P. S. A. Kumara*

The Board further resolved to appoint P. R. Corporate Services (Private) Limited as the Company Secretaries until the appointment of the new Company Secretary is finalised.

7. **APPOINTMENT OF AUDITORS**

The Board resolved to appoint the Auditor General's Department as the Auditors of the Company in terms of the National Audit Act No. 19 of 2018.

8. **APPOINTMENT OF COMPANY LAWYERS**

The Board resolved to call for quotations to for the appointment of Company Lawyers under the initiation of Mr. P. S. A. Kumara. *Mr. P. S. A. Kumara*

9. **APPOINTMENT OF BOARD SUBCOMMITTEES**

Mr. W. K. H. Wegapitiya suggested in terms of good governance the Company should have the following subcommittees -

- (i) Audit & Integrated Risk Management Committee
- (ii) HR and Remuneration Committee
- (iii) Related Party Committee
- (iv) Nominations Committee
- (v) Procuring Committee
- (vi) Finance Committee
- (vii) Tender Board

The Chairman stated that there should also be a Technical Committee to function under the Tender Board since the technical specification of the gas needs to be met. Mr. W. K. H. Wegapitiya proposed to obtain services of an expert consultant on an assignment basis for the Tender Board. The Chairman stated that the Tender Board is one of the important Committees.

Mr. W. K. H. Wegapitiya stated out of the above committees, the Audit & Management Committee could be combined with related party transaction and

should be chaired by a Non-Executive Independent Director with professional qualification preferably a Chartered Accountant.

Mr. W. K. H. Wegapitiya stated subject to the provisions in the articles of association to invite two independent professionals as directors to the Board of whom to be a qualified chartered accountant and a lawyer, that can advise the Board since international LPG procurements involves number international contracts, tenders, arbitration proceedings, communication with international parties, etc.

The Chairman stated the maximum number of directors in the Board are nine (9) and there are no Board vacancies. To provide two additional board vacancies, the Chairman proposed to amend the articles of association to increase the number of directors to eleven (11) subject to the approval of the Board and the shareholders.

Ms. W. M. L. C. Hapuarachchi stated since the purpose of incorporating this Company is to take advantage of the procurement, the economics of scale and save something for the whole industry, therefore, to make use of the current resources of both LGLL and Laugfs, their staff having the required expertise and not necessary to re-invent the wheel at this stage. However, when the need arises, such legal contracts can be referred to a legal firm. The Board agreed with the same.

*Nominee
directors of
LGLL
&
Laugfs*

The Chairman requested the Shareholders Nominee Directors of LGLL and Laugfs to propose names from their respective staff to act as members in the Procurement Committee.

**10. APPOINTMENT OF NECESSARY OPERATING/OFFICE STAFF -FINANCE
MANAGER/ OPERATING/ OFFICE SECRETARY**

The Chairman stated the information of the shortlisted candidates for the above job positions will be circulated to the Board in due course. The Board agreed to the same.

CEO

11. IMMEDIATE ACTIONS TO BE TAKEN
11.1 Immediate ordering process to meet current emergency - GAS shortage

The Chairman stated as discussed under agenda item 3.1 above the immediate action is to come up with the Strategic Plan along with the Action Plan and Budget.

He further stated as indicted by DST the Company should move to re-negotiate renewal terms of the current supply contract with LGLL with Oman Trading & Co. which is continuing till 31st March 2022.

Mr. W. K. H. Wegapitiya suggested that this Company should call for fresh Expression of Interest, and that it will not have a negative impact on the existing contract. The Chairman stated that this can be done with the company name change being completed.

11.2 Relevant Agreements

The Chairman stated the Board must decide on the agreements that needs to come up. Following agreements were stated by the Chairman as relevant agreements;

- (i) LPG purchasing agreements between the Company with LGLL and the Company and Laugfs.
- (ii) A charter party agreement between the Company and Laugfs for chartering two vessels.
- (iii) An agreement between the Company and Laugfs for the utilisation of their facility at Hambantota.
- (iv) An agreement between LGLL and Laugfs if LGLL is intending to utilise Laugfs bottling plant in Hambantota.

Mr. W. K. H. Wegapitiya proposed a lawyer having the expertise in maritime laws should vet the draft agreements currently entered by LGLL and Laugfs and align the agreements as per the new requirements.

11.3 Strategic plan, action and operating budget

As discussed in agenda item nos. 3.1 and 11.1 above.

12. OPERATIONAL DECISIONS

12.1 Financial arrangements for Gas Procurements, Financial facilities by both Banks, Collaterals, LC opening, finance cost etc.

At the request of the Chairman Mr. P. S. A. Kumara stated that it is important to calculate the monthly requirement based on the strategic plan, the budget, and the infrastructure cost to be borne in the future. He further stated the financial arrangements for the Company will be through equity capital and bank facilities. He proposed to discuss this matter in length at the next Board Meeting.

The Chairman addressed the serious constraint the Company will be faced with due to the shortage of foreign currency, resulting in not being able to open the required Letters of Credit (LCs). Therefore, this discussion will need to be lobbied with respective authorities

Ms. K. N. Senaratne stated from the banks side internal bank approvals will need to be sought on the limitations for the new company. To obtain the approval the banks should be provided with information such as (i) the required limitations for this Company (ii) number of LCs (iii) the facility amounts, (iv) tenure for the LCs, (iv) requirement of any sub limits and acceptance limits (v) requirement of short-term loans, and (vi) the process.

In response to Ms. K. N. Senaratne, the Chairman stated sooner the company name change and other changes are completed a formal request with the above information will be submitted to the banks.

13. ANY OTHER MATTERS

13.1 Company Name Change

Mr. W. K. H. Wegapitiya stated to have a better recognition in the global LPG market the Company name should signify that it is a national enterprise. Therefore, he proposed the Board to consider a name change of this Company.

The respective nominee directors agreed to discuss and submit the proposed names. Thereafter, to direct the Company Secretaries to implement the name change.

Board

It was noted that until the name change is completed opening bank accounts, Letters of Credit, etc. will be on hold.

13.2 Object clause in the Articles of Association

The Company Secretary informed as directed by the Registrar of Companies (ROC) the object of the Company is subject to obtaining all necessary approvals of the Ministry of Petroleum Resources Development and/or any other institution under the Ministry of Petroleum Resources Development, as may be required in accordance with the provisions of the Ceylon Petroleum Corporation Act No. 28 of 1961 as amended, to engage in any business relating to petroleum products.

The Board requested the Company Secretary to verify from the ROC whether such approvals are required since both LGLL and Laugfs are having the license to source LPG internationally. Also to check the requirements for importation of LPG to Hambantota port. Further, the Chairman requested to clarify whether one of the two shareholders' licenses can be used for importation by this Company.

*Company
secretary*

13.3 CEO's remuneration

[Mr. L. E. S. Silva left the meeting room]

Mr. P. S. A. Kumara informed that after discussing with the Secretary to the Treasury a proposal will be submitted to the next Board Meeting.

Mr. P. S. A.
Kumara

[Mr. L. E. S. Silva joined the meeting room]

13.4 Ratification of Initial share issuance

The Company Secretary informed the initial issuance of shares have been submitted to the ROC in the following manner at Rs. 10/- per share;

Secretary to the Treasury for and on behalf of the Government of Sri Lanka	01 share	0.01%
Litro Gas Lanka Ltd.	750 shares	75%
LAUGFS Gas PLC	249 shares	24.99%

The Board ratified the above stated initial issuance of shares.

13.3 Next board meeting date

Date: Monday, 23rd August 2021

Time: 05.00 p.m.

Venue: Online platform

As there were no any other business the meeting was concluded at 5.00 p.m.

Confirmed by

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Chairman