

corporate governance statement

The Board of Directors of Shell Refining Company (Federation Of Malaya) Berhad supports the Principles of Corporate Governance as laid out in the Malaysian Code of Corporate Governance and is committed to ensuring that the highest standards of corporate governance are implemented and maintained throughout the Company in enhancing shareholders' value and the long term value of the Company.

These principles and practices, supported by existing internal controls processes, are regularly audited and reviewed, to ensure transparency and accountability. Royal Dutch Petroleum Company, as the Company's ultimate holding company, has developed a governance guide, series of policies and management systems that are designed to support a strong system of corporate governance. The Shell General Business Principles (SGBP), which has been adopted by the Board, spells out clearly the key business principles that govern the way the Company conducts its business.

Shell General Business Principles

The Shell General Business Principles (SGBP) have existed in their written form since 1976, and have remained highly consistent ever since, because the core values on which the Principles were originally based have endured.

The core values of the Company are:

- Honesty
- Integrity
- Respect for people

The Company also firmly believes in the fundamental importance of the promotion of trust, openness, teamwork and professionalism, and in pride in what it does. These underlying corporate values determine the Company's principles. These principles apply to all transactions, large or small, and describe the behaviour expected of every employee in the Company in the conduct of its business. In turn, the application of these principles is underpinned by procedures within the Company, which are designed to ensure that its employees understand the principles and that they act in accordance with them. The Company recognises that it is vital that its behaviour matches its intentions.

All the elements of this structure - values, principles and the accompanying procedures - are necessary. It is the Company's firm belief that maintaining the trust and confidence of shareholders, employees, customers and other people with whom the Company does business, as well as the communities in which the Company work, is crucial to its continued growth and success. The Company intends to merit this trust by conducting itself according to the standards set out in these principles. These principles have served the Company well for many years. It is the responsibility of Management to ensure that all employees are aware of these principles, and behave in accordance with the spirit as well as the letter of this statement.

Board of Directors

Board's Composition

The Board currently consists of a Non-Executive Non-Independent Chairman, one Executive Director who is also the Managing Director and six other Directors, three of whom are Independent Non-Executive Directors which is in compliance with paragraph 15.02 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The roles of the Non-Executive Non-Independent Chairman and the Managing Director are distinct and separate with their responsibilities clearly defined to ensure a balance of power and authority. The Non-Executive Non-Independent Chairman is the Country Chairman of the companies of the Royal Dutch/Shell Group operating in Malaysia and contributes his considerable experience to the Board. The Independent Non-Executive Directors, all of whom are distinguished, respected and experienced business leaders in their own right, play important roles by exercising independent judgment and objective participation in the proceedings and decision-making process of the Board. The presence of the Independent Non-Executive Directors is essential to ensure that the interests of other parties such as the minority shareholders are properly safeguarded. The other Directors, being senior executives within the Royal Dutch/Shell Group, also bring with them a wide range of business and financial experience relevant to the Company. The profile of each Director is given on pages 11 to 14.

The Board has the overall responsibilities for corporate governance and strategic direction of the Company and is entrusted to exercise reasonable and proper care in utilising the Company's resources for the best interests of its shareholders and to safeguard the Company's assets. The Managing Director, being the only Executive Director of the Company, has the principal responsibility of reporting, clarifying and communicating matters relating to day-to-day operations of the Company to the Board.

All the Directors of the Company have attended the Mandatory Accreditation Programme (MAP) and are required to attend the Continuing Education Programme (CEP) under the Listing Requirements of Bursa Malaysia Securities Berhad. All Directors have completed the accumulation of the mandatory CEP points by 31 December 2004 as required under their respective tenures. The Board reviews the progress of individual Directors' accumulated CEP points during its meetings to ensure compliance. The Directors are kept up-to-date on changes in the regulatory/legal/commercial risks environment as and when required through various means.

Board Meetings

The Board meets at least four times a year, with additional meetings convened when necessary, where the Managing Director, and members of the Management team, table and present comprehensive reports for the Board's information, deliberation and direction. The Directors have full and unrestricted access to all information pertaining to the Company's business or affairs to enable them to discharge their duties. Written reports on health, safety, security and environment, operational performance and profitability, human resources, business plans and various financial indicators are made available in advance to members of the Board to ensure a lively and robust debate.

In addition, whenever independent professional advice is required by the Directors for the furtherance of their duties, an outside expert may be engaged at the Company's expense. All Directors have access to the advice and services of the Company Secretaries, whose appointments and resignations are subject to the Board's approval. The Board takes a particular interest in the Company's role as a responsible and caring member of the community.

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Details of the Directors' attendance at these meetings are summarised as follows:

Directors	Number of Board Meetings		Number of Board Audit Committee Meetings		General Meetings		CEP Points for period ended 27th April 2005
	Held	Attended	Held	Attended	Ordinary	Extraordinary	
Y.Bhg. Datuk Jon Chadwick	5	5	Non-member	Non-member	Yes	Nil	116
Y.Bhg. Dato' (Dr.) Yahya bin Ismail	5	5	4	4	Yes	Nil	96
YM Raja Ahmad Murad bin Raja Bahrin (Appointed with effect from 15th April 2004)	3*	3	Non-member	Non-member	Yes	Nil	56
Y.Bhg. Dato' Jaffar bin Ahmad Indot	5	5	4	4	Yes	Nil	80
Y.Bhg. Tan Sri Saw Huat Lye	5	3	4	3	Yes	Nil	80
Tn. Hj. Mohzani bin Abdul Wahab	5	3	Non-member	Non-member	Yes	Nil	96
Mr. Mark Owen Stevens (Appointed with effect from 16th August 2004)	2*	2	Non-member	Non-member	No	Nil	24
Mr. Thomas Michael Taylor (Appointed with effect from 22nd November 2004)	1*	1	4	1	No	Nil	24
En. Shahul Hamid bin Mohd Ismail (Resigned with effect from 30th June 2004)	3*	2	4	2	Yes	Nil	NA
Mr. Tom de Jong (Resigned with effect from 31th July 2004)	3*	3	Non-member	Non-member	No	Nil	NA
Ms. Lim Tau Kien (Resigned with effect from 5th September 2004)	4*	3	4	3	Yes	Nil	NA
Mr. Paulus Albertus Maria Gerla (Appointed as Audit Committee Member with effect from 1st July 2004), (Resigned with effect from 30th November 2004)	4*	4	4	1	Yes	Nil	NA
En. Zainul Rahim bin Mohd Zain (Alternate Director to Datuk Jon Chadwick)	5	1	Non-member	Non-member	Nil	Nil	104

* Number of Board meetings held during tenure as Director.

Details of place, date and time of the 45th Annual General Meeting:

Place Bangunan Shell Malaysia, Changkat Semantan,
Damansara Heights, 50490 Kuala Lumpur

Date Wednesday, 12th May 2004.

Time 11.00 a.m.

There were no Extraordinary General Meetings held in 2004.

Appointment and Re-Election of Directors

In accordance with the Company's Articles of Association, any casual vacancy occurring in the Board of Directors may be filled by the Directors. Any person so chosen shall retain his office only until the next Annual General meeting of the company, but he or she shall be eligible for re-election at that meeting. An election of Directors takes place every year, with each Director retiring from office at least once every three years. Directors retiring by rotation are eligible for re-election by the shareholders at the Annual General Meeting.

Nomination Committee

The nomination process is formal and transparent, and is in line with the intent and recommendation of the Malaysian Code on Corporate Governance. After taking into account the present process and circumstances particular to the Company, the Board has elected not to appoint a nomination committee. Instead, the Chairman in consultation with the relevant stakeholders within the Royal Dutch/Shell Group, seek nominations, deliberate and endorse candidates for appointment as Directors. The nomination process takes into account the skills, experience, expertise and core competencies the candidates would bring to the Board. The Board makes the final decision on the appointment of Directors in accordance with the Company's Articles of Association.

Directors' Remuneration

After taking into account the present process and circumstances particular to the Company, the Board has elected not to appoint a remuneration committee. Instead, the Board has adopted the Royal Dutch/Shell Group remuneration policy to set the remuneration of the Managing Director. The remuneration level is also benchmarked internally with other companies in Malaysia based on the level of seniority, individual performance as well as corporate performance. The Managing Director does not participate in the setting of his remuneration package.

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With the exception of the Managing Director, all Independent Non-Executive Directors are paid directors' fees. The remuneration received by the Independent Non-Executive Directors is based on the competitive market situation, taking into consideration the Directors' business and financial experience relevant to the Company. The determination of Independent Non-Executive Directors' fees is a matter for the Company's Board of Directors as a whole and the Independent Non-Executive Directors concerned do not participate in the deliberations and voting on decisions in respect of their remuneration. The Board, as a whole, recommends the remuneration payable to the Independent Non-Executive Directors to the shareholders for approval at the general meeting, as and when required.

An analysis of the aggregate Directors' remuneration paid by the Company for the year ended 31 December 2004 is set out below:

Name of Directors	Basic Salary RM'000	Fees RM'000	Bonus RM'000	Contribution to Provident Fund RM'000	Benefits-in-kind and Others RM'000	Total RM'000
Executive						
YM Raja Ahmad Murad bin Raja Bahrin (appointed with effect from 15th April 2004)	283	–	52	46	12	393
En. Shahul Hamid bin Mohd Ismail	371	–	131	80	45	627
Non-Executive						
Y.Bhg. Dato' (Dr.) Yahya bin Ismail	–	35	–	–	–	35
Y.Bhg. Dato' Jaffar bin Ahmad Indot	–	35	–	–	–	35
Y.Bhg. Tan Sri Saw Huat Lye	–	33	–	–	–	33

The Non-Independent Non-Executive Directors of the Company receive their remuneration from other Shell companies and do not receive any form of remuneration from the Company.

Senior Independent Non-Executive Director

The Board has appointed Dato' (Dr.) Yahya bin Ismail as the Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed by other Directors. The Senior Independent Non-Executive Director provides a secure and confidential channel for concerns conveyed to him directly on matters relating to the proceedings and items discussed at the meetings of Directors. Dato' (Dr.) Yahya is authorised to seek information as required, from any employee of the Company and all employees are directed to co-operate on any request made by the Senior Independent Non-Executive Director. In carrying out his duties, the Senior Independent Non-Executive Director is authorised by the Board to obtain independent professional advice, if necessary. The Senior Independent Non-Executive Director has access to the services of the Company Secretary in carrying out his duties. During the year, there has been no issue raised by the Senior Independent Non-Executive Director.

The Audit Committee

The Audit Committee of the Board was established in 1993 and one of the Independent Non-Executive Directors chairs the Audit Committee. The Audit Committee comprises four Directors, three of whom are independent non-executive Directors. One of the Directors in the Audit Committee is an accountant as prescribed by the Malaysian Institute of Accountants. The Managing Director and the Finance Manager normally attend the Audit Committee meetings.

The Audit Committee convened for a meeting four times in the financial year 2004, during which presentations on the Company's state of internal controls and progress of Assurance Plan are made by the Management. The Chairman of the Audit Committee also meets independently with the External Auditors. The Company's Internal Audit Manager acts as Secretary to the Audit Committee. The Audit Committee has wide powers with authority to regulate its own procedures and has its own terms of reference. The Audit Committee's role and functions are set out on pages 40 and 42 of this Annual Report.

Annual General Meeting

The Company continues to acknowledge the importance of transparency and accountability to its shareholders and investors in support of the Malaysian Code on Corporate Governance. An important channel to reach shareholders and investors is the Annual Report of the Company. Besides including comprehensive details of the business, financial performance and other activities of the Company, there is also a continuous effort to enhance the contents of the Annual Report to be in line with developments in the corporate governance practices.

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In addition, an important forum for communication and dialogue with shareholders of the Company is the Annual General Meeting. The Company's Annual Report contains written clarifications on each item on the agenda of the Annual General Meeting so that shareholders are suitably briefed on matters that are to be discussed to enable their effective participation thereat. The Chairman and the Board encourage shareholders to attend and participate in the General Meeting. Questions posed are, where possible, answered in detail either at the General Meeting itself or thereafter. Shareholders are welcome to raise queries by contacting the Company at any time throughout the year and not just at the General Meetings. The Company's Registrars or appropriate officers of the Company will attend to queries on a prompt and efficient manner.

Financial Reporting

It is the commitment of the Board to provide a balanced, clear and meaningful assessment of the financial position and prospect of the Company in all the reports to shareholders and investors. The Company presents quarterly public financial announcements and they include details of the Company's business performance and current issues and concerns. The Directors scrutinise these announcements at their Board Meetings prior to publication to ensure that they are accurate and present a balanced assessment of the Company's affairs. The Board is assisted by the Audit Committee to oversee the financial reporting process and the quality of financial reporting of the Company. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 54 of this Annual Report.

Investor Relations

Another key channel of communication with shareholders, investors and analysts is the Company's Investor Briefing Session. This quarterly event that commenced in Quarter 2 of 2004 allows the Company to have direct communication with the investment community and address issues that investors may have and to explain or clarify aspects of the business and operations of the Company. This is further testimony to the Company's continued commitment to transparency in reporting and is one of the ways in which the Company supports Bursa Malaysia's Best Practice in Corporate Disclosures recommendations.

Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made in accordance with the applicable approved accounting standards and the provisions of the Companies Act, 1965, which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the results and cash flows of the Company for the financial year.

In preparing the financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable approved accounting standards and provisions of the Companies Act, 1965 have been followed; and
- based such statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statement comply with the Companies Act, 1965.

The Directors have overall responsibilities for taking such steps that are reasonably open to them to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

Internal Control

The Board continues to maintain a sound process of internal controls that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as with internal procedures to safeguard shareholder's investment and the Company's asset. The Company's Internal Control Statement is set out on page 48.

Relationship with External Auditors

The Board through the Audit Committee has established a formal and transparent professional relationship with the external auditors of the Company. The role of the Board and the Audit Committee in relation to the auditors is described on pages 40 and 42. The Chairman of the Audit Committee, an independent Director, met the External Auditors on 23rd February 2005 to discuss the external audit findings, without any Non-Independent Directors present.

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Other Information

a) Conflict of Interest

None of the Directors have any family relationship with other Directors and/or major shareholders of the Company, nor any personal interest in any business arrangement involving the Company. None of the Directors have had convictions for any offences within the past ten (10) years.

b) Material Contracts Awarded to Directors and substantial Shareholders

None of the Directors and major stockholders had any material contract with the Company during the financial year under review.

c) Sanctions and/or Penalties Imposed

There were no sanctions and/or penalties imposed on the Company and its Directors by the relevant regulatory bodies during the financial year under review.

d) Utilisation of Proceeds

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

e) Share Buybacks

The Company did not enter into any share buyback transactions during the financial year.

f) Options, Warrants or Convertible Securities

No options, warrants or convertible securities were exercised during the financial year.

g) American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programme during the financial year.

h) Non-Audit Fees

During the financial year, the Company engaged the External Auditors for a number of non-audit activities in the following areas:

- Tax accounting advisory work (RM 12,000)
- Review of Statement of Internal Control (RM 20,000)
- Independent scrutineer at the Annual General Meeting (RM 3,500)
- Review of International Financial Reporting Standards (IFRS) implementation (RM 19,000)
- Review of enhancement to audit scope (RM 7,600)

i) Profit Guarantee

During the financial year, there were no profit guarantees given by the Company.

j) Revaluation Policy on Landed Properties

The Group's revaluation policy is stated in paragraph C of the Summary of Significant Accounting Policies.

k) Recurrent Related Party Transactions of Revenue or Trading Nature

The Recurrent Related Party Transactions of Revenue or Trading Nature is stated in Note 17 to the Financial Statements.

Signed on behalf of the Board of Directors, in accordance with the Board of Directors' resolution dated 23rd February 2005.



Y.Bhg. Datuk Jon Chadwick
Chairman



Y.M. Raja Ahmad Murad bin Raja Bahrin
Managing Director