

corporate **governance statement**

Your Board of Directors is dedicated to implement the highest standards of corporate governance at all levels within your Company and has adopted the Shell General Business Principles (“SGBP”) – a governance blueprint developed by Royal Dutch Shell plc, your Company’s ultimate holding company. Your Company’s policies and procedures are upheld by internal controls that are regularly audited and reviewed to ensure their effectiveness. These policies and procedures is designed to support a robust corporate governance system.

Additionally, your Board of Directors supports the Principles of Corporate Governance as laid out in the Malaysian Code of Corporate Governance (as revised in 2008) and is committed to ensuring that the highest standards of corporate governance are implemented and maintained throughout in enhancing shareholders’ value and the long term value of your Company.

These principles and practices, supported by existing internal controls processes, are regularly audited and reviewed, to ensure transparency and accountability. Royal Dutch Shell plc has developed a governance guide, series of policies and management systems, training modules and reporting mechanisms that are designed to support a strong system of corporate governance. The SGBP, as adopted by your Board, spells out clearly the key business principles that govern the way your Company conducts its business.

Shell General Business Principles (“SGBP”)

The SGBP, which first came into being in 1976 has remained consistent ever since, because the core values on which the Principles were originally based have endured, namely

- Honesty
- Integrity
- Respect for people

Your 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 your Company’s principles. These principles apply to all transactions, large or small, and describe the behaviour expected of every employee in your Company in the conduct of its business. In turn, the application of these principles is underpinned by procedures within your Company, which are designed to ensure that its employees understand the principles and that they act in accordance with them. Your 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 our firm belief that maintaining the trust and confidence of shareholders, employees, customers and other people with whom your Company does business, as well as the communities in which our refinery is situated, is crucial to its continued growth and success. Your Company intends to merit this trust by conducting itself according to the standards set out in these principles. These principles have served your 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 the SGBP.

A reputation for integrity is a priceless asset. In December 2006, the Shell Group Code of Conduct was launched with the expectation that every employee carries out his/her duty in accordance with the SGBP guided by a single Code. The thrust of the Code is premised on both legal and ethical compliance.

The Shell Group’s shared core values of honesty, integrity and respect for people underpin everything that each of your Company’s employee founded on the SGBP. The Code of Conduct crystallises the basic rules, standards and behaviours necessary to achieve those objectives. It provides requirements and guidance, expressed as clearly, concisely and consistently as possible, within a single, company-wide document for all the employees on a number of enterprise-wide risk areas.

As part of the Shell Group, your Company operates in an ever-changing world. The Code is a place to start the search for guidance, advice and answers when employees are faced with questions in their daily work, because it provides a great deal of useful information.

- It provides practical advice on how to comply with laws and regulations
- It provides requirements and guidance about how an employee should relate to colleagues, customers, shareholders, communities, vendors, competitors and governments
- It directs employees to other useful information sources
- It can help employees resolve difficult questions about business conduct – and it explains how to get confidential advice

This Code of Conduct is a further commitment to integrity for all.



Board of Directors

Your Board is committed in ensuring that the Principles of Corporate Governance set out in the Malaysian Code of Corporate Governance are effectively employed and adhered to in your Company.

Board Composition and Balance

Your Board currently consists of nine Directors, namely, a Non-Executive Non-Independent Chairman, two Executive Directors, where one is 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 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 Chairman is the Country Chairman of Shell Malaysia and contributes his considerable experience to the Board. He is also responsible for the integrity and effectiveness of the relationship between the Independent Non-Executive Directors and the remaining Directors. His active interactions with other industry leaders and excellent relationships with key stakeholders as the Chairman of your Company as well as for Shell Malaysia, allows him to provide great insights and invaluable foresight in strategic planning of your Company.

The Independent Non-Executive Directors, all of whom are persons of high calibre and integrity, respected and experienced present or past business leaders in their own right, play important roles by exercising independent judgment and objective participation in the proceedings and decision-making processes of your Board. The presence of the Independent Non-Executive Directors is essential in order to ensure that the interests of other parties, such as the minority shareholders, are properly safeguarded. The Independent Non-Executive Directors do not engage in the day-to-day management of your Company to facilitate them to discharge their duties free from any business or other relationship, which could materially interfere with their independent judgment as defined under paragraph 1.01 of Bursa Malaysia Listing Requirements and void of any conflict of interest possibilities.

The other Non-Executive Non-Independent Directors, being senior executives within the Shell Group, also bring with them a wide range of essential business and financial experience relevant to your Company. The independence of the Non-Executive Non-Independent Directors is constantly reviewed and benchmarked against Shell Group's governance requirement and regulatory provisions.

The profile of each Director is given on pages 26 to 29. All the Directors attended all the Board meetings for the year during their tenure.

Responsibility

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

All the Directors in office as of 31 December 2008 have attended the Mandatory Accreditation Programme ("MAP"). The Board firmly believes in the continuing education of individual Directors consistent with the requirements of paragraph 15.09 of the Listing Requirements (hereinafter referred to as "CEP requirements"). Your Board has taken on the onus in reviewing, evaluating and determining the specific and continuous training and the competency development of individual directors during its meetings resulting in in-house training being carried out in addition to participation in public sessions. The Directors are also kept up-to-date on changes in the regulatory/legal/commercial risks environment as and when required through various means.

corporate governance statement (continued)

Details of the Directors' attending MAP pursuant to paragraph 15.09 of the Listing Requirements and the in-house trainings, aimed at improving the Directors' competency are summarised as follows:

Courses	Dato' Saw Choo Boon	Dato' Jaffar Indot	Dato' Seri Talaat Bin Haji Husain	Tan Sri Saw Huat Lye	Raja Ahmad Murad Bin Raja Bahrin	Dato' Mohzani Bin Abdul Wahab	Thomas Michael Taylor	Mark Owen Stevens	Tan Sri Datuk Clifford Francis Herbert [#]
2007/8 Corporate Legal Update & 2007/8 Bursa Malaysia Listing Requirements – An Update	✓	✓	✓	✓	✓	✓	✓	✓	–
Single Tier Dividend System – Its Impact	✓	✓	✓	✓	✓	✓	✓	✓	–
How Malaysia is affected by the Sub-Prime Debt Crises	✓	✓	✓	✓	✓	✓	✓	✓	–
The Politics of Climate Change	✓	✓	✓	✓	✓	✓	✓	✓	–
MAP	✓	✓	✓	✓	✓	✓	✓	✓	✓

[#] Tan Sri Datuk Clifford Francis Herbert was appointed on 1 June 2008.

Board Meetings

Your Board meets at least four (4) times a year scheduled well in advance before the end of the preceding financial year for early planning. In exceptional circumstances, additional meetings may be convened with sufficient notice. During Board meetings, the Managing Director, and members of the Management team, will table and present comprehensive reports for your Board's consideration, deliberation and direction. The Chairman of your Audit Committee would inform the Directors at each Board meeting of any salient matters noted by your Audit Committee and which require your Board's notice or direction.

Your Directors have full and unrestricted access to all information pertaining to your 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 your Board to ensure a lively and robust debate.

Your Directors are given the following documents for their perusal, in advance of each Board meeting:

- Agenda;
- Management Report;
- Financial Statements;
- Board Papers; and
- other relevant documents.

In addition, members of the Management are frequently invited to your Board meetings to explain and clarify the items tabled to your Board. This allows the Directors to support and at the same time challenge viability of key business propositions and challenge the sufficiency of mitigating measures to address principal risks.

Minutes of each Board meeting are circulated to each Board member prior to confirmation of the minutes in the next Board meeting.



Details of the Directors' attendance at meetings during 2008 are summarised as follows:

Directors	Number of Board Meetings		Number of Audit Committee Meetings		General Meetings	
	Held [#]	Attended	Held [#]	Attended	Ordinary	Extra-ordinary
Y. Bhg. Dato' Saw Choo Boon	5	5	Non-member	Non-member	Yes	Nil
Y. Bhg. Tan Sri Saw Huat Lye ^{##}	3	3	3	3	Yes	Nil
YM Raja Ahmad Murad Bin Raja Bahrin	5	5	Non-member	Non-member	Yes	Nil
Y. Bhg. Dato' Jaffar Indot	5	5	5	5	Yes	Nil
Y. Bhg. Dato' Mohzani Bin Abdul Wahab	5	5	Non-member	Non-member	Yes	Nil
Mr. Thomas Michael Taylor	5	5	5	5	Yes	Nil
Mr. Mark Owen Stevens	5	5	Non-member	Non-member	Yes	Nil
Y. Bhg. Dato' Seri Talaat Bin Haji Husain	5	5	5	5	Yes	Nil
Y. Bhg Tan Sri Datuk Clifford Francis Herbert ^{###}	2	2	2	2	No	Nil

[#] Number of Board meetings held during tenure as Director.

^{##} Resigned with effect from 15 May 2008.

^{###} Appointed with effect from 1 June 2008.

Details of place, date and time of the 49th Annual General Meeting:

Place Sime Darby Convention Centre,
1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur.
Date Thursday, 15 May 2008.
Time 11.00 a.m.

There were no Extraordinary General Meetings held in 2008.

Whenever independent professional advice is required by the Directors to carry out their duties, an outside expert may be engaged at your Company's expense. All Directors have unlimited access to the advice and services of the Company Secretary, whose appointments and resignations are subject to Board approval. The Company Secretary regularly inform the Board on the changes to statutory and regulatory requirements pertaining Directors.

Your Board takes a particular interest in your Company's role as a responsible and caring member of the community. To this end, your Board has adopted various initiatives including:

- promoting the goal of Sustainable Development by adopting a systematic approach to health, safety and environmental management; and
- supporting the implementation of the Social Performance Plan (pg 67), which is aimed to increase our social performance levels and benefit the stakeholders as well as your Company.

Appointment and Re-Election of Directors

In accordance with your Company's Articles of Association, the Directors may fill any casual vacancy occurring in your Board. The new appointee shall retain his office until the next Annual General Meeting but is eligible for re-election by the shareholders at that meeting.

The Articles of Association also provide for retirement by rotation, where one-third of Directors shall retire from office at least once every three years but shall be eligible for re-election by the shareholders at the Annual General Meeting.

corporate governance statement (continued)

Section 129 of the Companies Act, 1965, provides that Directors who are over the age of seventy (70) shall retire at every Annual General Meeting but may offer themselves up for re-election.

Nomination Committee

The nomination process is formal and transparent, and is in line with the intent of the recommendation of Malaysian Code on Corporate Governance. After taking into account the present process and circumstances particular to your Company, your Board has elected not to appoint a nomination committee. Instead, the Chairman in consultation with relevant stakeholders seeks nominations, deliberates and endorses candidates for appointment as Directors. The nomination process takes into account the skills, experience, expertise and core competencies the candidates would bring to your Board. Your Board makes the final decision on the appointment of Directors in accordance with your Company's Articles of Association. The appointment of senior management is made in consultation with relevant stakeholders and a non-executive member of the Board.

Directors' Remuneration

After taking into account the present process and circumstances particular to your Company, your Board has elected not to

appoint a remuneration committee. Instead, your Board has the Shell Group's remuneration policy to set the remuneration of the Managing Director. The remuneration level is also benchmarked internally with other Shell operating 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.

All Independent 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 your Company. The determination of Independent Non-Executive Directors' fees is a matter for the your 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. The remuneration of the Independent Non-Executive Directors was increased in 2007 as approved by the shareholders in the 2007 Annual General Meeting.

An analysis of the aggregate Directors' remuneration paid by your Company for the year ended 31 December 2008 is set out below:

Name of Directors	Basic Salary RM'000	Directors' & Audit Fees RM'000	Attendance and other 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 [^]	498	-	-	170	122	170	960
Non-Executive Y. Bhg. Tan Sri Datuk Clifford Francis Herbert	-	22.5	4	-	-	-	26.5
Y. Bhg. Dato' Jaffar Indot	-	45	11	-	-	-	56
Y. Bhg. Tan Sri Saw Huat Lye	-	22.5	7	-	-	-	29.5
Y. Bhg. Dato' Seri Talaat Bin Haji Husain	-	45	11	-	-	-	56

[^] Please note Raja Ahmad Murad's director's interest under Shell's Performance Share Plan.



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

The Audit Committee

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

There were five meetings of your Audit Committee in the financial year 2008, during which management made presentations on your Company's state of internal controls and progress on the Assurance Plan. The Independent Non-Executive Directors of your Audit Committee meet independently, at least twice a year, with the external auditors.

Your Company has also established an internal audit function to obtain sufficient assurance of regular review and appraisal of the effectiveness of your Company's internal controls. The Internal Audit Manager acts as Secretary to your Audit Committee. Your Audit Committee has wide powers with authority to regulate its own procedures and has its own terms of reference. Your Audit Committee's role, and functions and activities are set out on pages 72 to 75 of this Annual Report.

Annual Report and Annual General Meeting

Your Company continues to acknowledge the importance of transparency and accountability to its shareholders and investors in compliance with the Malaysian Code on Corporate Governance. Your Company uses different channels of communication to provide shareholders, investors and other stakeholders with information to fulfil these objectives. An important channel to reach shareholders and investors is the Annual Report. As such your Company does not only include comprehensive details of the business, financial performance and other activities of your Company in the Annual Report, but also continually enhances its contents to achieve and maintain the highest standards of corporate governance.

In addition, an important forum for communication and dialogue with your Company's shareholders is the Annual General Meeting. Your 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. The Chairman and your Board encourage shareholders to attend and participate in the Annual General Meeting. Questions posed are, where possible, answered in detail either at the Annual General Meeting itself or thereafter. Shareholders are welcome to raise queries by contacting your Company at any time throughout the year and not just at the Annual General Meeting. Your Company's Registrars or appropriate officers will attend to queries in a prompt and efficient manner.

Financial Reporting

It is the commitment of your Board to provide a balanced, clear and meaningful assessment of the financial position and prospect of your Company in all the reports to shareholders and investors. Your Company presents quarterly public financial announcements and they include details of your Company's business performance and current issues and concerns. Your Directors scrutinise these announcements during their Board Meetings prior to publication to ensure that they are accurate and present a balanced assessment of your Company's affairs. Your Board is assisted by the Audit Committee to oversee the financial reporting process and the quality of financial reporting of your Company. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 94 of this Annual Report.

Investor Relations

Another key channel of communication with shareholders, investors and analysts is your Company's Investor Briefing Session. This regular event, that commenced in the second quarter of 2004 allows your 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 your Company. This is further testimony to your 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. Your Company's web page is another communication tool to provide the latest information to the shareholders and investing public. The updated information on the website includes, among others, financial results, investor presentations, capital structure information, press releases and relevant information.

Your Company's webpage address is accessible from www.shell.com.my.

corporate governance statement (continued)

Shell Global Helpline

The Global Helpline was launched in during 2006 and implemented through 2007; to provide a facility whereby employees could report on, or seek clarification on, any compliance related issue.

This helpline is available to all employees for reporting of and advice on legal and ethical non-compliance incidents, dilemmas and concerns. The facility is hosted by a third party service provider with broad language capability and is available 24 hours a day, 365 days a year. To assist with the continued promotion of the Global Helpline, posters have been developed for each country to be displayed on notice boards in public office areas and where employees congregate. The posters contain the toll free number for their particular country and are available in the languages appropriate for that country.

Statement of Directors' Responsibility for Preparing the Financial Statements

The Directors are required under 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 your Company at the end of the financial year and of the results and cash flows of your 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 your Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that your Company keeps accounting records which disclose with reasonable accuracy the financial position of your 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 your Company to prevent and detect fraud and other irregularities.

Internal Control

Your Board continues to maintain a sound system 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 your Company's asset. The Statement of Internal Control, is set out on pages 84 to 85.

As required by paragraph 15.24 of the Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement of Internal Control. Their review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to your Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process your Board has adopted in the review of the adequacy and integrity of internal controls of your Company. RPG 5 does not require the external auditors to and they did not consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures.

Relationship with External Auditors

Your Board via the Audit Committee has established a formal and transparent professional relationship with the external auditors of your Company. The role of your Board and the Audit Committee in relation to the auditors is described on pages 72 to 75. The Chairman of your Audit Committee and the Independent Directors, met the External Auditors on 14 August, 12 November 2008 and 17 February 2009 to discuss the external audit findings, without any Non-Independent Directors present.



Other Information

a. Conflict of Interest

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

b. Material Contracts Awarded to Directors and substantial Shareholders

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

c. Sanctions and/or Penalties Imposed

In December 2008, two compounds of RM1,500 each were paid to the state Department of Environment ("DOE") for the non-compliance of Environment Quality (Schedule Waste) Regulations 2005 within your refinery's fence.

Your Company has engaged the DOE on the remediation actions and internal processes have been strengthened to avoid recurrence.

There were no other sanctions and/or penalties imposed on your 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 your Company from any corporate proposals.

e. Share Buybacks

Your 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.

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

h. Non-Audit Fees

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

- Review of Statement of Internal Control (RM 22,000)

i. Profit Guarantee

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

j. Revaluation Policy on Landed Properties

The Shell Group's revaluation policy is stated in Note 2.3 to the Financial Statements.

k. Recurrent Related Party Transactions of Revenue of Trading Nature.

The Recurrent Related Party Transactions of Revenue or Trading Nature is stated in Note 28 to the Financial Statements.

Signed on behalf of the Board of Directors, in accordance with the Board of Directors' resolution dated 13 March 2009.

Y. Bhg. Dato' Saw Choo Boon
Chairman

YM Raja Ahmad Murad Bin Raja Bahrin
Managing Director