

statement of **internal control**

Introduction

The Malaysian Code on Corporate Governance requires Public Listed Companies to have and maintain comprehensive internal controls to safeguard shareholders' investments and company assets. Under the provisions of the Bursa Malaysia Listing Requirements, Para 15.27(b), Directors of Public Listed Companies are required to produce a statement on the state of your Company's internal control in their Annual Report.

Your Board continues with its commitment to maintain a sound system of internal control and good corporate governance in the Company. Your Board is pleased to provide the following Statement of Internal Control that was prepared in accordance with Bursa Malaysia's Statement on Internal Control – Guidance for Directors of Public Listed Companies. Your Board believes the practice of good corporate governance is an important continuous process and not just a matter to be covered as compliance in the annual report.

Board Responsibility

Your Board acknowledges the importance of sound internal controls and a robust risk management programme for good corporate governance. Your Board affirms its overall responsibility for reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Management assisted your Board in the implementation of the approved policies and procedures on risk and controls. Management identify and assesses the risk faced and then design, implements, and monitor appropriate internal control to mitigate and manage this risk. Inherently, it can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management and Assurance Plan

Your Company has adopted the Shell Group Risk Management Manual issued in 2006. The Company has in place an on-going process as detailed below for identifying, evaluating, monitoring and managing significant risk that affect the achievement of your Company's objective throughout the period. This process is regularly reviewed by your Board, taking cognisance of changes in the regulatory and business environment to ensure the adequacy and integrity of the system of internal controls. The objective is not to eliminate risk but to understand your Company's significant risks, set boundaries for risk taking and apply fit-for-purpose risk responses that enable your Company to achieve its corporate objectives within a managed risk profile.

Fit-for-purpose risk responses are primarily intended to:

- Minimise the likelihood of a risk occurring by actively managing the sources of the risk
- Mitigate the impact of a risk if it occurs, often through the application of some form of alert that the risk has materialised, followed by the initiation of a contingency or recovery plan to reduce the potential consequences

The risk profile of your Company is established during risk management sessions undertaken by the Management, which identifies the significant risks that your Company is facing. The changes to the Company's risk profile, the risk responses and assurances are documented in the Risk Register and Assurance Plan. The Assurance Plan is the basis of the risk based Audit Plans developed for your Company.

The Assurance Plan is reviewed by the Internal Audit Function and approved by the Audit Committee ("AC") as delegated by your Board. For each of the risks identified, a risk owner is assigned to ensure appropriate risk response actions are carried out. Control issues arising from the assurance process including internal and external audits are discussed at the AC. Your AC, as part of the annual strategic review, considers and approves the Assurance Plan as in previous years. The Chairman of the AC advises your Board on the approved Assurance Plan and any subsequent changes during your Board's quarterly meetings.



Other Key Internal Control Structure

Apart from risk management and assurance plan, the other key elements of your Company's internal control systems are described below:

- a. Your Board meets at least quarterly and has set a schedule of matters, which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. Your Managing Director leads the presentation of board papers and provides comprehensive explanation of pertinent issues. In arriving at any decision, on recommendation by the Management, a thorough deliberation and discussion by your Board is a prerequisite.
- b. An organisational structure with formally defined lines of responsibility and delegation of authority is in place.
- c. The adoption of the Shell Statement of General Business Principles and the Code of Conduct, which governs the standards of conduct and guidance of the ethical standards. Any breach of these Principles or the Code is actionable by disciplinary proceedings.
- d. Clearly documented and auditable procedures and manuals in respect of financial controls, trading controls, contracting and procurement, engineering, operation, human resource, health, safety, security and environment.
- e. Documented and auditable "Control Registers" over activities, which affect your Company's financial results.
- f. Structured review of financing proposals and business plans before adoption combined with a detailed budgeting process.
- g. Regular and comprehensive information provided to the Management and on a quarterly basis to your Board, covering financial performance and key business performance indicators.
- h. The monitoring by, and reporting to, your Board of every single affixation of the Company's Common Seal was made in accordance with the Articles of Association of your Company.
- i. Provision by your Company's Management the Letter of Assurances on an annual basis affirming that appropriate internal business controls are in place, ensuring compliance with your Company's policies and as well as local laws and legislations.
- j. Declaration by all employees of your Company on an annual basis on any conflict of interest, compliance with the Statement of General Business Principles and the Code of Conduct.
- k. Declaration by relevant employees on any shareholding and movements thereof on any shares of your Company held by such employee through the declaration for Share Transactions.
- l. An enhanced global system for confidential disclosure, "Shell Group's Global Helpline" is in place for staff to raise concerns where the interest of the organisation or its stakeholders is at risk, either by a breach of a process or procedure, or where beneficial opportunities may be missed.
- m. A secure and confidential channel for the employees, shareholders and other stakeholders to raise concerns, issues and complaints directly to the Senior Independent Non-Executive Director.

There were no material losses reported during the current financial year as a result of weaknesses in internal control. The Management of your Company continues to take measures to strengthen the internal control environment.

This statement is made in accordance with the resolution of your Board of Directors dated 13 March 2009.