STATEMENT OF COMMITMENT

The Board of Murray & Roberts Holdings Limited (“Board”), in promoting and supporting the highest standards of business integrity, ethics and corporate governance, and in adopting the King III Code of Governance Principles (“King III”), continued to conduct the business of the Group with prudence, transparency, integrity and accountability, and is pleased to deliver this integrated annual report.

The Board has continued on its journey of meeting the requirements of King III and in particular its “apply or explain” principle. While the Group does not yet fully apply all of the principles of King III, the following additional areas of application were achieved in relation to the year under review:

- Passing of a non-binding advisory vote on the Company’s 2011 remuneration policy
- Development, approval and implementation of a policy and plan for a system and process of Group-wide risk management
- Development and approval of a policy and plan for a system and process of Group-wide regulatory compliance that delivered limited assurance of compliance in relation to the South African environment
- Outline of a comprehensive and effective IT governance policy and plan
- Development, approval and implementation of a risk-based internal audit policy and plan, and fully embedding internal audit as a Group-wide function

As noted above, Murray & Roberts has not yet fully applied all of King III’s governance principles (and recommended practices), and the following table lists the requirements of King III that have not yet fully been applied:

<table>
<thead>
<tr>
<th>King III Principle</th>
<th>Murray &amp; Roberts Application</th>
<th>Action plans to apply principle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance of risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1 The Board should be responsible for the governance of risk.</td>
<td>A more comprehensive risk management plan was developed and considered by the Board.</td>
<td>The Board will continue to receive and review a risk report bi-annually.</td>
</tr>
<tr>
<td>4.5. The Board should ensure that risk assessments are performed on a continual basis.</td>
<td>A comprehensive Group-wide risk assessment was carried out and, based on the findings, an updated risk register was prepared and considered by the Board.</td>
<td>The risk register will be submitted to the Board bi-annually.</td>
</tr>
<tr>
<td>The governance of information technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1. The Board should be responsible for information technology (&quot;IT&quot;) governance.</td>
<td>IT has been added and will feature as a regular agenda item for future Board meetings.</td>
<td>Independent assurance on the effectiveness of the IT internal controls is to be provided to the Board through the Group’s internal audit function.</td>
</tr>
<tr>
<td>5.2. IT should be aligned with the performance and sustainability objectives of the company.</td>
<td>IT was previously decentralised across the Group. Following the reorganisation of the Group into a cohesive structure entailing a strong corporate office supporting five operating platforms, the IT function now reports directly to the Group financial director. A Group-wide IT strategy has been developed and is being implemented. This strategy will ensure a consistent and coordinated approach to IT governance and controls across the Group. An IT Charter has been finalised for approval. The Charter defines the governance structures, primary responsibilities for each of the structures as well as the reporting framework to ensure appropriate Board oversight of IT is performed in a timely manner.</td>
<td></td>
</tr>
<tr>
<td>King III Principle</td>
<td>Murray &amp; Roberts Application</td>
<td>Action plans to apply principle</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>5.4. The Board should monitor and evaluate significant IT investments and expenditure.</td>
<td>Significant IT investments and expenditure are currently controlled and monitored by the IT Steering Committee.</td>
<td>Significant IT investments and expenditure will be monitored and evaluated by the Audit &amp; Sustainability Committee and a summarised report will be presented to the Board.</td>
</tr>
<tr>
<td>5.5. IT should form an integral part of the company’s risk management.</td>
<td>Compliance with IT laws has not been formally assessed.</td>
<td>The Group-wide regulatory compliance plan includes IT laws, rules, codes and standards, and provides appropriate assurance to the Board.</td>
</tr>
<tr>
<td>5.6. The Board should ensure that information assets are managed effectively.</td>
<td>Information security and the protection of information assets are primarily managed at a business level and the requirement for a more centrally and formally defined information security function has been identified.</td>
<td>An IT security policy and plan is under development, and will be implemented as soon as they have been considered and approved by the Board.</td>
</tr>
</tbody>
</table>

**Compliance with laws, rules, codes and standards**

| 6.1. The Board should ensure that the company complies with applicable laws and considers adherence to nonbinding rules, codes and standards. | While the Board reviews compliance and adherence by the Group with laws, rules, codes and standards through the Social & Ethics Committee, limited assurance of compliance in a South African context was provided in the year under review. | The Social and Ethics Committee will monitor Group compliance and the report of the Compliance Officer will be presented to the Board. The regulatory compliance plan will be extended through the 2013 financial year to cover the Group’s international operations. |
| 6.4. The Board should delegate to management the implementation of an effective compliance framework and processes. | A complete compliance framework, including controls and processes, has been approved and implementation is underway. On this basis, assurance of the effectiveness of the controls and processes has not yet been established. | Implementation of this framework is planned for the 2013 financial year; following which assurance on the effectiveness of the controls and processes will be provided to the Board. |

**Governing stakeholder relationships**

| 8.1. The Board should appreciate that stakeholders’ perceptions affect a company’s reputation. | Stakeholder perceptions are measured in isolated cases, for example, client and employee satisfaction surveys are undertaken. However these measurements are not pervasive across the Group. | A stakeholder engagement policy that will assist the Board to gauge stakeholder perceptions is being formulated. |
| 8.2. The Board should delegate to management to proactively deal with stakeholder relationships. | A stakeholder engagement framework has been developed and will be rolled out Group-wide. | As noted above, the Group is formulating a stakeholder engagement policy. |

**BOARD OF DIRECTORS**

At the date of this report, Murray & Roberts had a unitary Board with 13 directors, of whom 10 are independent non-executive directors and three are executive directors. The composition of the Board promotes a balance of authority and prevents any one director from exercising undue influence over decision-making.

The Board is the highest governing authority in the Group and has ultimate responsibility for corporate governance. It appreciates that strategy, risk, performance and sustainability are inseparable and the Board is responsible for approving the strategic direction of the Group, which integrates these elements. The Board is governed by a charter that sets out the framework of its accountability, responsibility and duty to the Company.

The Board has a fiduciary duty to conduct its business in the best interest of the Company and, in discharging its duty, ensures that the Group performs in the best interests of its stakeholders. The Company’s key stakeholders include present and future investors, customers, business partners, employees, regulators and the communities in which it operates.

**THE BOARD**

- Provides ethical leadership and gives direction to the Group in all matters
- Approves the strategic plan developed by management and monitors its implementation
- Acknowledges that strategy, risk, performance and sustainability are inseparable by:
  - satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management
  - monitoring the governance of key risk areas and key operational performance areas, including IT
  - endeavours to ensure that the strategy will result in sustainable outcomes
  - considering sustainability as a business opportunity that guides strategy formulation
- Directs the commercial and economic fortunes of the Company
- Endeavours to ensure the Company is a responsible corporate citizen by considering the impact of the business operations of the Company on its people, society and the environment
Governance Report

- Endeavours to ensure measurable corporate citizenship policies are developed and programmes implemented
- Monitors the Company’s compliance with all relevant laws, regulations and codes of business practice, and considers adherence to non-binding rules and standards through a compliance framework
- Monitors the Company’s communication with all relevant stakeholders (internal and external) openly and promptly, on the basis of substance over form
- Endeavours to ensure that shareholders are treated equitably
- Endeavours to ensure that disputes are resolved effectively and expeditiously
- Defines levels of materiality, reserving specific powers to itself and delegating other matters by written authority to management
- Monitors performance through the various Board committees established to assist in the discharge of its duties without abdicating its own responsibilities
- Endeavours to ensure directors act in the best interest of the Company by adhering to legal standards of conduct, disclosing real or perceived conflicts to the Board and dealing in securities only in accordance with a developed policy
- Determines policies and processes to ensure the integrity and effectiveness of
  - risk management, risk-based internal audit and internal controls
  - executive and general remuneration
  - external and internal communications
  - director and chairman selection, orientation and evaluation
  - the annual integrated report

Directors are required to act with due attentiveness and care in all dealings and to uphold the ethics and values of the Company. Accordingly, they are required to adhere to a Code of Conduct that incorporates agreed standards of accepted behaviour and guidance on decision-making, promotes integration and coordination, and reaffirms the directors’ commitment to the Group.

The independent non-executive directors complement the executive directors through the diverse range of skills and experience they have based on their involvement in other businesses and sectors. They also provide independent perspectives on corporate governance and general strategy to the Board as a whole.

Board Meetings

The Board meets formally at least five times a year. In addition, directors meet ahead of the scheduled meeting at which the Group’s budget and business plan is examined in the context of an approved strategy. At this meeting, the directors engage with senior executives on the implementation of the Group’s strategy.

The Board has adopted a policy to visit key operations on an annual basis. During the year under review, the Board visited the Medupi power station project. The chief executive keeps all directors informed between meetings of major developments affecting the Group. The record of attendance at Board meetings for the year is reflected in the table on page 120 of this report.

Changes to the Board

During the year, the Board appointed TCP Chikane as non-executive director. Due to other business commitments, non-executive director, ADVc Knott-Craig, resigned during the year. Non-executive director, AA Routledge has indicated, that after more than 18 years of service, he will not be available for re-election and will retire at the 2012 annual general meeting.

SP Sibisi has indicated that he wishes to limit his non-executive directorships to institutions focused on science or technology. As a consequence he will resign as a non-executive director. NM Magau has indicated that she will resign having served on the Board for the past eight years. Both these resignations will be effective at the conclusion of the 2012 annual general meeting.

RC Andersen who has served as independent non-executive chairman over the past almost nine years has given notice of his intention to retire as a director and chairman of the Company effective 1 March 2013. The Board has unanimously agreed to appoint M Sello as independent non-executive chairman following the retirement of RC Andersen.

Chairman and Group Chief Executive

The roles of chairman and Group chief executive are separate. They operate under distinct mandates issued and approved by the Board. The mandates clearly differentiate the division of responsibilities within the Company and ensure a balance of power and authority.

The chairman, an independent non-executive director, presides over the Board, providing it with effective leadership and ensuring that all relevant information is placed before it for decision. The Group chief executive is responsible for the ongoing operations of the Group, developing its long term strategy, and recommending the business plan and budgets to the Board for consideration and approval.

The Board appoints the chairman and the Group chief executive. The Board approves and appoints the chairman annually and the remuneration & human resources committee appraises the Group chief executive annually. This committee also assesses the remuneration of the Board, chairman and Group chief executive. The nomination committee is responsible for Board succession planning.

Board Committees

The Board has established and mandated a number of permanent standing committees to perform specific work on its behalf in various key areas affecting the business of the Group.

They are the:

- Executive committee
- Audit & sustainability committee
- Health, safety & environment committee
- Nomination committee
- Remuneration & human resources committee
- Risk management committee
- Social & ethics committee

Shareholders elect the members of the audit & sustainability committee at each annual general meeting. The audit & sustainability committee still forms part of the unitary Board even though it has statutory duties over and above the responsibilities set out in its terms of reference.

Although all the committees assist the Board in the discharge of its duties and responsibilities, the Board does not abdicate its responsibilities. The Board and each committee give attention to new and existing governance and compliance matters according to their respective mandates. A statement from the chairman of the Board and chairman of each committee, other than the executive committee, is included in this report.

Each committee operates according to a Board-approved terms of reference. With the exception of the executive committee, an independent non-executive director chairs each committee.

The committee chairmen are appointed by the Board.

Each committee chairman participates fully in setting the agenda and reporting back to the Board at the board meeting that follows.
a committee meeting. In line with King III and as mandated by the individual terms of reference, each committee chairman attends the annual general meeting and is available to respond to shareholder questions on committee activities.

During the year, all committees, other than the executive committee, conducted a self-assessment of their effectiveness with positive outcomes in each case. All committee terms of reference were also reviewed and updated.

The record of attendance of the respective committees for the year is reflected in the tables on pages 120 – 121 of this report.

**SELECTION OF DIRECTORS**

The Board has an approved policy on the selection and continuation of office for directors, and the nomination and evaluation processes to be followed. One third of directors are required to retire annually by rotation and, if put forward for re-election, are considered for reappointment at the annual general meeting. All directors are appointed at the annual general meeting by a shareholders’ resolution. The Board is permitted to remove a director without shareholder approval.

The nomination committee considers and makes appropriate recommendations to the Board on the appointment and re-election of directors. This process encompasses an annual evaluation of skills, knowledge and experience, considers transformation imperatives and ensures the retention of directors with an extensive understanding of the Company. All recommended director appointments are subject to background and reference checks: Re-election of directors to the Board is made according to a formal and transparent process. Each non-executive director is provided with a formal letter of appointment.

For newly approved directors there is an induction programme to familiarise them with the Group.

The names of directors standing for re-election at the 2012 annual general meeting are contained in the resolutions of the annual general meeting on page 220.

As recommended by King III, the Board, assisted by the nomination committee, assessed the independence of the non-executive directors. All non-executive directors meet the criteria for independence as set out in King III.

**INDEPENDENT ADVICE**

There is an agreed procedure for directors to seek professional independent advice at the Company’s expense.

**BOARD AND COMMITTEE EFFECTIVENESS**

External appraisal of the effectiveness of the Board, its committees and individual directors were conducted during the year. The appraisals were benchmarked against the Group’s strategic requirements and the need to ensure the capacity to deliver these requirements and strengthen the diversity and sector expertise of directors.

The appraisals were positive and their recommendations are being followed through for implementation. An internal appraisal of the chairman was led by the chairman of the remuneration & human resources committee and discussed by the Board. The appraisal was positive.

**GROUP SECRETARY**

All directors have access to the advice and services of the Group secretary who is responsible for ensuring the proper administration of the Board, sound corporate governance procedures and assisting with best practice as recommended in King III. All directors have full and timely access to information that may be relevant to the proper discharge of their duties. The Group secretary provides guidance to the directors on their responsibilities according to the prevailing regulatory and statutory environment, and the manner in which such responsibilities should be discharged. The Board is responsible for the appointment and removal of the Group secretary. E. Joubert was appointed as Group secretary effective 1 August 2012, succeeding Y Karodia, who has taken up a senior financial position within the Group.

**EXECUTIVE COMMITTEES**

The directors of Murray & Roberts Limited serve as members of the executive committee of the Board, chaired by the Group chief executive. The directors support the Group chief executive in:

- Implementing the strategies and policies of the Group
- Managing the business and affairs of the Group
- Prioritising the allocation of capital, technical know-how and human resources
- Establishing best management practices and functional standards
- Approving and monitoring the appointment of senior management
- Fulfilling any activity or power delegated to the executive committee by the Board that conforms to the Company’s memorandum of incorporation

**RISK MANAGEMENT, SYSTEMS OF CONTROL AND INTERNAL AUDIT**

The Board promotes the rational engagement of risk in return for commensurate reward and is responsible for ensuring that risk management, including related systems of internal control, are formalised throughout the Group. These systems of risk management aim to promote the efficient management of operations, the protection of the Group’s assets, compliance with legislative environments ensuring business continuity and providing reliable reporting in the interests of all stakeholders. Details of the Group’s risk management process are set out on page 99 of this report.

**CONFLICTS OF INTEREST AND SHARE DEALINGS**

Directors are obliged to disclose their shareholdings, additional directorships and any potential conflicts of interest, direct or indirect, that may arise, at every meeting of the Board. These are appropriately managed and recorded in the minutes.

In accordance with the JSE Listings Requirements and the prohibitions contained in the Security Services Act, the Group has an insider trading policy. It requires directors and officers who may have access to price sensitive information to be precluded from dealing in Murray & Roberts Holdings Limited’s shares as well as the shares of listed subsidiary, Claugh Limited for a period of approximately two months prior to the release of the Group’s interim results and a period of three months prior to the release of the Group’s annual results. To ensure that dealings are not carried out at a time when other price sensitive information may be known, directors, officers and participants in the share incentive scheme must at all times obtain permission from the chairman, Group chief executive or Group financial director before dealing in the shares of the Group. The Group secretary is notified of any share dealings and, in conjunction with the corporate sponsor, publishes the details of dealings in the Group’s shares by directors that have been approved on the Stock Exchange News Service (“SENS”) of the JSE Limited. All approved director dealings are reported to the Board.

**SPONSOR**

Deutsche Securities (SA) Proprietary Limited acted as sponsor during the period under review in terms of the JSE Listings Requirements.
GROUP INTEGRATED ASSURANCE FRAMEWORK

The Group Integrated Assurance Framework governs and co-ordinates the overall approach to Group risk management. This entails understanding, identifying, reporting, managing and mitigating Group risk, and includes the process of independently auditing Group policies, plans, procedures, practices, systems, controls and activities to ensure that the Group achieves the level of operational efficiency and compliance required by the Board.

The Board approved the Group Assurance Policy, which establishes and mandates the risk management, regulatory compliance and internal audit functions; effectively as the three building blocks of the Group Integrated Assurance Framework.

The Group Integrated Assurance Framework can be depicted graphically as follows:

<table>
<thead>
<tr>
<th>RISK MANAGEMENT</th>
<th>REGULATORY COMPLIANCE</th>
<th>INTERNAL AUDIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic</td>
<td>Laws</td>
<td>Risk</td>
</tr>
<tr>
<td>Corporate</td>
<td>Statutes</td>
<td>Governance</td>
</tr>
<tr>
<td>Operational</td>
<td>Regulations</td>
<td>Control</td>
</tr>
<tr>
<td>Project</td>
<td>Codes</td>
<td>Environment</td>
</tr>
</tbody>
</table>

The Group Risk Management Framework, which was approved by the Board, comprises one of three building blocks that make up the Integrated Assurance Framework, and aims to:

- Align strategy with risk tolerance
- Improve decision making which improves the Group risk profile
- Promote the strategic and coordinated procurement of quality order book
- Ensure equitable commercial terms and conditions are contracted, and the rational pursuit of commercial entitlement
- Promote rigorous project review, and timeous response to contracts in distress
- Promote continuous improvement through the application of key lessons learnt
- Reduce operational surprises, improve predictability and build shareholder confidence
- Build robust organisational risk structures and facilitate timeous interventions, to promote long term sustainability
- Promote the efficient and proactive utilisation of opportunities
REGULATORY COMPLIANCE
With the growth of the Group over time, in new geographies and disciplines, regulatory compliance has become a large and complex area to understand. This in turn requires a structured approach to evaluate exposure and ensure adequate responses are initiated timeously to mitigate and avoid any negative impact on the Group’s performance through regulatory non-conformance. The regulatory compliance function provides specific focus on regulatory compliance risk within the context of the Integrated Assurance Framework.

The implementation of a regulatory compliance Framework focuses on the seamless integration of regulatory compliance in conjunction with risk management and internal audit into business planning, execution and management.

The key imperative to be derived from the implementation of regulatory compliance is to ensure material compliance across the Group with every law, rule, code, standard and policy where non-compliance could be materially injurious to the Group’s performance and/or continued existence, whether from a financial, legal or reputational perspective.

GROUP RISK MANAGEMENT FRAMEWORK
The context within which the Group identifies, assesses and responds to risk and opportunity is described below in terms of its prevailing strategic, corporate, operational and project environments:

INTERNAL AUDIT
Internal audit is a key element of the Group’s assurance structure, and constitutes the third building block of the Group Integrated Assurance Framework. Internal audit has established a robust, risk-based systems approach to identify the significant risk management processes and responses which are to be tested and evaluated (i.e. effort is focused on providing assurance that the key strategic and operational risks are being effectively understood, identified, managed, mitigated and closed out). Internal audit follows a planning and execution process through which the risk-based systems approach is delivered in a consistent manner, which is followed by detailed reporting and issue tracking processes.

It is through the Group Integrated Assurance Framework that the major element of critical risk processes and responses to be included in the internal audit plan are developed. These include interactions with the Group risk executive and the Group regulatory compliance executive, and with specific reference to their respective mitigation strategies and plans. The audit plan also encompasses governance areas for assessment, the assessment of internal financial controls and risk management policies and procedures, as well as specific areas highlighted by the audit & sustainability committee, Group executive committee and by executive and operational management for separate and dedicated review.
1 ORGANISATIONAL RISK STRUCTURES

In addition to the various Group operating boards’ responsibilities, organisational structures have been created and tasked with risk governance and include the risk management committee, the Murray & Roberts Limited risk committee and the Murray & Roberts Limited project oversight committee.

2 STRATEGIC RISK MANAGEMENT

Strategic risk is evaluated as a hurdle to achieving long term strategy. Direction is set for organic and acquisition growth to access new markets and create new capacity, and applies to acquisitions, disposals, new business development and timely and needed leadership intervention.

3 FUNCTIONAL SUPPORT

Dedicated functional support for risk management has been created at Group level and within operations, including enterprise functional leadership, risk management monitoring, risk-based audit programmes and operational and project risk focus.

4 OPERATIONAL RISK MANAGEMENT

Operational risk is evaluated as a hurdle to achieving planned profits within the Construction Global Underground Mining, Construction Africa and Middle East, Engineering Africa and Construction Products Africa operating platforms.

5 PROJECT RISK MANAGEMENT

Project risk is evaluated as a hurdle to delivering contracted scopes against cost, time and technical performance targets, while maintaining health, safety and environmental performance at acceptable levels. A high level Group Framework for Standardised Project Delivery sets the minimum standard for project management required in the delivery of projects across the Group. This Framework also provides internal audit with a consistent set of processes and controls against which assurance of project performance is tested. Project risk management activities include the Group risk tolerance filters, lessons learnt register and schedule of contracting principles, project reviews and performance monitoring.

6 CORPORATE RISK MANAGEMENT

Corporate risk management relates to a range of portfolios within the corporate office which address various forms of risk including risk management policies and procedures, the statement of business principles, regulatory compliance, commercial and legal oversight, integrated assurance, IT business continuity and disaster recovery, treasury, bonds and guarantees, insurance, crisis communication and forensic investigations.
RECOVERY & GROWTH

Our strategy for Recovery & Growth is aimed at establishing Murray & Roberts as the leading construction and engineering group in its selected markets. The year to June 2012 was defined as the recovery year and the following two years as the growth years.

The recovery objectives included amongst others an improvement in the Group’s liquidity position.

This improvement was achieved by the following five key initiatives:

- driving cash generation from operations
- the sale of non-core operations and assets
- the restructuring of the Group’s debt
- a successful rights issue and the resolution of project claims
- Cost containment and capital preservation form a key imperative in this plan.

Growth plans for the operating platforms have been defined and will be vigorously pursued by the executive teams leading each platform. The Growth strategy focuses on the commodity boom, engaging Africa more proactively and leveraging the Group’s footprint in the growing oil and gas market.

STRATEGIC RISK

<table>
<thead>
<tr>
<th>Trend</th>
<th>Risk</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continued market volatility in developed economies</td>
<td>Demand for commodities is driven by economic growth in China. This in turn is leading to strong pipeline and order book for Cementation. A slowdown in the Chinese economy could dampen the commodity run.</td>
<td>1. Further diversify in terms of geographies, clients and disciplines. 2. Utilise a “Growth through Acquisition” strategy to accelerate capacity building in strong diversified commodity markets and emerging geographies. 3. Establish a strong position in key areas of Africa that support the beneficial and profitable delivery of new projects. 4. Leverage further the Group’s footprint in the growing oil and gas markets. 5. The Group has adopted and implemented a stringent cost containment and capital preservation programme to strengthen its balance sheet.</td>
</tr>
<tr>
<td>Europe’s stagnation has forced Europe based contractors into new markets, with an increased appetite for risk in Africa and the Middle East.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public sector clients introduce additional risk to delivering infrastructure projects</td>
<td>The Group has exposure to public sector clients, particularly in South Africa and the Middle East. The public sector has a limited capacity to absorb the cost of scope changes and drawn out dispute resolution processes create pressure on working capital. The public sector also has a limited capacity to meet delivery obligations.</td>
<td>1. Apply key lessons learnt and commercial guidelines to new opportunities, and contract out of risk issues. 2. Understand the public sector’s capacity/or lack thereof to meet its contractual responsibilities prior to concluding agreements. 3. Focus strongly on pricing approach, design completion, implementation planning and change management.</td>
</tr>
<tr>
<td>SA business environment</td>
<td>Declining business confidence in South Africa, as a result of the political and mining environment, could lead to reduced foreign investment and further constrain opportunities in the local infrastructure and mining markets.</td>
<td>1. Continue to seek growth opportunities in Africa, the Middle East, Australasia and the Americas. 2. Target acquisitions in growth geographies.</td>
</tr>
<tr>
<td>Transformation</td>
<td>Lack of transformation (Employment Equity) and a low BBBEE rating could reduce Murray &amp; Roberts’ chances of being successful with public sectors tenders or incurring client sanction or penalties on current projects if contractual BBBEE obligations are not met.</td>
<td>1. Focus on improving transformation (implementation of Transformation Policy) and BBBEE rating. 2. Growth in international markets will lead to proportionately lower levels of domestic revenue, which will improve the BBBEE rating. 3. Invest in capacity that is scalable into Africa and other growth geographies.</td>
</tr>
<tr>
<td>Construction Products Africa Operating Platform</td>
<td>The construction products business in South Africa is highly sensitive to local market conditions, and generally is not able to adapt product ranges, or relocate plant to meet changing markets dynamics.</td>
<td>1. Invest in capacity that is scalable into Africa and other growth geographies.</td>
</tr>
</tbody>
</table>

KEY

Colours: Black – High, Dark grey – Medium, Light grey – Low
Risk trend: Arrow up – increasing, Arrow down – decreasing, Arrow right – stable
Object: ⭕ Opportunity, ⬤ New risk
STRATEGIC RISK continued

<table>
<thead>
<tr>
<th>Trend</th>
<th>Risk</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>New growth markets</td>
<td>Oil and gas is needed to fuel energy demands from global urbanisation. Clough is strategically placed to benefit from the oil and gas outlook and could become a meaningful player and facilitator in the growing African gas market, in addition to its traditional Australasian markets.</td>
<td>1. Develop strategies to leverage the Group further into the oil and gas markets.</td>
</tr>
</tbody>
</table>
| Group liquidity | Losses and severe working capital demands from projects, in particular GPMOF, Dubai International Airport and Gautrain, created significant liquidity stress for the Group. | 1. Disposal of a number of non-core businesses has brought in approximately R0.9 billion.  
2. Successful debt restructuring has been concluded with the first covenant measurement in December 2012.  
3. A heads of agreement has been signed with Eskom on Medupi Civils, averting cash flow pressure.  
4. Settlement of claims on GPMOF, Dubai International Airport and Gautrain are in progress. |
| Leadership capacity to support growth strategy | The Growth strategy is placing increasing demands on leadership capacity. The Construction Africa and Middle East platform has performed poorly over the past number of years, and suffered from high staff turnover. With the global scarcity of skilled technical talent, Murray & Roberts risks the loss of key talent, including project managers, contract managers and senior executives. | 1. Experienced COOs have been appointed for the Civils and Buildings companies, with new MDs appointed to the Middle East and Marine.  
2. Jerome Govender has been appointed to lead the Construction Africa and Middle East platform.  
3. A new remuneration policy is being developed to focus on performance and retention of key talent.  
4. Performance management and development is receiving appropriate attention.  
5. Regular succession reviews are held to identify potential talent retention risks and apply appropriate strategies to individuals. |

KEY
Colours: Black – High, Dark grey – Medium, Light grey – Low
Risk trend: Arrow up – increasing, Arrow down – decreasing, Arrow right – stable
Object: ☐ Opportunity, ☑ New risk
## Trend Risk Mitigation

### Delay in South African infrastructure programme

Delays in the planned rollout of the Government’s infrastructure plan in South Africa are impacting negatively on a number of areas within the Group, in particular the Construction Africa and Middle East, Engineering Africa and Construction Products Africa platforms.

1. Africa strategy to reduce dependence on contracts and projects within the South African environment.
2. Invest in capacity that is scalable into Africa and other growth geographies.

### CIDB and the Competition Act

The Construction Industry Development Board (CIDB) has said that once the Competition Commission pronounced the outcome of its investigation, the CIDB had the option, in terms of its code of conduct, to remove guilty companies from its grading system database for up to 10 years, precluding such contractors from working for the South African public sector. This is however unlikely under the current fast track process, but poses a significant risk for future transgressions.

1. Continue with active Competition Law training, with all key executives fully orientated on the subject matter.
2. Proactively enforce the Group’s Statement of Business Principles.
3. Proactively enforce signing of the unethical and unlawful practices declaration with tender finalisations.
4. Full co-operation with the Competition Commission.

### Decline in Genrec order book

Genrec’s reduction in scope under the Hitachi contract and loss of market share during the focus on the power programme has placed strain on the Company’s medium term outlook.

1. Rigorous focus on becoming the lowest cost producer.

### Health, safety and environmental exposures

The Group has made significant progress in managing safety risk, with the LTIFR of 1.14, just above the target of 1 and fatalities at a decade low of 4. However, anything more than Zero Harm is a concern.

1. The majority of operating entities in the Group are OHSAS 18001 (Health and Safety) certified, with a significant number achieving ISO 9001 (Quality) and ISO 14001 (Environmental) certification.
2. The Zero Harm through Effective Leadership project aims to strengthen the STOP.THINK.ACT brand, build a leadership engagement programme, align HSE structures across the Group, establish Centres of Excellence, develop lead indicators and capacitate effective leadership.

### Order book

The termination of the Aquarius contract reduced the Group order book by R7.5 billion at year-end. The scope reduction by Hitachi on the Medupi and Kusile Boiler contracts has reduced the order book by a further R6.2 billion. The Middle East business has not been able to secure new orders for more than 18 months. The Building markets in South Africa are flat and oversupplied, with new building contracts secured at very low margins. There has also been delays in bringing civil contracts to market under the South African Government’s infrastructure programme.

1. Africa strategy to reduce dependence on contracts and projects within the South African environment.
## PROJECT RISK

<table>
<thead>
<tr>
<th>Trend</th>
<th>Risk</th>
<th>Mitigation</th>
</tr>
</thead>
</table>
| Risk at tender stage and commercial close | Compromises during the tender stage due to pressure to win work may introduce risks which are outside the defined risk tolerance. | 1. Rigorously apply the lessons learnt register and schedule of contracting principles.  
2. Murray & Roberts Limited risk committee reviews high risk bids, and sets formal negotiating mandates.  
3. Managing directors to confirm that contracts were closed in full compliance with the mandates given.  
4. Group legal services reviews all contracts for red rated projects. |
| Lack of formalised project management discipline | Internal Audit findings indicate a general lack of formalised project management discipline such as risk registers, cost control and forecasting, as well as schedule and change management on projects. This introduces risk of cost overruns, late delivery and unpredictable profitability on projects. | 1. Operating platforms actively implementing formalised project management processes, systems and controls, with the necessary skills capacity.  
2. Internal Audit ensures the Framework for Standardised Project Delivery is implemented correctly and applied for all critical and high-risk projects. |
| State procurement process | Recent bid adjudication by some State entities/ departments has not been strictly in line with the Request For Proposal (RFP) evaluation criteria, raising concerns around procurement processes. | 1. Engage directly with relevant State entities/departments to ensure consistency and transparency. |
| Mafraq Hospital | The late delivery of permanent power, delayed medical equipment procurement and design coordination issues is leading to substantial delay. The client has agreed to a 10 month extension of time, but associated costs still need to be negotiated. | 1. Plans are to reach amicable settlement with the client, including likely cost overruns. |
| Lonmin opencast mine | Actual costs on the project are escalating above what the cost recovering mechanism is allowing. | 1. Discussions are being held to increase the contract price, alternatively to terminate the contract. |

## CORPORATE RISK

<table>
<thead>
<tr>
<th>Trend</th>
<th>Risk</th>
<th>Mitigation</th>
</tr>
</thead>
</table>
| Uncertified revenues | Uncertified revenues taken to book on Gautrain, Dubai International Airport and GPMOF must still be realised through protracted claims processes. This creates the risk of a write-back of revenues accounted for in prior financial years, if the outcomes are less favourable than anticipated. | 1. Gautrain delay and disruption claim formulation is progressing. An alternative negotiated settlement is no longer being pursued.  
2. Favourable arbitration ruling on design changes for GPMOF. Formulation of the claim is progressing.  
3. Tribunal has ruled the ultimate respondent on the Dubai International Airport Claim is the Dubai Government. UAE Supreme Court will determine the responsible department, following which claim arbitration will commence. |

**KEY**

Colours: Black – High, Dark grey – Medium, Light grey – Low  
Risk trend: Arrow up – increasing, Arrow down – decreasing, Arrow right – stable  
Object: [ ] Opportunity, [ ] New risk
Murray & Roberts believes that directors, senior executives and staff should be paid fair, competitive and appropriately structured remuneration in the best interests of shareholders. It also recognises that its remuneration philosophy has a direct effect on the behaviour of employees and that it has to align with the business strategy of the company.

The Group’s remuneration policy continues to be driven by the principles of developing a performance culture and motivating and retaining key and critical talent.

The Board and the remuneration & human resources committee (“remuneration committee”) present this remuneration report. It discloses the remuneration policy on executive remuneration and some aspects of remuneration below executive level with regard to fixed and variable components. Following a comprehensive review of the Company’s remuneration policy from a King III corporate governance best practice design perspective, various enhancements were made from last year. These are detailed in this report. On recommendation by the remuneration committee, the Board has approved the information in this report.

REMUNERATION POLICY

The Murray & Roberts remuneration policy is aligned to its strategic policy, namely recovery in the short term and sustainable growth into the future. Murray & Roberts recognises that its remuneration policy should be formalised across all the Group’s operating companies to drive synergies, however it needs to remain flexible enough to acknowledge differences across operating companies, with varying market conditions and external benchmarking, per operating platform.

To give effect to the general remuneration philosophy that directors, senior executives and salaried staff should be paid fair, competitive and appropriately structured remuneration in the best interests of the company and shareholders, the following broad principles are applied:

- Remuneration consists of fixed and variable components, with emphasis on variable pay at higher levels to encourage performance and shareholder value add
- Remuneration structures support the development of a performance culture and the Group’s business strategy
- Remuneration components are set at a competitive level to motivate key talent and to attract the services of high calibre future employees
- The short term incentive plan aligns the interests of executives with those of shareholders in the short term as performance bonuses are subjected to company key financial performance and individual key performance indicators ("KPI")
- The long term incentive plan and awards to participants are subject to the satisfaction of financial performance conditions supporting long term shareholder value creation

The remuneration committee ensures that the mix of remuneration, including short term and long term incentives, meets the Group’s strategic objectives.

Murray & Roberts has the following remuneration components:

- Guaranteed pay (consisting of salary, benefits and retirement fund contributions)
- Short term incentives ("STI")
- Long term incentives ("LTI")

The Company seeks to position guaranteed pay at the median against appropriate national benchmarks, however, for total pay the policy is to position earnings at the 75th percentile for executives, senior management and key talent and critical skills. This policy supports the underlying principle of paying for performance and the focus on variable pay.

In terms of optimal on-target remuneration mix for executives, an exercise was conducted in 2012 to benchmark all components
of executives’ remuneration and to determine the on-target remuneration mix, which supports the Group’s business strategy and aligns with feedback provided by shareholders.

This optimal remuneration mix, which focuses on variable remuneration for particularly the Group chief executive and Group financial director, is depicted above, per level.

OVERVIEW OF REMUNERATION COMPONENTS

GUARANTEED PAY

Guaranteed pay is aimed at reflecting individual contribution to Murray & Roberts and the market value for role with internal equity and external equity being cornerstones for setting guaranteed pay.

Establishing internal equity entails a process of formal job matching to ensure greater internal alignment, particularly between operating companies within operating platforms. In terms of external equity, which is essential to compete for scarce talent, a benchmarking philosophy is adopted whereby benchmarking will be performed relative to peer companies for executive directors and prescribed officers against companies listed on the JSE which are of a similar size and nature, in terms of market capitalisation and sector, to Murray & Roberts.

Benchmarking for all roles is also performed against group comparator industries, where data from third party salary survey service providers is used.

The average remuneration adjustment for executive directors and prescribed officers in 2012 was 7.4%. The adjustments are aligned to the average Murray & Roberts increase awarded in March 2012 for other salaried employees. The payments made to executive directors and prescribed officers for the 2012 financial year are disclosed in note [42] to the consolidated annual financial statements.

Murray & Roberts operates a total fixed cost of employment to company (“TFCE”) remuneration structure for guaranteed pay. Therefore, benefits such as travel allowances, insurance policies relating to death in service and disability, group life benefits and medical aid are included in TFCE.

Salaried employees in South Africa contribute to the Murray & Roberts Retirement Fund, which is a defined contribution pension fund governed by the Pension Funds Act. Employees of Murray & Roberts in the Middle East region are not required to belong to a retirement fund, while in Australia contributions are made, as part of TFCE, to a superannuation fund structured as a defined contribution fund. In Canada, contributions, as part of TFCE, are made to a registered retirement fund.

SHORT TERM INCENTIVES

The purpose of the STI scheme is to drive company and team financial performance as well as individual performance in order to deliver sustained shareholder value.

The STI scheme is designed to be self-funding. On-target bonus projections are used to ensure affordability and financial measures such as earnings before interest and tax and actual profit are used to calculate the bonus pool accrual.

As Murray & Roberts believes that all employees should be aligned with key business drivers and sustainable growth participation in the STI also includes middle management, junior management and general staff, subject to the meeting of individual KPIs.

Targets for earning STI payments for executives consist of both financial and individual targets. The Group chief executive, Group financial director and operating platform executives have a 70% weighting in favour of financial performance, while other prescribed officers have a 50% weighting.

The STI disbursement is based on bonus qualification levels as a percentage of TFCE, which is determined based on grade and performance against agreed financial and/or individual KPIs as per the individuals’ performance contracts and applied on a sliding scale between threshold, target and stretch performance. Performance below threshold attracts no STI payment for the specific component of the STI below threshold, where threshold for financial KPIs is 80% of target. The STI disbursement is capped at stretch performance or 120% of target. The potential maximum distribution to executive directors and prescribed officers is between 100% and 150% of TFCE.

Financial performance KPIs will be measured against audited annual financial performance. Individual performance KPIs will be based on a formal performance and development evaluation conducted by the executives’ direct manager.
The payments made to executive directors and prescribed officers for the 2012 financial year are disclosed in note 42 to the consolidated annual financial statements. The total STI payment to these executives is 50% of their aggregate TCCE and 44% of their potential stretch bonuses. The year to June 2012 was defined as the Group’s Recovery year and has been an exceptional one for the Group, in the context of the achievement of the Recovery objectives highlighted in this annual integrated report. It is within this context that the awards were made to the executive directors and prescribed officers.

Following input from shareholders, Murray & Roberts will implement, from the 2013 financial year, an automatic deferral of part of the calculated STI into forfeitable share awards as a long term share incentive to enhance alignment with shareholder’s interests.

The financial measures for executive directors and prescribed officers for the 2013 financial year STI will be Group EBIT, operating platform EBIT, net cash and return on invested capital employed. The individual measures of leadership, relationships, operational excellence, safety and risk are designed to maintain a sustainable, profitable business in the long term.

LONG TERM INCENTIVES

The overall purpose of the Murray & Roberts LTI scheme is to provide general alignment between the executives and shareholders of the Company. It also motivates and rewards executives who have contributed to the Group’s value creation over the long term and it supports retention and attraction of executives.

Murray & Roberts has reviewed its LTI in great detail and proposes introducing a Forfeitable Share Plan in the 2013 financial year and the phasing out of its historic option type plan, namely the Murray & Roberts Holdings Limited Employee Share Incentive Scheme (“Share Option Scheme”).

MURRAY & ROBERTS SHARE OPTION SCHEME

The Share Option Scheme will be phased out and no further awards will be made from financial year 2013.

However during the 2012 financial year, allocations were made in August 2011. The purpose of the allocation was to provide greater alignment between key executives and shareholders of the company, to contribute to the alignment with the Recovery & Growth strategic plan and sustainable value creation. Share options were allocated to some 33 key executives. Options granted were based on cliff vesting in year three subject to meeting a performance condition. The performance condition applied was growth in diluted HEPS for continuing operations of annual CPI + 5% cumulatively over the performance period. In order to support retention, approximately 30% of the awards allocated to certain executive directors and executive committee members during the August 2011 allocation comprised options with no performance condition attached to them.

As a result of the April 2012 rights issue, additional options were issued to all existing participants of the Share Option Scheme in the same proportion as the rights issue. This is in line with the scheme rules of ensuring that the participants are entitled to the same proportion of the equity capital as the participant was previously entitled. Participants will be obliged to exercise these additional options together with the options already held, resulting in a weighted average adjusted option price. The adjustment is not a re-pricing of the options.

Outstanding awards in terms of Share Option Scheme will continue to vest in participants, mostly subject to meeting performance conditions. Executive directors and senior management were eligible to participate in the Share Option Scheme. Non-executive directors were not eligible to participate in the Share Option Scheme.

A summary of the salient features are:

- Participants are granted options to acquire shares in Murray & Roberts at a future date
- No consideration is paid by participants for the option grant
- The purchase price for the shares is set at the date of grant and is the closing price of a share on the day of the grant
- At the end of the vesting periods, participants can exercise the option and pay the purchase price and acquire the specified number of shares in Murray & Roberts. It is only at this point that participants will become shareholders and will acquire shareholder rights
- Staggered vesting periods apply to options granted under the scheme after October 2009. All vested options must generally be exercised within six years from the date of grant, failing which they lapse
- Where a performance condition is imposed, it was based on an increase in the share price of CPI + 4% per annum compound growth

The outstanding option awards made in terms of the Share Option Scheme for executive directors and prescribed officers are disclosed in note 42 to the consolidated annual financial statements.

Murray & Roberts proposes to amend certain provisions of the Share Option Scheme to align with the introduction of the FSP and to effect enhancements to the drafting of the scheme in line with Schedule 14 of the JSE Listings Requirements. The salient features of the proposed amendments to the Share Option Scheme will be presented to shareholders at the annual general meeting of shareholders. In this regard, shareholders are referred to the special resolution number 5 on page 222 of this report.

MURRAY & ROBERTS FORFEITABLE SHARE PLAN

INTRODUCTION

Murray & Roberts, as an outcome of the remuneration policy review, proposes the introduction of a new long term incentive plan in financial year 2013, namely the Murray & Roberts Holdings Limited FSP. The rationale behind the introduction of the FSP is as follows:

- Best practice indicates a move away from the use of option-type plans only and the use thereof in conjunction with full share plans Full share plans, like the FSP, are less leveraged and have less upside than option type plans, but provide more certain outcomes
- Most importantly, share ownership by executives provides shareholder alignment which is essential for a LTI to succeed
- Furthermore, FSP instruments aid retention and provide more certainty as these instruments are less volatile than option type instruments
- This instrument also supports the Company’s policy of attracting and retaining the key talent and expertise required for its business strategy

AWARD LEVELS

Annual allocations of forfeitable shares under the FSP will be made on a consistent basis to ensure long term shareholder value creation. This ensures that executives are not faced with an “all or nothing” reward scenario and the impact of the cyclical nature of the business is smoothed. Annual allocations will be benchmarked and set to a market related level of remuneration.
The remuneration committee has discretion when making FSP awards and will make awards with reference to the individual performance of the executives. Annual allocation and aggregate caps will be applied, with the aggregate cap being between four and six times TFCE for executive directors and prescribed officers.

On an annual basis, the remuneration committee will review LTI allocations to ensure its continued contribution to shareholder value and adherence to best practice award guidelines. The remuneration committee is also responsible for the governance relating to all LTIs and will ensure that allocations are made consistently subject to stringent performance conditions.

**PERFORMANCE CONDITIONS**

For annual awards, all awards under the FSP will be subject to a mix of performance conditions, namely:

- Return on Invested Capital Employed ("ROICE");
- Relative Total Shareholder Return ("TSR"); and
- Free Cash Flow per Share ("FCF").

The FSP provides for retention allocations, however, retention allocations will only be used in very specific, ad hoc circumstances for retention of critical skills and will be approved by the remuneration committee in terms of the FSP rules.

The weighting for each of the performance conditions and vesting percentages for on-target performance for the FSP are as follows:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Method</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROICE</td>
<td>Taxed EBIT + Income from Associates / Total capital employed / WACC</td>
<td>50%</td>
</tr>
<tr>
<td>TSR</td>
<td>Share price end of period – Share price start of period + Dividends paid during period / Share price start of period / 100% Relative to peers</td>
<td>25%</td>
</tr>
<tr>
<td>FCF</td>
<td>Operating cash flow – CAPEX + Proceeds on disposal of PPE / Number of shares</td>
<td>25%</td>
</tr>
</tbody>
</table>

For each of the above performance conditions, targets will be set for on-target performance with commensurate linear vesting levels between threshold and on-target performance. Threshold will be set at 80% of target and will be evaluated at the end of the three year performance period.

The calculation and targets for the performance conditions are contained in the table below.

Peer companies to be used for the TSR performance measure are Aveng, Group 5, WBHO, Basil Read and Steffanuti Stocks.

The remuneration committee considers the performance targets to be stretching in the context of the company’s business strategy and the market conditions.

Due to the annual allocations cliff vesting will apply, subject to the performance conditions, three years from the award date.

**LETSEMA VULINDLELA BLACK EXECUTIVE TRUST**

In addition to the Share Option Scheme and the FSP, Murray & Roberts allocates shares to black executives through the Letsema Vulindlela Black Executives Trust (Letsema), which was established in December 2005 as part of the Group’s Broad-Based Black Economic Empowerment shareholding structure. The objective of Letsema is to give black executives the opportunity to become shareholders in Murray & Roberts and as an attraction and retention incentive. In addition, Letsema aims to align the interests of black executives with those of the shareholders.

The beneficiaries of Letsema are black (African, Coloured and Indian) South African citizens, who are employed on a permanent basis within the Group as top, senior and middle managers.
The August 2011 allocation was based on management band, performance and potential and the number of shares allocated was determined with reference to the expected value of shares to be allocated relative to the employee’s TFCE. Allocations ranged from 5% to 35% of TFCE for stretch performance.

This trust was extended to 2021 and continued allocation of shares will be made until 2016 with a five year vesting period.

Black executives who are top managers or are senior executives as members of operating company executive committees will be allocated shares under the FSP.

**RETENTION PAYMENTS**

No retention or severance payments were made during the year to executive directors or prescribed officers.

**CONTRACTS OF EMPLOYMENT – EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS**

Executive directors do not have fixed term contracts, but are subject to notice periods of between one and three months. Similarly, prescribed officers are subject to a notice period of between one and three months. There is no material liability to the Group with respect to the termination of contract of any executive director or prescribed officer. The applicable contracts of employment do not include provisions entitling the individual to a specified payment on termination of employment or on a change of control of Murray & Roberts. Further, no agreements have been entered into with the executive directors or prescribed officers regarding restraint of trade.

The only provision in the contract of employment relating to a payment on termination of employment is to provide that where termination occurs during the first year of employment, any payment to which the individual is entitled by law will be limited to a maximum of 25% of annual TFCE.

Normal retirement of executive directors and senior management is at age 63.

**SHAREHOLDERS’ NON-BINDING ADVISORY VOTE**

In terms of King III and best practice principles the remuneration policy as contained in this remuneration report, will be put to a non-binding shareholders’ vote at the annual general meeting of shareholders. Shareholders are referred to ordinary resolution 6 on page 220 of this report regarding approval of the proposed non-executive director fee structure for 2013.

**NON-EXECUTIVE DIRECTORS**

Non-executive directors do not participate in the STI or any LTI and they do not receive any benefits other than those disclosed.

To the extent that a non-executive director does not attend a scheduled Board or committee meeting, an amount will be deducted from his or her fee. Where a director is required to attend a special Board meeting, he or she will receive an additional fee in respect of attendance.

This fee structure reflects the skill and experience brought to the company by each non-executive director, responsibilities undertaken, the time commitment involved and the importance of attendance at and contribution to Board and committee meetings. The level of fees for service as directors, additional fees for service on Board committees and the chairman’s fee are reviewed annually. The fees are benchmarked against companies listed on the JSE which are of a similar size and nature, in terms of market capitalisation and sector, to Murray & Roberts. This includes companies in the construction, mining and industrial sectors. Consideration is also given to any changes in the level of complexity of the roles when assessing fee recommendations and benchmarks.

In accordance with King III, the remuneration committee reviews, based on external benchmarks, and recommends fee structures to the Board for approval (excluding recommendation on their own fees) before submitting recommendations for approval by shareholders at the annual general meeting.

An increase to the non-executive directors’ and committee fees is proposed for 2013. This proposed increase is due to:

- External benchmarking indicating that Murray & Roberts is remunerating non-executive directors at levels lower than the company’s peer group
- The need to attract suitable, high quality non-executive directors
- An increase in time investment required by non-executive directors due to the global nature of the Group, its risk profile and an increase in general corporate governance requirements

In terms of section 66(8) of the Companies Act, shareholders are referred to special resolution number 1 on page 221 of this report regarding approval of the proposed non-executive director fee structure for 2013.
BOARD COMMITTEE REPORTS

BILL NAIRN CHAIRMAN

The health, safety & environment (HSE) committee assists the Board to fulfill its supervisory role relating to the integration of sound HSE management into all aspects of the Group’s business activities. The committee operates under an approved charter. The committee reviews HSE performance in operational entities and provides guidance to management and the Board. It also evaluates the appropriateness and adequacy of policies and strategies against global best practice.

MEMBERSHIP
The committee comprises five non-executive directors and the Group chief executive, and is chaired by WA Nairn, an independent non-executive director. During the year under review, independent members RC Andersen, ADVC Knott-Craig, NM Magau and JM McMahon served on the committee. ADVC Knott-Craig resigned from the committee on 21 November 2011. The Group executive directors, operating platform executives and executives responsible for sustainability, health and safety attend meetings ex officio. The committee met five times during the year.

TERMS OF REFERENCE
The committee’s responsibilities include:

- Approving the framework, strategy, policies and standards for HSE management and monitoring implementation thereof
- Ensuring that associate companies and significant investments develop policies, guidelines and practices congruent with the Company’s HSE policies
- Monitoring the performance covering matters relating to substantive HSE risks and liabilities
- Monitoring key trailing and leading indicators of safety performance
- Taking into consideration substantive national and international regulatory and technical developments and respond appropriately
- Reviewing compliance with policy, guidelines and appropriate local and international standards and relevant local laws in health & safety matters

The Board reviewed and approved the committee’s terms of reference during the year.

ASSESSMENT
In addition to the formal Board evaluation process, the committee also evaluates its performance and effectiveness by way of self-assessment questionnaires. Based on the results, the committee and Board believe that the committee functions effectively and has complied with its terms of reference in all material respects.

SAFETY

FATALITIES
The committee deeply regrets the death of four employees (2011:12) who sustained fatal injuries while on duty. All four incidents occurred at underground mining operations and the hazards involved were as a result of fall of ground and equipment and machinery failure. While this performance is a significant improvement over previous periods, it remains far from the Board’s aspiration of zero fatalities. Management has revised standards and working procedures to prevent similar occurrences.

LOST TIME INJURY FREQUENCY RATE
The Group’s consolidated lost time injury frequency rate, measured over a million hours worked, improved to 1.14 (2011: 1.28). Further information on the Group’s safety performance is provided in the social performance section of the Group performance review on page 37.

As indicated in the last report to stakeholders, in 2011 management brought in DuPont Sustainability Solutions to conduct a comprehensive health and safety evaluation and to help in crafting a plan to achieve its Zero Harm goals. The evaluation was completed during the year and it brought about an increased level of health and safety awareness in the organisation. It also helped in establishing a common understanding across the company’s operations on health and safety challenges and opportunities for improvement. The recommendations from this evaluation have been incorporated into safety improvement plans which are being implemented at all operations.

HEALTH

OCCUPATIONAL HEALTH
Work continued on improving occupational health programmes aimed at addressing potential health risks associated with operations. Noise induced hearing loss (“NIHL”) remains a prevalent occupational disease threat at mining, construction and manufacturing businesses. During the past year, 36 (2011:104) new NIHL cases were recorded resulting in an occupational disease frequency rate of 0.18, measured over a million hours worked (2011: 0.47).

Assessments are carried out at operations to identify areas with noise levels above legal limits and corrective measures are implemented to eliminate or reduce the exposure. More effort is being focused to engineer out excessive noise levels and to provide employees with knowledge, skills and resources to protect themselves against noise exposure. Silicosis and tuberculosis remain health risks to employees working in environments with silica dust and these risks are often compounded by HIV/AIDS. 21 (2011: 37) TB cases were reported during the financial year. Plans are being reviewed as part of the integrated employee wellness programme to mitigate this challenge.

EMPLOYEE WELLNESS
In 2011, a need was identified to streamline and enhance the Company’s wellness programmes following an evaluation conducted by an outside service provider. While an integrated employee wellness strategy is being developed to address wellness challenges, the current approach to employee wellness includes various programmes which are at different levels of maturity at operational level e.g. random substance abuse tests, voluntary HIV/AIDS testing and an Employee Assistance Programme. The HIV/AIDS prevalence among employees who have been tested is estimated at 12% (2011: 14%). The real prevalence is likely to be higher than this figure given the 18% prevalence estimated for the working population of South Africa.
The nomination committee ensures that the structure, size, composition and effectiveness of the Board and its committees are maintained at levels that are appropriate to the Group’s complexity and strategy. It does so by regularly evaluating the Board’s performance, undertaking performance appraisals of the directors, evaluating the effectiveness of committees and making related recommendations to the Board. The Board is responsible for evaluating the performance of the Group chairman. The committee operates under an approved charter.

MEMBERSHIP
The committee comprises the chairman of the Board and three other independent non-executive directors. The Board appoints the chairman of the committee. RC Andersen served as chairman of the committee and SP Sibisi, M Sello and RT Vice as members. The committee met four times during the year under review. The Board reviewed and approved the committee’s terms of reference during the year.

BOARD & COMMITTEE EFFECTIVENESS
External appraisals of the effectiveness of the Board, its committees and individual directors were conducted during the year. The appraisals were benchmarked against the Group’s strategic requirements and the need to ensure the capacity to deliver these requirements and strengthen the diversity and sector expertise of directors. Self-assessment questionnaires were also performed by each committee during the year under review. The appraisals were positive and their recommendations are being followed through for implementation. An internal appraisal of the chairman was led by the chairman of the remuneration & human resources committee and discussed by the Board. The appraisal was positive.

ASSESSMENT
In addition to the formal Board evaluation process, the committee also evaluates its performance and effectiveness by way of self-assessment questionnaires. Based on the results, the committee and Board believe that the committee functions effectively and has complied with its terms of reference in all material respects.

SUCCESSION
Succession planning, taking into account the strategy of the Group and future retirements from the Board, was addressed. The committee takes cognisance of the importance of institutional knowledge to the Board and the need to balance this with introducing new ideas and experience.

During the year, the Board appointed TCP Chikane as a non-executive director. Shareholders will be requested to confirm this appointment at the annual general meeting.

Due to other business commitments, non-executive director, ADVC Knott-Craig, resigned during the year. Non-executive director, AA Routledge has indicated that he will not be available for re-election and will retire at the 2012 annual general meeting.

SP Sibisi has indicated that he wishes to limit his non-executive directorships to institutions whose core business is underpinned by science or technology. As a consequence he will resign as a non-executive director. NM Magau has indicated that as she has served on the Board for the past eight years as a non-executive director, she felt a need for a change and will also be resigning. Both these resignations will be effective at the conclusion of the 2012 annual general meeting.

RC Andersen who has served as independent non-executive chairman over the past almost nine years has given notice of his intention to retire as a director and chairman of the Company effective 1 March 2013. The Board has agreed unanimously to appoint M Sello as independent non-executive chairman following the retirement of RC Andersen.

PERFORMANCE AND RE-ELECTION
The committee reviewed the performance of directors RC Andersen, M Sello and RT Vice who, in terms of the memorandum of incorporation, retire by rotation at the 2012 annual general meeting. RC Andersen recused himself from the committee’s review of his performance. The committee recommends their re-election to the Board.

King III recommends that the independence of non-executive directors be assessed by the Board on an annual basis. The Board, assisted by the nomination committee, conducted an assessment of the independence of its non-executive directors. All non-executive directors meet the criteria for independence set out in King III.

In the year under review, the average length of service of the current non-executive and executive directors was less than six years.

AUDIT & SUSTAINABILITY COMMITTEE
The committee considered whether the current members (individually/collectively) of the audit & sustainability committee satisfy the requirements of section 94 of the Companies Act No. 71 of 2008 (as amended) and King III. The nomination committee recommends the election of DD Barber, TCP Chikane, M Sello and RT Vice to the audit & sustainability committee. This recommendation will be submitted to the shareholders at the annual general meeting to be held on 31 October 2012. The members of the audit & sustainability committee will serve for a one-year term, concluding at the 2013 annual general meeting. M Sello will be stepping down as a member when appointed chairman of the Company, effective 1 March 2013.
The remuneration & human resources committee assists the Board to fulfill its corporate governance supervision responsibilities and to align the remuneration philosophy with the company’s business strategy. The key focus in this regard is to attract, retain, motivate and reward directors, senior executives and staff by the payment of fair, competitive and appropriately structured remuneration in the best interests of the company and shareholders. The committee operates under approved terms of reference.

MEMBERSHIP
The committee comprises the Group chairman and three independent non-executive directors. RT Vice served as chairman of the committee with RC Andersen, NM Magau and AA Routledge as members. M Sello and JM McMahon were appointed as committee members with effect from 27 June 2012. The Group chief executive, Group financial director and sustainability executive attend meetings ex officio. The executives who attended meetings ex officio did not participate in any discussions or decisions pertaining to their own remuneration. Specialised advice is sought from time to time.

The committee met four times during the year under review.

TERMS OF REFERENCE
The chairman of the committee reports to the Board on the committee’s deliberations and decisions. The committee assists the Board by regularly submitting reports and recommendations on the Group’s employment framework and policies, and remuneration philosophy.

The committee is responsible for considering and approving proposals regarding the guaranteed pay, benefits, short term incentives, long term share incentives and related matters of executive directors of the Group, including the Group chief executive, all managing directors of the Group’s operating companies and senior Group executives. It also considers and approves the remuneration and benefits paid to general staff and has responsibility to oversee the Group pension, provident and other benefit plans.

The functions, role and mandate of the Group chief executive are considered by the committee and his performance is assessed. Succession planning to the Group chief executive and senior Group executives is also considered by the committee.

The committee considers the Group’s leadership succession and development strategy and the Group’s employment equity status as described in this report.

The committee oversees the preparation of the remuneration report and recommends the report to the Board, ensuring that this report is accurate, complete and transparent and provides a clear explanation of how the Remuneration Policy has been implemented. The committee ensures that the Remuneration Policy is put to a non-binding advisory vote of shareholders at the annual general meeting.

The Board reviewed and approved the committee’s terms of reference during the year.

ASSESSMENT
In addition to the formal Board evaluation process, the committee also evaluates its performance and effectiveness by way of self-assessment questionnaires. Based on the results, the committee and Board believe that the committee functions effectively and complies with its terms of reference in all material respects.

DIRECTOR AND EXECUTIVE REMUNERATION
The remuneration packages of executive directors and senior executives include performance-related remuneration, which is determined in terms of incentive schemes operated at Group and operating entity level. These schemes are disciplined and are designed and implemented with assistance from independent remuneration consultants to competitively reward those directors and executives who have contributed to the Group’s performance.

Non-executive directors receive a fee for their contribution to the Board and its committees. This fee structure reflects the skill and experience brought to the Company by each non-executive director, responsibilities undertaken, the time commitment involved and the importance of attendance at and contribution to Board and committee meetings. Please refer to page 110 for more details on non-executive director fees.

The Group’s remuneration policy is described in the remuneration report included on page 106 of this report. The remuneration of executive directors for the year ended 30 June 2012 is set out in note 42 to the consolidated annual financial statements. Remuneration details of non-executive directors for the year to 30 June 2012 are set out in note 42 to the consolidated annual financial statements. The proposed fee increase for non-executive directors is included on page 221.

RETIREMENT AND OTHER BENEFIT PLANS
A number of retirement funds operate within the Group. In South Africa these are registered as pension or provident funds and accordingly are governed by the Pension Funds Act. Although some funds are privately administered, the majority of funds are incorporated in outsourced umbrella schemes.

The assets of the funds are independently controlled by boards of trustees which include representatives elected by the members. Further details on retirement and other benefit plans are provided in note 19 to the consolidated annual financial statements.

Employees of Murray & Roberts in the Middle East region are not required to belong to a retirement fund, while in Australia contributions are made, as part of total fixed cost of employment, to a superannuation fund structured as a defined contribution fund. In Canada, contributions, as part of total fixed cost of employment, are made to a registered retirement fund.
The role of the committee is to assist the Board to ensure that:

RISK MANAGEMENT

terms of reference in all material aspects.

that the committee functions effectively and has complied with its

assessment questionnaires. Based on the results, the Board believes

also evaluates its performance and effectiveness by way of self-

In addition to the formal Board evaluation process, the committee

The committee comprises four independent non-executive directors. During the year under review, SP Sibisi served as chairman of the committee with DD Barber (chairman of the audit & sustainability committee), WA Nairn and RT Vice as members. TCP Chikane was appointed a member of the committee with effect from 27 June 2012. The Group chief executive, Group financial director, Group commercial executive and Group risk executive attend meetings ex officio. As the chairman of the audit & sustainability committee also serves on this committee, overlapping responsibilities are appropriately managed. The committee met four times during the year.

The committee’s terms of reference were reviewed and approved by the Board during the year.

ASSESSMENT

In addition to the formal Board evaluation process, the committee also evaluates its performance and effectiveness by way of self-assessment questionnaires. Based on the results, the Board believes that the committee functions effectively and has complied with its terms of reference in all material aspects.

RISK MANAGEMENT

The role of the committee is to assist the Board to ensure that:

- The Group has designed, implemented and monitors an effective policy and plan for risk management (Group Risk Framework), with appropriate organisational structures, processes and systems, that together enhance the Group’s ability to achieve its strategic objectives
- All significant risk exposures are timeously identified and clearly understood, and that mitigation responses are effectively and efficiently implemented to preserve and promote stakeholder interests
- The Group’s risk management and control systems are adequate and effective, and disclosure regarding risk is comprehensive, timely and relevant

The committee continues to consider and review the Group Risk Framework. The committee is satisfied that the further enhancements implemented by management during the year ensured that the Group responded effectively to the risks it faced.

The Murray & Roberts Limited risk committee acts as custodian of the Group risk mandate, interrogates Group-level risk and interrogates key decisions prior to Board approval. During the year this committee reviewed 30 major project bids.

Currently 15 of the Group’s operating companies utilise the opportunity management system. This project portfolio management system was developed in-house and continues to be enhanced to highlight project risks entering the Group’s environment. At 30 June 2012, opportunities in the active pipeline amounted to R73 billion.

A top-down assessment of Group-level risks was conducted in support of the 2012 results. Operating companies conducted risk assessments as part of their business planning process, and also carried out a range of project risk assessments. A table of significant risk exposure is included under the risk management section of this report.

The Integrated Assurance Framework effectively aligned risk management, regulatory compliance and internal audit, and ensured that common areas of concern were addressed comprehensively and timeously.

INTERNAL AUDIT

The Group’s risk-based systems approach to internal audit delivered anticipated results. The Group internal audit executive, following a co-sourced approach deploying Group and KPMG resources, carried out reviews of all of the Group’s critical controls and major projects. All material findings were satisfactorily addressed by management and follow-up procedures were carried out to confirm responses by management. Findings relating to the need to improve risk management practices at project level are receiving attention.

INSURANCE AND TREASURY

Murray & Roberts has a Group insurance programme covering asset and liability risks. Bonds and guarantees are integrated with the treasury management system, and administered centrally.

CLAIMS AND LITIGATIONS

Group Legal Services, under the leadership of the Group commercial executive, and with the support and involvement of the operating platform commercial executives, manages the Group’s contractual risk. The capacity of Group legal services has been substantially increased with the appointment of two construction attorneys and an advocate specialising in regulatory compliance.

The Group commercial executive leads the engagement of general and Co-sourced approach deploying Group and KPMG resources, carried out reviews of all of the Group’s critical controls and major projects. All material findings were satisfactorily addressed by management and follow-up procedures were carried out to confirm responses by management. Findings relating to the need to improve risk management practices at project level are receiving attention.

FORENSICS

The Group employs a firm of forensic consultants and investigators that reports to the Group commercial executive. Tip-Offs Anonymous, an independent hotline service provider, is available to report inappropriate, unethical and/or unlawful behaviour in the workplace. Every reported incident was investigated and resolved to the satisfaction of the executive committee.
The social & ethics committee assists the Board to fulfil its supervisory role, specifically in relation to the Group’s commitment to Zero Harm from its business activities, to its employees, shareholders, customers, business partners and society in general. It also monitors the Group’s ethical practices.

MEMBERSHIP
The committee comprises the Group chairman and two independent non-executive directors. M Sello serves as chairman of the committee, with RC Andersen (Group chairman) and AA Routledge as members. The Group chief executive, Group financial director, Group commercial executive and Group sustainability executive attend meetings in an ex officio capacity.

The committee met four times during the year under review.

TERMS OF REFERENCE
The chairperson of the committee reports to the Board on the committee’s deliberations and decisions. The committee regularly submits reports and recommendations and assists the Board by:

- Reviewing and approving the policy, strategy and structures to manage social and ethics matters in the Group
- Endeavours to ensure that operating entities, associate companies and significant investments develop and maintain policies, guidelines and practices congruent with the Group's social and ethics policies
- Assessing and measuring social and ethics performance with reference to the United Nations Global Compact Principles, the OECD Guidelines for Multinational Enterprises, the JSE Socially Responsible Investment Index, the Department of Trade and Industry Broad-Based Black Economic Empowerment (“BBBEE”) scorecard, International Labour Organisation protocols and King III
- Reviewing compliance by the Company, its operating entities and associates with laws, policies, guidelines and standards, including competition law
- Considering substantive national and international regulatory developments as well as practices in social and ethics management
- Reviewing the Murray & Roberts Socially Responsible Investment Index and BBBEE performance disclosures
- Overseeing the activities of management in regard to consultation and communication with internal and external stakeholders on social and ethics issues
- Reporting annually to shareholders on social and ethics issues
- Endeavours to ensure that management has allocated adequate resources to comply with social and ethics policies, codes of best practice and regulatory requirements

The Board reviewed and approved the committee’s terms of reference during the year.

ASSESSMENT
In addition to the formal Board evaluation process, the committee also evaluates its performance and effectiveness by way of self-assessment questionnaires. Based on the results, the Board believes that the committee functions effectively and has complied with its terms of reference in all material respects.

COMPETITION MATTERS
Murray & Roberts does not condone any anti-competitive or collusive conduct by its employees and is committed to compliance with the Competition Act.

Murray & Roberts continues to work with the Competition Commission in the best interests of the Group and to eliminate any possible collusion within the construction industry.

Further details on competition matters are contained in the chairman’s statement on page 18 and the ethics performance review on page 52.

STATEMENT OF BUSINESS PRINCIPLES
The Statement of Business Principles, adopted in the previous financial year, was widely distributed across the Group, both to existing employees and new appointments, and its message was disseminated in forums designed to reaffirm its importance as the standard bearer of the moral and ethical culture the Group is striving to embed.

Every director, officer and employee of the Group must comply with the letter and spirit of the Statement of Business Principles.

TRANSPARENCY
The Group encourages concerned employees to report observed unethical behaviour within any of its operations, and continues to promote the Tip-Offs Anonymous hotline service that supports reporting of workplace dishonesty and unethical behaviour, including discrimination, theft, fraud and corruption.

During the year under review, 58 cases were reported and investigated. Of those, 46 were closed out and 12 remain under investigation. A professional firm of forensic consultants and investigators appointed by the Group assists with investigations into reported cases. Appropriate disciplinary and legal action has been initiated in all cases of dishonest conduct.

FRAUD, CORRUPTION, ANTI-COMPETITIVE BEHAVIOUR AND UNFAIR BUSINESS PRACTICES
Murray & Roberts subscribes to good corporate governance, good corporate citizenship and ethical business practices. The Group is a signatory to the World Economic Forum Partnering Against Corruption Initiative. The Group is also a member of Business Leadership South Africa and supports its Code of Good Corporate Citizenship.

All executives involved in preparing and authorising each specific project bid, sign a declaration that they have not committed, and are not aware that anyone else affiliated with the bid has committed, whether directly or indirectly, any unethical or unlawful practices in the preparation and submission of the tender.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT
Murray & Roberts is committed to BBBEE in our South African business and addresses the full range of empowerment requirements across its diverse operations. The Group achieved a consolidated BBBEE rating of level 3 when measured on the Construction Sector Charter and individual operating company BBBEE ratings range from level 2 to level 6. All operating companies are encouraged to improve their ratings so that the Group can, at least, maintain a level 3 BBBEE rating. Further details on BBBEE matters are contained in the transformation and local economic development review on page 42.
NON-EXECUTIVE DIRECTORS

ROY CECIL ANDERSEN (64)
CA(SA) CPA (Texas)
INDEPENDENT NON-EXECUTIVE CHAIRMAN
Roy was appointed to the Board in 2003 and became chairman in 2004. He is chairman of the nomination committee and a member of the remuneration & human resources committee, the health, safety & environment committee and the social & ethics committee. He is also a trustee of The Murray & Roberts Trust. Roy’s other directorships include Aspen Pharmacare Holdings, Nampak, Sasfin Bank and Business Against Crime, and he is a member of the King Committee on Corporate Governance. He was previously the chairman of Sanlam and the chief executive and deputy chairman of Liberty Group. Roy served as executive president of the JSE from 1992 to 1997 where he was responsible for overseeing its restructuring, including the introduction of electronic equity trading. He was with Ernst & Young from 1971 to 1992 where his last position was executive chairman. He holds the rank of Major General and is Chief of Defence Reserves of the SANDF, Honorary Colonel of the Transvaal Horse Artillery as well as a member of the Council for the Support of National Defence. He is a member of the Defence Staff Council and the Military Command Council.

DAVID (DAVE) DUNCAN BARBER (59)
FCA (England & Wales) AMP (Harvard)
INDEPENDENT NON-EXECUTIVE DIRECTOR
Dave was appointed to the Board in 2008. He is chairman of the audit & sustainability committee and a member of the risk management committee. He is a director of AFGRI Limited. Dave was formerly the global chief financial officer of Anglo Coal, a division of the Anglo American Ptic Group with operations in Australia, Canada, Venezuela, Colombia, China and South Africa as well as chief financial officer of Anglo American Corporation of South Africa. The majority of his career was spent in the Anglovaal Group prior to its unbundling where he held the position of Group chief financial officer. He has served as a non-executive director and member of the audit committee for several companies, including Anglo Platinum, Barnard Jacobs Mellet Holdings, Telkom, Highveld Steel and Vanadium Corp. His career has also included positions within PricewaterhouseCoopers, Fedsure and SA Breweries.

THENJWE CLAUDIA PAMELA CHIKANE (46)
BCom BCompt (Hons)
INDEPENDENT NON-EXECUTIVE DIRECTOR
Thenjwe was appointed to the Board on 15 June 2012. She is a member of the audit & sustainability committee and the risk management committee. Thenjwe is a director at Nedbank Group, Nedbank Limited, Datacentrix Holdings and the Institute of Directors and a trustee of Africare. She previously held the position of Head of the Gauteng Department of Finance and Economic Affairs and served on the boards of several companies including the Development Bank of Southern Africa and Telkom SA. She was the chairperson of the State Information Technology Agency.

NAMANE MILCAH MAGAU (60)
BA EdD (Harvard) MED BEd
INDEPENDENT NON-EXECUTIVE DIRECTOR
Namane was appointed to the Board in 2004. She is a member of the remuneration & human resources committee and the health, safety & environment committee, and trustee of The Murray & Roberts Trust. Namane is a director of AON South Africa, Crowie Holdings, Eriza Construction and the National Research Foundation, and previously held directorships at Santam, Simmer & Jack Mines and Merrill Lynch South Africa. Namane is currently a director of her own consulting company, and a member of the Advisory Board of University of Cape Town Business School she was formerly the director of group human capital services at the SABC. She came to the SABC from the CSIR where she was vice president of human resources.

JOHN MICHAEL MCMAHON (65)
PrEng BSc Eng (Glasgow)
INDEPENDENT NON-EXECUTIVE DIRECTOR
Michael was appointed to the Board in 2004. He is a member of the health, safety & environment committee and the remuneration & human resources committee. Michael is a director of Central Rand Gold and Impala Platinum Holdings. He was formerly the chairman of Gencor and Impala Platinum Holdings, and a director of Gold Fields. Michael was a project manager at Murray & Roberts during the 1970s.

WILLIAM (BILL) ALAN NAIRN (67)
PrEng BSc Eng (Mining)
INDEPENDENT NON-EXECUTIVE DIRECTOR
Bill was appointed to the Board in 2010. He is chairman of the health, safety & environment committee and a member of the risk management committee. Bill is a director of AngloCoal Ashanti and non-executive chairman of MDM Engineering Group and of the Procurement Committee for MTN Group. He previously served on the boards of several companies including Anglo American plc, Anglo Platinum and Kumba Resources.

ANTHONY (TONY) ADRIAN ROUTLEDGE (64)
BCom CA(SA)
INDEPENDENT NON-EXECUTIVE DIRECTOR
Tony was appointed to the Board in 1994. He is a member of the audit & sustainability committee, the remuneration & human resources committee and the social & ethics committee, and a trustee of The Murray & Roberts Trust. Tony was formerly an executive director of Nedcor, Nedbank and Sankorp.

MAHLAPE SELLO (50)
LLB, Master of Arts and Law (Russia)
INDEPENDENT NON-EXECUTIVE DIRECTOR
Mahlape was appointed to the Board in 2009. She is chairman of the social & ethics committee, a member of the audit & sustainability committee, the nomination committee and the remuneration & human resources committee. Mahlape serves on some of the committees of the Johannesburg Bar Council and the General Council of the Bar and is a member of the South African Law Reform Commission and the chairperson of the Advertising Industry Tribunal of the Advertising Standards Authority of South Africa. Mahlape was formerly the chairperson of the Advisory Committee on Licensing of Private Hospitals at the Gauteng Department of Health.

INDEPENDENT NON-EXECUTIVE DIRECTOR
Thenjiwe is a director of the Murray & Roberts Trust. She served on the boards of several companies including the Development Bank of Southern Africa and Telkom SA. She was the chairperson of the Advisory Committee on Licensing of Private Hospitals at the Gauteng Department of Health.


group executive
SIBUSISO PATRICK SIBISI (57)
BSc Physics (Hons) PhD (Cambridge)
INDEPENDENT NON-EXECUTIVE DIRECTOR
Sibusiso was appointed to the Board in 2007. He is chairman of the risk management committee and a member of the nomination committee. Sibusiso is president and CEO of the CSIR, director of Liberty Group, Telkom SA and a member of the Roedean School Board of Governors. He was the co-founder of a research-based enterprise at Cambridge and a Fulbright Fellow at the California Institute of Technology in 1988. He was formerly the deputy vice chancellor, research and innovation, at the University of Cape Town.

ROYDEN THOMAS VICE (65)
BCom CA(SA)
INDEPENDENT NON-EXECUTIVE DIRECTOR
Royden was appointed to the Board in 2005. He is chairman of the remuneration & human resources committee and a member of the risk management committee and the nomination committee. He is also a trustee of The Murray & Roberts Trust. Royden is chairman of Hudaco Industries, Waco International and Puregas, and a Governor of Rhodes University. He was previously the Chief Executive Officer of Waco International and of Industrial and Special Products at UK-based BOC Group, chairman of African Oxygen (“Afrox”), Afrox Healthcare and Consol Glass.

EXECUTIVE DIRECTORS
ANDRIES JACOBUS (COBUS) BESTER (52)
BCom (Acc) Hons CA(SA)
GROUP FINANCIAL DIRECTOR
Cobus first joined the Group in 2006 following the acquisition of Concor and was appointed to the Board 2011. Cobus is the chairman of Murray & Roberts International and a director of Clough. He was previously group financial director for Basil Read and Concor for three and six years respectively and managing director of Concor from 2005 – 2011. He has extensive experience in the construction and engineering industry.

ORRIE FENN (57)
BSc (Hons) Eng MPhil Eng DEng
GROUP EXECUTIVE DIRECTOR
Orrie joined the Group and was appointed to the Board in 2009. He is the executive director responsible for the Group’s Construction Products Africa operating platform. Orrie was previously chief operating officer of PPC and project director for Blue Circle Cement. He spent seven years at the Chamber of Mines Research Organisation, where he obtained a doctorate in engineering. Orrie is a member of the SA Institute of Mining and Metallurgy, a fellow of the Institute of Quarrying and holds a Government Certificate of Competency (Mines and Works).

HENRY JOHANNES LAAS (52)
BEng (Mining) MBA
GROUP CHIEF EXECUTIVE
Henry first joined the Group in 2001 and was appointed to the Board and as Group chief executive in 2011. He is a member of the health, safety & environment committee. Henry is a director of Murray & Roberts International Holdings and Clough. He played an instrumental role in the global expansion of the Cementation Group and has a strong track record of successful resolution of complex commercial matters and business strategy development and implementation.

Most recently, Henry was as executive director of Murray & Roberts Limited responsible for the Group’s Engineering businesses. Since 2007 he served as a member of the Group executive committee as director of Murray & Roberts Limited.

EMMARENTIA (RENTIA) JOUBERT (33)
BCom (Acc) Hons CA(SA) GTP (SA)
GROUP SECRETARY
Rentia joined the Group in March 2010, when she was appointed as the financial manager at Murray & Roberts Cementation. She was appointed Group secretary on 1 August 2012.

Alan Knott-Craig resigned as an independent non-executive director on 17 January 2012.
Yunus Karodia stepped down as Group Secretary effective 1 August 2012 to take up a financial leadership role at Murray & Roberts Cementation. Directors’ ages as at 30 June 2012.
# RECORD OF ATTENDANCE

## RECORD OF ATTENDANCE AT DIRECTORS’ MEETINGS FOR THE 2012 FINANCIAL YEAR

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<th>Name</th>
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## RECORD OF ATTENDANCE AT BOARD COMMITTEE MEETINGS FOR THE 2012 FINANCIAL YEAR

### Audit & sustainability committee

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<th>25/06/12</th>
<th>03/02/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>RT Vice (Chairman)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>RC Andersen</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>NM Magau</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>AA Roulledge</td>
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### Nomination committee

<table>
<thead>
<tr>
<th>Date</th>
<th>29/08/11</th>
<th>27/02/12</th>
<th>25/06/12</th>
<th>04/06/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>RC Andersen (Chairman)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>M Sello</td>
<td>–</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>SP Sibisi</td>
<td>✓</td>
<td>X</td>
<td>X</td>
<td>✓</td>
</tr>
<tr>
<td>RT Vice</td>
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<td>✓</td>
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</table>
### Health, safety & environment committee

<table>
<thead>
<tr>
<th>Date</th>
<th>WA Nairn (Chairman)</th>
<th>ADVC Knott-Craig</th>
<th>RC Andersen</th>
<th>HJ Laas</th>
<th>NM Magau</th>
<th>JM McMahon</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/08/11</td>
<td>✓</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>28/11/11</td>
<td>✓</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>28/02/12</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>03/05/12</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td>✓</td>
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</table>

### Social & ethics committee

<table>
<thead>
<tr>
<th>Date</th>
<th>M Sello (Chairman)</th>
<th>RC Andersen</th>
<th>AA Routledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/08/11</td>
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<td>03/05/12</td>
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<tr>
<td>26/06/12</td>
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</tr>
<tr>
<td>02/02/12</td>
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</table>

1 Resigned 17 January 2012.
2 Appointed 15 June 2012.
3 Resigned 21 November 2011.
4 Appointed 31 August 2011.
5 Special meetings called at short notice can result in some directors/members being unavailable. Their views on the matters to be discussed are generally obtained.
# ANALYSIS OF SHAREHOLDERS

**JUNE 2012**

<table>
<thead>
<tr>
<th>Size of holding</th>
<th>Number of shareholders</th>
<th>% of shareholders</th>
<th>Number of shares</th>
<th>% of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1 000 shares</td>
<td>4 899</td>
<td>61,02</td>
<td>1 399,014</td>
<td>0,31</td>
</tr>
<tr>
<td>1 001 – 10 000 shares</td>
<td>2 280</td>
<td>28,40</td>
<td>7 182,777</td>
<td>1,62</td>
</tr>
<tr>
<td>10 001 – 100 000 shares</td>
<td>560</td>
<td>6,98</td>
<td>18 161,026</td>
<td>4,08</td>
</tr>
<tr>
<td>100 001 – 1 000 000 shares</td>
<td>233</td>
<td>2,90</td>
<td>71 333,915</td>
<td>16,04</td>
</tr>
<tr>
<td>1 000 001 shares and above</td>
<td>56</td>
<td>0,70</td>
<td>346 659,386</td>
<td>77,95</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8 028</td>
<td>100,00</td>
<td>444 736,118</td>
<td>100,00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of shareholders</th>
<th>% of shareholders</th>
<th>Number of shares</th>
<th>% of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension funds</td>
<td>208</td>
<td>2,60</td>
<td>177 923,412</td>
<td>40,09</td>
</tr>
<tr>
<td>Unit trusts/Mutual fund</td>
<td>216</td>
<td>2,70</td>
<td>134 685,987</td>
<td>30,28</td>
</tr>
<tr>
<td>Insurance companies</td>
<td>31</td>
<td>0,39</td>
<td>34 398,845</td>
<td>7,75</td>
</tr>
<tr>
<td>BEE</td>
<td>5</td>
<td>0,06</td>
<td>31 902,251</td>
<td>7,18</td>
</tr>
<tr>
<td>Private investor</td>
<td>85</td>
<td>1,06</td>
<td>11 099,328</td>
<td>2,60</td>
</tr>
<tr>
<td>Sovereign wealth</td>
<td>10</td>
<td>0,12</td>
<td>9 607,319</td>
<td>2,17</td>
</tr>
<tr>
<td>American Depositary Receipts</td>
<td>1</td>
<td>0,01</td>
<td>6 160,362</td>
<td>1,39</td>
</tr>
<tr>
<td>Custodians</td>
<td>13</td>
<td>0,16</td>
<td>3 253,204</td>
<td>0,74</td>
</tr>
<tr>
<td>Exchange-traded fund</td>
<td>3</td>
<td>0,04</td>
<td>2 090,150</td>
<td>0,47</td>
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<tr>
<td>University</td>
<td>10</td>
<td>0,12</td>
<td>1 245,262</td>
<td>0,29</td>
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<tr>
<td>Investment trust</td>
<td>6</td>
<td>0,07</td>
<td>1 026,141</td>
<td>0,22</td>
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<tr>
<td>Charity</td>
<td>10</td>
<td>0,12</td>
<td>847,791</td>
<td>0,21</td>
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<tr>
<td>Treasury</td>
<td>1</td>
<td>0,01</td>
<td>676,644</td>
<td>0,15</td>
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<tr>
<td>Hedge fund</td>
<td>2</td>
<td>0,03</td>
<td>295,348</td>
<td>0,07</td>
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<tr>
<td>Local authority</td>
<td>1</td>
<td>0,01</td>
<td>55,761</td>
<td>0,01</td>
</tr>
<tr>
<td>Real estate fund</td>
<td>1</td>
<td>0,01</td>
<td>43,684</td>
<td>0,01</td>
</tr>
<tr>
<td>Other</td>
<td>7 425</td>
<td>92,49</td>
<td>29 424,629</td>
<td>6,37</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8 028</td>
<td>100,00</td>
<td>444 736,118</td>
<td>100,00</td>
</tr>
</tbody>
</table>

| Non-public*        | 9                      | 0,11              | 38 254,613      | 8,60       |
| Public             | 8 019                  | 99,89             | 406 481,505     | 91,40      |
| **Total**          | 8 028                  | 100,00            | 444 736,118     | 100,00     |

<table>
<thead>
<tr>
<th>Shareholder spread</th>
<th>Number of shareholders</th>
<th>% of shareholders</th>
<th>Number of shares</th>
<th>% of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>275 875,747</td>
<td>62,03</td>
<td>444 736,118</td>
<td>100,00</td>
</tr>
<tr>
<td>International</td>
<td>168 860,371</td>
<td>37,97</td>
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<td></td>
</tr>
</tbody>
</table>

ASSURANCE STATEMENT

Independent assurance statement by Deloitte & Touche to Murray & Roberts Holdings Limited on their sustainability indicator disclosure and their self-declared Global Reporting Initiative G3.1 application level in their annual integrated report 2012 ("the Report")

SCOPE OF OUR WORK
Murray & Roberts engaged us to perform limited assurance procedures for the year ended 30 June 2012 on the self-declared Global Reporting Initiative G3.1 Guidelines ("GRI G3.1") B+ application level and the following subject matter:

- Corporate social investment in community programs (Rm)
- Letsema broad-based community commitments (Rm)
- Statement of total value added
- Significant fines paid (Rm)
- Total number of bursars and percentage of bursars who are black and female
- Graduate recruitment and percentage of graduates who are black and female
- Leadership Development Program attendance and percentage of participants who are black and female
- Percentage of employees covered by collective bargaining agreements
- Composition of governance bodies
- Number of fatalities
- Lost time injury frequency rate
- Total recordable case rate
- Percentage of employees covered by ISO 9001
- Percentage of employees covered by ISO 14001
- Percentage of employees covered by OSHAS 18001
- Bursaries awarded by the Letsema Employee Benefits Trust
- Cumulative wealth created through Letsema BBBEE share ownership transaction (Rm)
- Verified preferential procurement spend (Rm)

ASSURANCE PROCESS AND STANDARD
We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000, “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” (ISAE 3000). To achieve limited assurance, ISAE 3000 requires that we review the processes and systems used to compile information in the areas on which we provide assurance. This provides less assurance and is substantially less in scope than a reasonable assurance engagement.

The evaluation criteria used for our assurance are the Murray & Roberts definitions and basis of reporting, GRI G3.1 served as the criteria used for the application level assurance.

KEY PROCEDURES
Considering the risk of material error, our multi-disciplinary team of sustainability assurance specialists planned and performed our work to obtain all the information and explanations we considered necessary to provide sufficient appropriate evidence on which we base our conclusion. Our work was planned to mirror Murray & Robert’s own group level compilation processes.

Key procedures we conducted included:
- Gaining an understanding of Murray & Robert’s systems through interview with management responsible for reporting systems at corporate head office and site level; and
- Reviewing the systems and procedures to capture, collate, aggregate, validate and process source data for the assured performance data included in the Report.

OUR CONCLUSION
Based on our examination of the evidence obtained, nothing has come to our attention which causes us to believe that the selected sustainability performance indicators are not fairly presented.

Based on the work performed on the report, nothing has come to our attention that causes us to believe that, management’s declaration of an application level B+ in terms of the Global Reporting Initiative G3.1 Guidelines is not fairly stated.

RESPONSIBILITIES OF DIRECTORS AND INDEPENDENT ASSURANCE PROVIDER
The directors are responsible for the preparation of the annual integrated report, including the implementation and execution of systems to collect required sustainability data.

Our responsibility is to express our limited assurance conclusion on the sustainability performance data for the year ended 30 June 2012.

This report is made solely to Murray & Roberts in accordance with our engagement letter. Our work has been undertaken so that we might state to the company those matters we are required to state to them in a limited assurance report and for no other purpose. Thus, we do not accept or assume responsibility to anyone other than Murray & Roberts for our work, for this report, or for the conclusions we have formed.

Deloitte and Touche
Registered Auditor

Per – AN le Riche
Partner
11 September 2012

1st Floor, The Square, Cape Quarter, 27 Somerset Road, Greenpoint, Cape Town, 8005


A full list of partners is available on request.