PARALYMPIC STARS SANDRA KHUMALO AND HILTON LANGENHOVEN WITH OLYMPIC GOLD MEDALISTS MATTHEW BRITTAIN, SIZWE NDLOVU AND JAMES THOMPSON WERE SPECIAL GUESTS AT THE **2012 JACK CHEETHAM AND LETSEMA AWARDS**.

# GOVERNANCE, RISK & REMUNERATION REPORTS

# GOVERNANCE REPORT

**RENTIA JOUBERT**

## STATEMENT OF COMMITMENT

The Board continued to promote and support the Group in striving to achieve the highest standards of business integrity, ethics and corporate governance, in the pursuit of its business objectives. The Board also encouraged the executive team to conduct the business of the Group with prudence, transparency, integrity and accountability, and as a result is pleased to present this annual integrated report.

The Board has continued on its journey of achieving and exceeding the requirements of The King Code of Governance Principles (King III) and in particular its "apply or explain" principle. While the Group has not yet fully applied all of the principles of King III, the following additional areas of application were achieved in the year under review.

- A more comprehensive risk management plan was developed and adopted by the Board. Furthermore, the Board will continue to regularly receive and review a risk report twice a year.
- 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. The risk register will be submitted. to the Board twice a year.
- IT was added as a regular agenda item for Board meetings. Furthermore, independent assurance on the effectiveness of the IT internal controls is provided to the Board through the Group's internal audit function.
- A Group-wide IT strategy was developed and implemented. This strategy will ensure a consistent and coordinated approach to IT governance and controls across the Group.
- An IT Charter was finalised and approved. 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.
- Significant IT investments and expenditure are monitored and evaluated by the audit & sustainability committee and a summarised report is presented to the Board.
- The Group-wide regulatory compliance plan includes IT laws, rules, codes and standards, and provides appropriate assurance to the Board.
- The social & ethics committee monitors Group compliance and a report is presented to the Board. The regulatory compliance plan was extended to cover the Group's international operations in FY2013.
- A complete compliance framework, including controls and processes was approved and has been implemented. Assurance on the effectiveness of the controls and processes was provided to the Board.
- Stakeholder perceptions are measured in isolated cases, for example, client and employee satisfaction surveys are undertaken. A stakeholder engagement policy that will assist the Board to gauge stakeholder perceptions has been formulated and adopted. Furthermore, a stakeholder engagement framework was previously developed and rolled out Group-wide.

The following table displays the only King III requirement that has not yet been fully applied:

| KING III PRINCIPLE | MURRAY & ROBERTS APPLICATION | ACTION PLANS TO APPLY PRINCIPLE |
|---|---|---|
| **The governance of information technology** | | |
| 5.6. The Board should ensure that information assets are managed effectively. | 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. | 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. |

*The full King III Governance Principles table is available online at www.murrob.com.*

## BOARD OF DIRECTORS

At the date of this report, Murray & Roberts had a unitary Board with eight directors, of whom six are independent non-executive directors and two 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 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 Group.

The Board has a fiduciary duty to conduct its business in the best interests of the Group and, in discharging its duty, ensures that the Group performs in the best interests of its stakeholders. The Group's key stakeholders include present and future investors, clients, business partners, employees, regulators and the societies 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
  - ensuring 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 Group
- Ensures the Group is a responsible corporate citizen by considering the impact of the business operations of the Group on its people, society and the environment
- Ensures measurable corporate citizenship policies are developed and programmes implemented
- Monitors the Group'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 Group's communication with all relevant stakeholders (internal and external) openly and promptly, on the basis of substance over form
- Ensures that shareholders are treated equitably
- Ensures 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
- Ensures directors act in the best interest of the Group 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 Group. 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 from 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 formally meets 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 Portside project in Cape Town. The Group chief executive keeps all directors informed between meetings of major developments affecting the Group.

## CHANGES TO THE BOARD

During the year under review, Tony Routledge, Namane Magau and Sibusiso Sibisi retired from the Board. Subsequent to year-end, Thenjiwe Chikane resigned from the Board. Orrie Fenn resigned from the Board, due to his appointment as platform executive for the Construction Global Underground Mining platform. Our sincere appreciation is extended to all of these directors for their valued contribution.

Effective March 2013, Mahlape Sello succeeded Roy Andersen as non-executive chairman, following his planned retirement, announced in August 2012. The Board thanks Roy Andersen for his valued counsel. Ntombi Langa-Royds joined the Board in June 2013 as a non-executive director, chairman of the social & ethics committee and member of the remuneration & human resources committee.

## 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 that clearly differentiate the division of responsibilities within the Group 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 appraises 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, it 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 is included in this report.

Each committee operates according to a Board-approved terms of reference. All committee terms of reference were reviewed and updated during the year. With the exception of the executive committee, an independent non-executive director chairs each committee. The committee chairmen are appointed by the Board.

# GOVERNANCE REPORT CONTINUED

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.

## 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 Group. 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.

The names of directors standing for re-election at the 2013 annual general meeting are contained in the notice of the annual general meeting on page 128.

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 Group's expense.

## BOARD AND COMMITTEE EFFECTIVENESS

Self-assessment questionnaires on the effectiveness of the Board, its committees and individual directors were conducted during the year. The nomination committee reviewed all committee assessments and the Board reviewed the Board evaluation. The evaluations and the minutes of the meetings are available for the auditors to review. The appraisals were positive and their recommendations are being implemented. 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.

## INDUCTION PROGRAMME

It has been the practice of the Group to ensure that non-executive directors appointed to the Board undergo an induction process to familiarise themselves with the Group. This includes extensive discussions with Group management.

## 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 and ensuring that sound corporate governance procedures are followed. All directors have full and timely access to information that may be relevant to the proper discharge of their duties.

The Board concluded, after due assessment and following a review by the nomination committee of the Group secretary's competence, qualifications and experience, that Rentia Joubert satisfies the requirements and has maintained an arms-length relationship with the Board. Rentia has been a Chartered Accountant for eight years and was appointed as Group secretary in August 2012.

## EXECUTIVE COMMITTEE

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, internal control and internal auditing aim to promote the efficient management of operations, protection of the Group's assets, legislative compliance, business continuity, reliable reporting and the interests of all stakeholders. Details of the Group's risk management process are set out on page 92 of this report.

## CONFLICTS OF INTEREST AND SHARE DEALINGS

Directors have disclosed their personal financial interests in advance to the Board and are aware that when a matter is considered by the Board in which they have a personal financial interest, this interest is to be disclosed prior to the Board meeting. These disclosures are noted by the Board when necessary, and recorded in the minutes of the Board meeting.

In accordance with the JSE Listings Requirements, the Group has a policy requiring directors and officers who may have access to price sensitive information to be precluded from dealing in the Group's shares, as well as the shares of Clough Limited, during closed periods. Such closed periods are from the end of December until the release of the Group's interim results in February and from the end of June until the release of the Group's annual results in August.

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 of the JSE Limited.

## SPONSOR

In terms of the JSE Listings Requirements, Deutsche Securities (SA) Proprietary Limited acted as sponsor.

MURRAY & ROBERTS CEMENTATION TRAINING ACADEMY

# RISK MANAGEMENT REPORT

**IAN HENSTOCK**

## GROUP INTEGRATED ASSURANCE FRAMEWORK

The Group Integrated Assurance Framework coordinates the overall approach to Group risk management. This entails understanding, identifying, managing, mitigating and reporting Group risk, and includes the process of independently auditing Group policies, standards, 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 Group Integrated Assurance Policy established and mandated 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 is depicted graphically as follows:

**GROUP INTEGRATED ASSURANCE FRAMEWORK**

| RISK MANAGEMENT | REGULATORY COMPLIANCE | INTERNAL AUDIT |
|---|---|---|
| ■ STRATEGIC | ■ LAWS | ■ RISK |
| ■ CORPORATE | ■ STATUTES | ■ GOVERNANCE |
| ■ OPERATIONAL | ■ REGULATIONS | ■ CONTROL |
| ■ PROJECT | ■ CODES | ■ ENVIRONMENT |
| Governance structure | | |
| Methodologies | | |
| Systems of control | | |
| Implementation plans | | |

## RISK MANAGEMENT

Although a level of risk awareness and response is embedded in daily management and operational activities, a large and complex Group faces corresponding risks. This in turn requires of management to design and implement a planned and structured approach to understand, identify, report, price, manage, mitigate and close out the Group's large and complex risks. This includes governance structures (such as the Board risk management committee, the executive committee and the operating platform risk structures), organisational leadership, strategic planning and effective management to ensure that the appropriate operational and functional capacities, controls, systems and processes are in place to manage risk. Underpinning this is the Group Integrated Assurance Framework.

The Group risk management framework comprises one of three building blocks that make up the Group 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 reviews, 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.

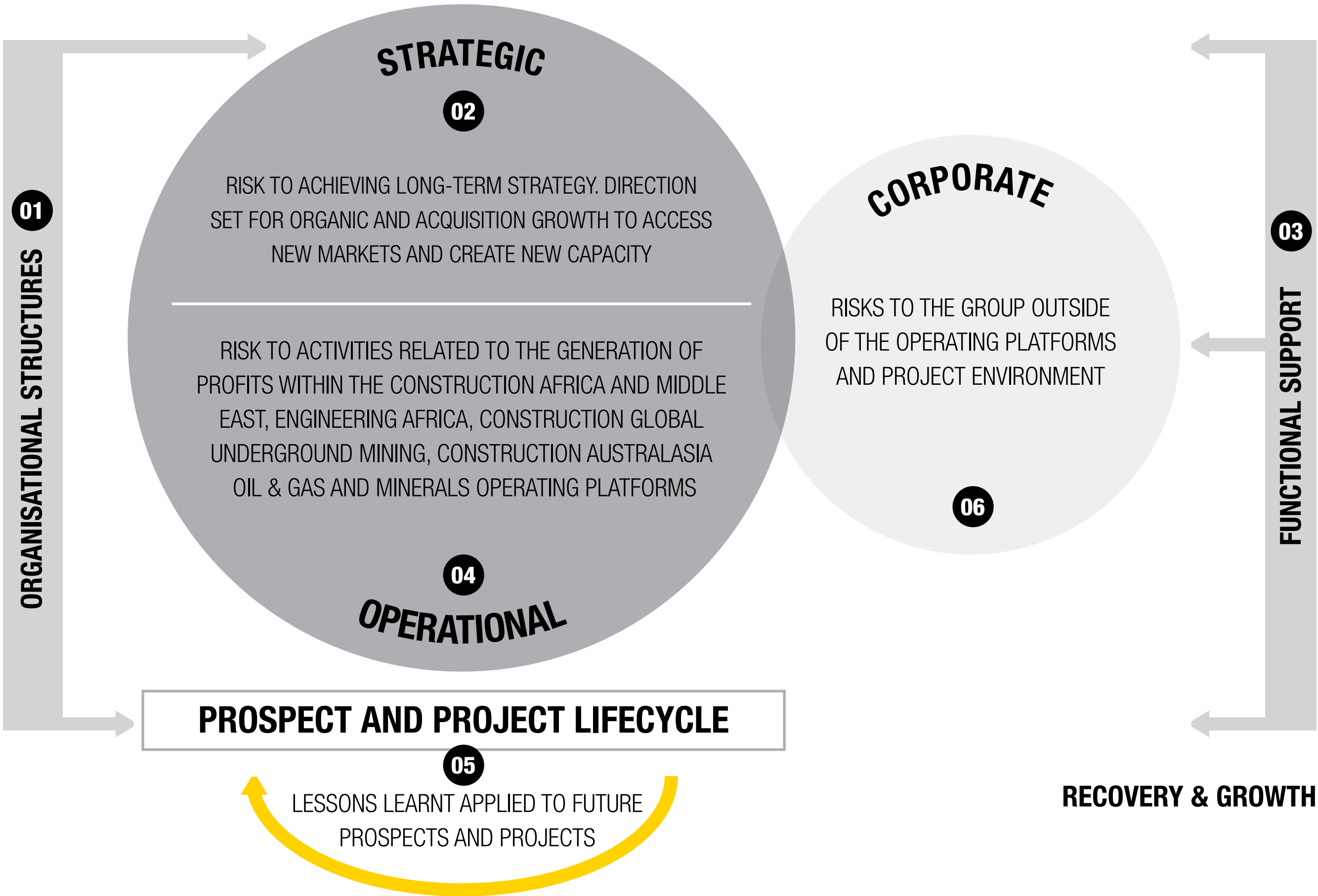
## REGULATORY COMPLIANCE

With the growth of the Group over time, in new geographies and disciplines, regulatory compliance is 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-compliance. The regulatory compliance function provides specific focus on regulatory compliance risk within the context of the Group Integrated Assurance Framework.

The implementation of the Group 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.

## 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:




### 01
### 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 committee, the Murray & Roberts Limited risk committee and the Murray & Roberts Limited project oversight committee.

### 02
### STRATEGIC RISK MANAGEMENT

Strategic risk is evaluated as a hurdle to achieving the Group's 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.

### 03
### 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 risk focus.

### 04
### OPERATIONAL RISK MANAGEMENT

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

### 05
### 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 Project Management Implementation Manual sets the minimum standard for project management required in the delivery of projects across the Group. A Project Management Development Programme will be launched in FY2014 to enhance project management skills across the Group. The manual will be the programme's main reference work. The manual 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 project dashboards.

### 06
### 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 standards 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 investigation.

# RISK MANAGEMENT REPORT CONTINUED

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

## 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 control environment which is 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, reported, 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, 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 legal 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.

## THE EVOLUTION OF RISK MANAGEMENT

Leaders who are not involved in the engine room of the business they manage require line-of-sight to the mechanics of what they are ultimately controlling.

So too in the case of risk management, leadership is responsible for the performance of the Group it is leading, but is remote from the details that influence (positively or negatively) that outcome. For this reason, leadership requires line-of-sight to the controls, procedures, systems and processes that deliver the outcomes to ensure that they are appropriate, complete, robust and timeous in application.

Risk management at Murray & Roberts is an evolving science. Significant progress has been made over the past 18 months to formalise, enhance and embed the Group's approach to risk management and this journey continues.

Two particular areas of risk management are:
- Identifying and reducing inherent risks
- Managing residual risks.

In relation to identifying and reducing inherent risks and managing residual risks, the Group has defined four discrete risk areas being: Strategic, Corporate, Operational, and Project. Each area has a specific risk owner, be it an operating platform/board or an individual executive. In addition, the risk management function, located in the corporate office (and which advises on risk management approaches, methodologies and systems), monitors that risk management is diligently exercised at every level across the Group, and in turn reports to various constituted boards and forums on both the inherent risk and the residual risk across the Group. This reporting is on a materiality basis, so the higher the level of authority, the greater the level of risk filtration.

The predominant area exposed to risk is the project area. Murray & Roberts is an international contractor and contracting on a variety of projects, in terms of type, scope and size, introduces significant risk into the Group. To mitigate this risk as far as possible the following procedures are strictly followed.

- Only competent and experienced executives prepare the bid for submission.
- All opportunities are logged on the Opportunity Management System ("OMS"), a system that tracks and processes (on a "stop/go" basis) opportunities according to the filters set out in the risk tolerance matrix (approved by the Board). Opportunities that are given a "go" are processed for approval by the relevant executive or board-based on the delegation of authority matrix.
- In preparing the bid, based on first principles and on a bottom-up basis, the estimating tools used across the Group are proven and validated costing systems. The costing process is comprehensive, and subject to regular and independent internal review.
- Risks are identified based on past experience and carved out contractually or priced and then managed within budget.
- Critical bid requirements are the exclusion and/or pricing of known risks, projects must be cash positive, unacceptable risks and unusual contracting terms are prohibited and liability is always limited.
- Prices are usually based on Bill of Quantities and where a lump sum project is accepted, the design must be mature, scope clear and an efficient mechanism for change management and dispute resolution must be included in the agreement.
- An allowance for contingencies (unforeseen or unplanned risks) is added to the bid price, depending on the complexity of the project. The contingency belongs to the business managing director and not the project director. In the case of repeat projects, the contingency allowance is replaced with actual costs and thereby eliminated.
- Generally known suites of contracts are used, such as FIDIC, NEC, JBCC, GCC, and specific attention is placed on the special terms. Bespoke contracts are negotiated based on the detailed guidance of internal and external attorneys.
- Large and complex project bids are subject to independent review by the Murray & Roberts risk committee, which issues a mandate and appoints commercial executives to oversee the conclusion of the project agreement. Any deviation from the mandate is referred back to the risk committee for a final decision.
- The designated executive, identified to lead the project, signs off on the final bid terms and conditions to achieve effective ownership.
- The Murray & Roberts project oversight committee reviews large and complex projects on a quarterly basis to ensure performance is in line with the tendered terms and prevailing circumstances (to recognise changes in market conditions). Projects in distress are also reviewed by this committee, but the objective of the newly established committee is to avoid projects entering into distress by identifying early signs of difficulty and ensuring corrective action is initiated.

To further mitigate project risk, Murray & Roberts has finalised a Project Management Implementation Plan, which has been formalised in a manual (based on ISO 10006 and PMBOK). KPMG Advisory Services will sign off on the completeness of the manual. A formal Project Management Development Programme will be launched in FY2014 to train project managers/executives in the discipline of project management, the Murray & Roberts way. The manual will be the main reference work for the training programme. Candidates will be appropriately certificated on successful completion of the programme.

Critical to the preparation of bids and successful project delivery is the application of two standards that were developed over the past 24 months, based on the costly lessons learnt by the Group in the past:

- Group Schedule of Contracting Principles
- Group Register of Lessons Learnt.

All bids submitted are tested against the above two standards to ensure that they are compliant and errors of the past are not repeated.

Four operating platforms, which effectively manage the Murray & Roberts Group's project businesses, are also the source of operational risk. Risk exposures typically relate to infringement of laws (including Competition Laws) and human (safety), environmental, commercial, technical and logistical activities. Each operating platform has its own risk committee at which these and project risks are regularly reviewed and managed.

Strategic and corporate risks are associated with the activities of the office of the Group chief executive and the executive committee members operating in the corporate office. Risks associated with macro factors, growth (organic and acquisition), new markets, new products, companies, accounting, taxation, banking/bonding, funds transfers, and the like are managed within the corporate office, reviewed by the risk committee quarterly and reported monthly to Murray & Roberts Limited and half-yearly to Murray & Roberts Holdings Limited.

Overall, there has been a renewed and intensified approach to risk management across the Group, past failures have focused minds, and changed careers, and the practice of risk management has been widely implemented across the Group. Deep embedding of risk management is now being driven by executive management.

As a final control over the management of risk across the Group, every Group area and activity is subject to audit, by both external auditors and internal auditors. The Murray & Roberts internal audit function is well resourced to carry out its mandated review and evaluation function, which includes risk management, and its findings are evaluated to corroborate the findings of the risk management function in its assessment of the adequacy of risk management across the Group.

## STRATEGIC RISK

| NO. | TREND | RISK | MITIGATION |
|---|---|---|---|
| 01 | > | **Industrial unrest**<br>Continued industrial unrest in South Africa is causing project delay and disruption, as well as discouraging investment in new capital projects, particularly in the mining sector. There are indications of a structural shift in the local labour market, which will negatively impact both project and business performance. A number of organised union structures are no longer effective in reaching negotiated settlement with regard to project labour agreements, with resultant unprotected strike action and violent protest continuing. | ▪ Employee/industrial relations specialist appointed to assist with developing a broad-based mitigation strategy for the volatile labour environment.<br>▪ Contract and commercial management on projects has been enhanced to ensure early and comprehensive pursuit of commercial entitlements.<br>▪ Focus on growing footprint in less risky markets and sectors. |
| 02 | > | **Macro economy**<br>Global demand for commodities is primarily driven by economic growth in China and India. A slowdown in these economies could dampen the commodity run, which would impact negatively on businesses servicing the mining industry.<br>Europe's stagnation has forced European-based contractors into new markets, with an increased appetite for risk and competition in Africa and the Middle East.<br>Declining business confidence in South Africa, as well as the volatile labour market and increased power costs, could lead to reduced foreign investment and may further constrain opportunities in the local mining markets.<br>Insufficient South African Government infrastructure spend in the Murray & Roberts area of focus impacts negatively on a number of business areas within the Construction Africa and Middle East operating platform, in particular civils and roads & earthworks. | ▪ Focus on key client relationships to promote negotiated contracts with equitable terms, focusing on value creation rather than lowest price.<br>▪ Focus the Group's local capacity to align with anticipated Government spend.<br>▪ Develop African growth strategy focused on Ghana, Zambia, Kenya and Mozambique.<br>▪ Grow further in non-traditional mining commodities such as oil & gas. |

**COLOURS:** YELLOW – HIGH, DARK GREY – MEDIUM, LIGHT GREY – LOW
**RISK TREND:** ARROW UP – INCREASING, ARROW DOWN – DECREASING, ARROW RIGHT – STABLE
**OBJECT:** O OPPORTUNITY, ! NEW RISK

# RISK MANAGEMENT REPORT CONTINUED

## STRATEGIC RISK continued

| NO. | TREND | RISK | MITIGATION |
|---|---|---|---|
| 03 | ! | **Successful integration after acquisition of Clough minorities**<br>Full ownership of Clough may not deliver the benefits and synergies priced into the transaction. This includes how Clough is perceived by its clients (as non-Australian) as many Australian companies and entities want to do business with an Australian contractor. | ▪ Focus on retaining the Clough leadership team.<br>▪ Retain and promote the Clough brand.<br>▪ Execute a clear integration plan to extract duplicate costs and drive value and opportunity, especially in growth areas. |
| 04 | ∨ | **Construction Products Africa operating platform**<br>The construction products business in South Africa is highly sensitive to local market conditions, and is generally not able to adapt product ranges, or relocate plant to meet changing market dynamics. | ▪ The disposal of the Construction Products Africa businesses has been made during the year, and is nearing completion. |
| 05 | ∨ | **Group liquidity**<br>Losses and severe working capital demands from projects, in particular GPMOF, Dubai International Airport and Gautrain, created significant liquidity stress for the Group. | ▪ Disposal of a number of construction products businesses has released additional capital through the year.<br>▪ Successful debt restructuring has been concluded.<br>▪ Pursuit of claims on GPMOF, Dubai International Airport and Gautrain is in progress. |
| 06 | O | **New growth markets**<br>Oil & gas is needed to fuel energy demands from global urbanisation. Clough is strategically placed to benefit from the oil & gas outlook and become a meaningful player and facilitator in the growing African gas market, in addition to its traditional Australasian markets. | ▪ Offer to buy out the Clough minority shareholders has been made. |
| 07 | ∨ | **Transformation**<br>Lack of transformation (employment equity) and a low Broad-Based Black Economic Empowerment (BBBEE) rating could reduce Murray & Roberts' chances of being successful with South African public sector tenders or incurring client sanction or penalties on current South African projects if contractual BBBEE obligations are not met. | ▪ Focus on improving BBBEE rating. |
| 08 | ∨ | **Leadership capacity to support growth strategy**<br>The Growth strategy continues to place demands on leadership capacity. | ▪ All key positions across the Group have been filled, and the Group is well resourced for its Growth strategy.<br>▪ A new remuneration policy is in place focusing on performance and retention of key talent.<br>▪ Performance management and development as a leadership tool has been embedded within the Group.<br>▪ Regular succession reviews are held to identify potential talent retention risks and apply appropriate career planning strategies to individuals. |

**COLOURS:** YELLOW – HIGH, DARK GREY – MEDIUM, LIGHT GREY – LOW
**RISK TREND:** ARROW UP – INCREASING, ARROW DOWN – DECREASING, ARROW RIGHT – STABLE
**OBJECT:** O OPPORTUNITY, ! NEW RISK

## OPERATIONAL RISK

| NO. | TREND | RISK | MITIGATION |
|---|---|---|---|
| 09 | Arrow down | **Health, safety and environmental exposures**<br>The Group has made significant progress in managing the safety risk, with a record-low LTIFR of 0.82 achieved in the reporting period and fatalities at a decade low of 2. However, anything more than Zero Harm remains a concern. | ▪ The majority of operating companies in the Group are OHSAS 18001 (health and safety) and ISO 9001 (quality) certified. Good progress is being made to achieve the same level on ISO 14001 (environmental) certification.<br>▪ Good progress has been made in implementing the *Zero Harm through Effective Leadership* programme which is aimed at establishing a high-performance culture that will ensure sustainable improvement in health and safety.<br>▪ An enhanced employee health and wellness programme has been rolled out to improve health and wellness standards and performance across the Group.<br>▪ Environmental reporting standards have been enhanced to ensure consistency and improvement of the quality of environmental data. Qualitative environmental improvement targets were developed at Group level and form the basis for further improvement of the environmental programme. |
| 10 | Arrow down | **Competition law**<br>Murray & Roberts' disclosures to the Competition Commission relevant to its Fast-Track Settlement investigations into historical anti-competitive practices resulted in an administrative penalty of R309 million being imposed. The residual risk of third-party claims and damage to reputation still remains. | ▪ Prior provision for the administrative penalty had largely been made, which is payable in three instalments, one of which has already been made.<br>▪ The Group chief executive has engaged with the media and issued a press release to ensure that reporting is balanced and accurate.<br>▪ Although damages and quantum are difficult to prove, Murray & Roberts is well prepared for any third-party claims which may arise.<br>▪ The Group's Statement of Business Principles, which include the prohibition of anti-competitive practices, is being proactively entrenched across the Group.<br>▪ A system of tender declarations and bi-annual executive declarations, covering the prohibition of unethical and unlawful practices, has been implemented across the Group. |

**COLOURS:** YELLOW – HIGH, DARK GREY – MEDIUM, LIGHT GREY – LOW
**RISK TREND:** ARROW UP – INCREASING, ARROW DOWN – DECREASING, ARROW RIGHT – STABLE
**OBJECT:** O OPPORTUNITY, ! NEW RISK

# RISK MANAGEMENT REPORT CONTINUED

## PROJECT RISK

| NO. | TREND | RISK | MITIGATION |
|---|---|---|---|
| 11 | Arrow up (yellow) | **Project performance**<br>A number of projects within the Group's portfolio delivered losses during the year under review. The primary causes included (i) inability to secure labour rates at tender prices and achieve the tendered production rates, (ii) escalating labour unrest and (iii) scope variations with outstanding claims (which have not been taken to account). | ■ Management regularly reviews underperforming projects to establish the cause and extent of project difficulties, and develop recovery plans and programmes.<br>■ Clients are engaged to find common cause around the recovery plans.<br>■ Oversight committee to continue reviewing projects in distress and provide guidance until improvements are embedded. |
| 12 | Arrow right (yellow) | **Lack of formalised project management discipline**<br>Internal audit findings indicate that there was a general lack of formalised project management discipline (such as risk registers, cost controls and forecasting, as well as schedule and change management) on a number of projects. This introduces risk of cost overruns, late delivery and unpredictable profitability on projects. | ■ A project management implementation plan, setting out formal project management processes, systems and controls, has been developed by the Group and is in final testing by KPMG.<br>■ Operating platforms have actively implemented the formalised project management processes, systems and controls, on which the project management plan is based, with the necessary skills capacity.<br>■ Internal audit will continue to test that the formalised project management processes, systems and controls on which the project management implementation plan is based, are implemented and applied across all critical and high-risk projects. |
| 13 | Arrow right (light grey) | **Risk at tender stage and commercial close**<br>Compromises during the tender stage due to pressure to win work may introduce risks which are outside the defined risk tolerance. | ■ Murray & Roberts Limited risk committee reviews high-risk bids, and sets formal negotiating mandates.<br>■ All projects presented to the risk committee are evaluated against past lessons learnt and agreed Group contracting principles.<br>■ Managing directors confirm that contracts are closed out in full compliance with the mandates given.<br>■ Group commercial reviews all contracts for red-rated projects to ensure that they are in line with the mandate given, and do not deviate from the schedule of contracting principles. |
| 14 | ! | **Medupi (civil works)**<br>Following wide-scale and prolonged industrial action in South Africa, there is a risk of not being compensated for losses due to lost time and disruption. | ■ Rigorous contract management and administration is being exercised.<br>■ Uncertified revenue claim on this project has been agreed by the client. |

**COLOURS:** YELLOW – HIGH, DARK GREY – MEDIUM, LIGHT GREY – LOW
**RISK TREND:** ARROW UP – INCREASING, ARROW DOWN – DECREASING, ARROW RIGHT – STABLE
**OBJECT:** O OPPORTUNITY, ! NEW RISK

## PROJECT RISK continued

| NO. | TREND | RISK | MITIGATION |
|---|---|---|---|
| 15 | ! | **Medupi and Kusile (mechanicals)**<br>Murray & Roberts' contracts on the Medupi and Kusile boilers were renegotiated as cost plus. The terms of the new contracts have effectively protected Murray & Roberts from incurring losses which would otherwise have been incurred under the original contracts. However, the recent labour unrest experienced in the relevant construction areas has placed pressure on the underlying contractual relationships. | ▪ Engage client early, urgently and regularly to ensure the labour unrest does not give rise to unplanned difficulties or disallowed costs.<br>▪ Rigorous contract management and administration are exercised at all times. |
| 16 | > | **Lonmin opencast mine**<br>An addendum to the contract was signed, which included production incentives, plant inefficiencies and labour productivity. However, the project has been plagued by ongoing industrial action and unprotected strikes, which levied significant pressure on the ability to perform within the contract allowables. | ▪ Discussions are being held with the client to renegotiate the contract.<br>▪ A parallel dispute resolution mechanism is being pursued to remedy current hardship experienced under the contract. |

## CORPORATE RISK

| NO. | TREND | RISK | MITIGATION |
|---|---|---|---|
| 17 | ∨ | **Uncertified revenues**<br>Uncertified revenues taken to book on GPMOF, Dubai International Airport and Gautrain, 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. | ▪ Favourable arbitration ruling received on design changes for GPMOF. Formulation of the claim is progressing.<br>▪ An oversight mandate has been concluded in relation to the Dubai International Airport dispute, and renewed effort is being committed to this process.<br>▪ Gautrain delay and disruption claim formulation is progressing.<br>▪ Uncertified revenue claim on Medupi civils works has been agreed by the client. |

**COLOURS:** YELLOW – HIGH, DARK GREY – MEDIUM, LIGHT GREY – LOW
**RISK TREND:** ARROW UP – INCREASING, ARROW DOWN – DECREASING, ARROW RIGHT – STABLE
**OBJECT:** O OPPORTUNITY, ! NEW RISK

# REMUNERATION REPORT

**ANDREW SKUDDER**

## INTRODUCTION

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 Group.

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. On recommendation by the remuneration committee, the Board has approved the information in this report.

## REMUNERATION & HUMAN RESOURCES COMMITTEE

The remuneration & human resources committee is a committee of the Board and met five times during the year. Membership of this committee and attendance at committee meetings is provided on pages 106 and 111. The committee's terms of reference is included on page 106.

The key decisions taken during the year by this committee were:

- Approval of guaranteed pay increases for the Group
- Approval of executive director and prescribed officer guaranteed pay increases for FY2014
- Approval of short-term incentive payments in respect of FY2013
- Approval of long-term incentive awards made in FY2013 and underlying performance conditions
- Review and approval of non-executive director fees for FY2014, excluding approval of any recommendation on their own fees
- Review and approval of changes to the remuneration policy for FY2014
- Review and approval of a retention and long-term incentive scheme for Clough executives to be implemented should the scheme of arrangement between Clough and its shareholders be implemented
- Review and approval of the Group's remuneration report and policy for inclusion in the 2013 annual integrated report.

## REMUNERATION POLICY

The Murray & Roberts remuneration policy is aligned to the Group strategy, 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 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 employees.
- The short-term incentive plan aligns the interests of executives with those of shareholders in the short term as performance bonuses are subject to company key financial performance and individual key performance indicators ("KPIs").
- 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.

The Group has benchmarked all components of executives' remuneration to determine an on-target remuneration mix which supports the Group's business strategy. This optimal remuneration mix, which focuses on variable remuneration for particularly the Group chief executive and financial director, is depicted on the next page.

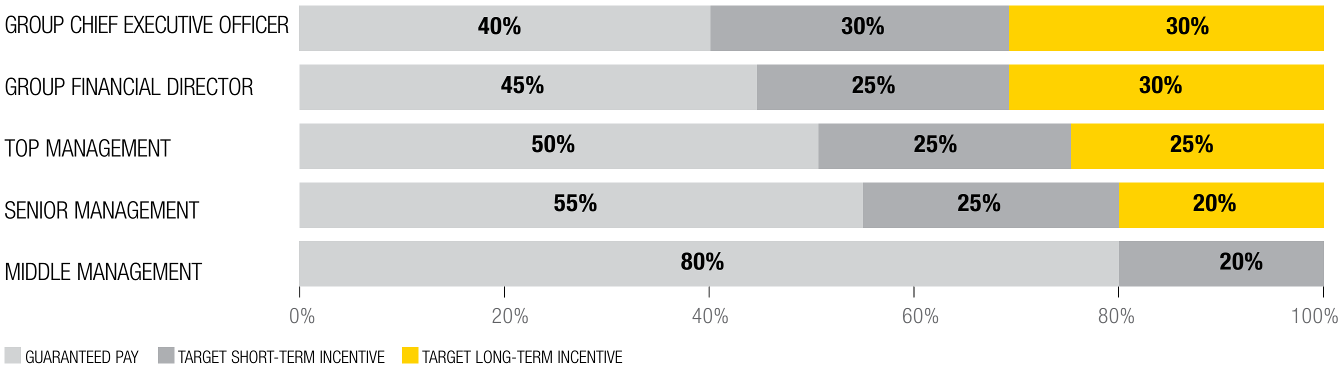
## OVERVIEW OF REMUNERATION COMPONENTS

### Guaranteed pay

Guaranteed pay is aimed at reflecting individual contribution to Murray & Roberts and market value for the 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. Benchmarking is 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 for FY2014 was 10%. The total adjustment is above the average Murray & Roberts increase awarded in March 2013 for other salaried employees. It includes an adjustment for certain executives to better align guaranteed pay to median guaranteed pay using appropriate national and peer company benchmarks. The payments made to executive directors and prescribed officers for FY2013 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 and USA, 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 individual's performance contract and applied on a sliding scale between threshold, target or 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 executive's direct manager.

The payments made to executive directors and prescribed officers for FY2013 are disclosed in note 42 to the consolidated annual financial statements. The total STI payment to these executives is 73% of their aggregate TFCE and 67% of their potential stretch bonuses. The payments reflect the Group's performance during 2013 as discussed under the Group Performance Review section of the annual integrated report.

Murray & Roberts implemented an automatic deferral of part of the calculated STI for executive directors, prescribed officers and operating company managing directors into forfeitable share awards as a long-term share incentive to enhance alignment with shareholders' interests. The deferral will be phased in over a three-year period as follows: 10% of STI in FY2013; 20% of STI in FY2014 and 30% of STI in FY2015. The deferred shares will vest in equal tranches over a three-year period from the date of award and will be subject to continued employment but not to performance conditions.

The financial measures for executive directors and prescribed officers for FY2014 STI will again 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 Group. 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 introduced the Murray & Roberts Holdings Limited Forfeitable Share Plan ("FSP") in FY2013 following shareholder approval. The historical option type plan, namely the Murray & Roberts Holdings Limited Employee Share Incentive Scheme ("Share Option Scheme") is being phased out.

# REMUNERATION REPORT CONTINUED

## Share Option Scheme

No further awards will be made under the Share Option Scheme.

Outstanding awards in terms of the Share Option Scheme will continue to vest in participants, mostly subject to the meeting of 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 of Share Option Scheme is available in the 2012 annual integrated report and on the Murray & Roberts website at www.murrob.com.

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.

## Forfeitable Share Plan

### INTRODUCTION

The Murray & Roberts Holdings Limited Forfeitable Share Plan:

- Provides shareholder alignment which is essential for a LTI to succeed through share ownership by executives
- Is less leveraged and has less upside than option type plans, but provides more certain outcomes
- Aids retention and provides more certainty as a FSP instrument is less volatile than option type instruments
- Supports the Group'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")
- Free Cash Flow per Share ("FCF").

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

**FSP PERFORMANCE CONDITIONS AND WEIGHTING**

| PERFORMANCE CONDITION | Target (maximum vesting %) |
|---|---|
| ROICE | 50% |
| TSR | 25% |
| FCF | 25% |
| **Maximum vesting** | **100%** |

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 Group'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.

A total number of 3 714 000 shares were allocated under the FSP at the end of November 2012 and 3 040 800 shares were allocated in August 2013. All awards were subject to the performance conditions set out above and no retention awards were made. The FSP awards for executive directors and prescribed officers are disclosed in note 42 to the consolidated annual financial statements.

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.

Non-executive directors are not eligible to participate in the FSP.

A summary of the salient features of the FSP is available in the 2012 annual integrated report and on the Murray & Roberts website at www.murrob.com.

**FSP PERFORMANCE CONDITIONS CALCULATIONS AND TARGETS**

| CRITERIA | CALCULATION | TARGET |
|---|---|---|
| ROICE | $\frac{\text{Taxed EBIT + Income from Associates}}{\text{Total Capital Employed}}$ | WACC plus 3% |
| TSR | $\frac{\text{Share price end of period – Share price start of period + Dividends paid during period}}{\text{Share price start of period}}$ | 100% relative to peers |
| FCF | $\frac{\text{Operating Cash Flow – CAPEX + Proceeds on disposal of PPE}}{\text{Number of shares}}$ | Cash positive |

### Dilution

The aggregate number of shares at any one time which may be allocated under the Share Option Scheme and the FSP shall not exceed 33 189 262 shares. This represents 7,5% of the number of shares currently in issue.

The maximum number of shares allocated to any participant in respect of all unvested awards under the FSP and the Share Option Scheme, shall not exceed 2 223 681 shares. This currently represents 0,5% of the number of shares currently in issue.

The intention is to settle awards made under the FSP by way of market purchases thereby resulting in no dilution for shareholders.

### 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 November 2012 allocation of 597 000 shares was based on management band, performance and potential and the number of shares allocated was determined with reference to the face value of shares to be allocated relative to the employee's TFCE. An allocation of 648 000 shares was made in August 2013. Allocations ranged from 25% to 35% of TFCE for stretch performance.

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 other than to Peter Adams and Nigel Harvey who left the Group on 30 June 2013 and 6 July 2012 respectively. Details of the payments are disclosed in note 42 to the consolidated annual financial statements.

## CONTRACTS OF EMPLOYMENT – EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

Executive directors and prescribed officers do not have fixed-term contracts, but are subject to notice periods of 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 Number 7 on page 128 in this regard.

## NON-EXECUTIVE DIRECTORS

Non-executive directors are appointed for a period of three years and, following this period, may be available for re-election for a further three-year period. They are required to retire at age 70.

Non-executive directors receive a fee for their contribution to the Board and its committees of which they are members. The fee paid to the chairman includes a director's fee, as well as committee fees. In addition to a fee, non-executive directors are entitled to claim travelling and other expenses incurred in carrying out the business of the Group and attending Board and committee meetings.

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 non-executive director is required to attend a special Board meeting, he or she will receive an additional fee in respect of their attendance.

This fee structure reflects the skill and experience brought to the Group 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' committee fees is proposed for 2014. This proposed increase is due to:

- External benchmarking indicating that Murray & Roberts is remunerating non-executive directors at levels lower than the Group's peer group
- The need to attract suitable, high calibre 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 129 of this report regarding approval of the proposed non-executive director fee structure for 2014.

# BOARD COMMITTEE REPORTS

## HEALTH, SAFETY & ENVIRONMENT COMMITTEE

**BILL NAIRN**

The health, safety & environment ("HSE") committee assists the Board to fulfil its supervisory role relating to the integration of sound HSE management into all aspects of the Group's business activities. The HSE committee encourages and supports the Group to:

- Strive for a healthier and safer environment for all of its employees, subcontractors and for the communities in which it conducts its business
- Commit to best practice in health, safety and protection of the environment and public against hazards and aspects associated with its activities
- Commit to meet relevant regulatory requirements with an aim to operate at even higher standards than those imposed by the relevant safety, health and environmental laws.

### MEMBERSHIP

The committee is chaired by Bill Nairn. Henry Laas, Michael McMahon and Mahlape Sello serve as members on the committee. The Group executive directors, operating platform executives, executives responsible for sustainability, health, safety and environment attend meetings by invitation. The committee met five times during the year.

### TERMS OF REFERENCE

The committee's responsibilities include:

- Approving the framework, policies, standards and guidelines for HSE management
- Satisfying itself that management has developed and implemented a Group-based HSE management system consistent with best practices
- Satisfying itself that effective programmes have been put in place to monitor the implementation of health, safety and environment policies and standards across the Group and the performance of the Group against best practices
- Encouraging associate companies and significant investments to develop policies, guidelines and practices congruent with the Group's HSE policies
- 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 Group policy, standards and guidelines and appropriate local and international standards and relevant local laws in health, safety and environmental matters.

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

### ASSESSMENT

The committee evaluated its performance and effectiveness by way of self-assessment questionnaires. Based on the results, the committee believes that it functions effectively and has complied with its terms of reference in all material respects.

### SAFETY

#### Fatalities

The committee deeply regrets the death of two employees (2012: 4) who sustained fatal injuries while on duty. The incidents occurred at an underground mining and manufacturing operation and hazards involved were fall of ground and equipment and machinery. Furthermore, another fatal incident occurred at Clough's joint-venture project in Papua New Guinea early in the new financial year. Management has revised standards and working procedures to avert similar occurrences.

The committee once again extends its heartfelt condolences to the families, friends and colleagues of the deceased.

#### Lost time injury frequency rate

The Group ended FY2013 with a lost time injury frequency rate of 0.82 (2012: 1.14), which is below the target of 1.0 and the lowest recorded rate since statistics have been kept. Further information on the Group's safety performance is provided in the social performance section of the Group performance review on page 39.

Good progress was made in implementing the *Zero Harm through Effective Leadership* programme launched to implement key recommendations from the culture assessment conducted by DuPont in FY2010. This programme seeks to cultivate a distinct Murray & Roberts leadership that is empowered to engage effectively with employees and stakeholders, while actively crafting a high-performance culture that will ensure sustainable improvement in health and safety.

### HEALTH AND WELLNESS

Work continued to enhance the employee health and wellness programme which includes interventions for the prevention, early identification, early intervention and clinical management of all occupational health and wellness conditions which may impact on employees' health and productivity. During the year management reviewed and implemented Group standards to guide operations in managing risks associated with these conditions with specific focus on occupational health, HIV/Aids and Tuberculosis ("TB"), chronic diseases and psychosocial wellbeing.

Noise induced hearing loss ("NIHL") continued to be the major prevalent occupational disease at mining, construction and some of the manufacturing businesses. During the past year, 29 (2012: 36) new NIHL cases were recorded.

TB remains a health risk to employees working in environments with silica dust and is often compounded by HIV/Aids. 19 (2012: 21) TB cases were reported during the financial year. The HIV/Aids prevalence among employees tested is 15% (2012: 12,0%).

The health and wellness programme is expected to provide management with a better understanding of these challenges which will assist in formulating and implementing effective response plans.

### ENVIRONMENT

Work continued to implement initiatives to improve the environmental risk management programme and associated reporting processes. During the year, environmental reporting standards were augmented to ensure consistency and improvement of the quality of environmental data. Qualitative environmental improvement targets were developed at Group level and will form the basis for further improvement of the environmental programme and development of quantitative targets at operational level.

# NOMINATION COMMITTEE

**MAHLAPE SELLO**

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 a terms of reference which was reviewed and approved by the Board during the year.

## MEMBERSHIP

The committee is chaired by Mahlape Sello. Michael McMahon and Royden Vice serve as members on the committee. The Group chief executive attends by invitation. The committee met three times during the year under review.

## BOARD & COMMITTEE APPRAISAL

Self-assessment questionnaires were completed by the Board and each committee during the year under review. The appraisals were positive and their recommendations are being implemented. 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

The committee evaluated its performance and effectiveness by way of self-assessment questionnaires. Based on the results, the committee believes that it 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 Ntombi Langa-Royds as non-executive director. Shareholders will be requested to confirm this appointment at the annual general meeting.

Non-executive director Tony Routledge retired at the 2012 annual general meeting. At the same time, Sibusiso Sibisi and Namane Magau resigned as directors as explained in the 2012 annual integrated report. Roy Andersen retired as a director and chairman of the Group effective March 2013. The Board appointed Mahlape Sello as independent non-executive chairman following the retirement of Roy Andersen.

## PERFORMANCE AND RE-ELECTION

The committee reviewed the performance of directors Dave Barber, Michael McMahon, Bill Nairn and Cobus Bester who, in terms of the memorandum of incorporation, retire by rotation at the 2013 annual general meeting. 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.

## AUDIT & SUSTAINABILITY COMMITTEE

The committee considered whether the current members (individually and 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 will recommend the election of Dave Barber, Michael McMahon and Royden Vice to the audit & sustainability committee, to the shareholders at the annual general meeting. The members of the audit & sustainability committee will serve for a one-year term, concluding at the 2014 annual general meeting.

# BOARD COMMITTEE REPORTS CONTINUED

## REMUNERATION & HUMAN RESOURCES COMMITTEE

**ROYDEN VICE**

The remuneration & human resources committee assists the Board to fulfil its corporate governance supervision responsibilities and to align the remuneration philosophy with the Group'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 Group's and shareholders. The committee operates under terms of reference reviewed and approved by the Board during the year.

### MEMBERSHIP

The committee is chaired by Royden Vice. Ntombi Langa-Royds, Michael McMahon and Mahlape Sello serve as members on the committee. The Group chief executive, Group financial director and sustainability executive attend meetings in an *ex officio* capacity. The executives who attend meetings in their *ex officio* capacity do not participate in any discussions or decisions pertaining to their own remuneration. Specialised advice is sought from time to time. The committee met five 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. It has responsibility for oversight of 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 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 the annual integrated 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.

### ASSESSMENT

The committee evaluated its performance and effectiveness by way of self-assessment questionnaires. Based on the results, the committee believes that it functions effectively and has complied 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 company 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 Group 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 103 for more details on non-executive director fees.

The Group's remuneration policy is described in the remuneration report included on page 100 of this report. The remuneration of executive directors for the year ended 30 June 2013 is set out in note 42 to the consolidated annual financial statements.

Remuneration details of non-executive directors for the year to 30 June 2013 are set out in note 42 to the consolidated annual financial statements. The proposed fee increase for non-executive directors is included on page 129.

### 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 TFCE, to a superannuation fund structured as a defined contribution fund. In Canada and USA, contributions, as part of TFCE, are made to a registered retirement fund.

KAREE PLATINUM MINE, NORTH WEST PROVINCE

# BOARD COMMITTEE REPORTS CONTINUED

## RISK MANAGEMENT COMMITTEE

**MICHAEL MCMAHON**

The risk management committee assists the Board to fulfil its corporate governance supervision responsibilities over implementation of the Group Integrated Assurance Framework. The committee operates under a terms of reference that is continuously reviewed and approved by the Board.

### MEMBERSHIP

The committee is chaired by Michael McMahon. Dave Barber, Bill Nairn and Royden Vice serve as members on the committee. The Group chief executive, Group financial director, Group commercial executive and Group risk executive attend meetings by invitation. The chairman of the audit & sustainability committee also serves on this committee, which ensures that overlapping responsibilities are appropriately managed. The committee met four times during the year under review.

### ASSESSMENT

The committee evaluated its performance and effectiveness by way of self-assessment questionnaires. Based on the results, the committee believes that it functions effectively and has complied with its terms of reference in all material respects.

### 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, 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.

As part of the committee's oversight role, the chairman conducted a detailed review with Group and operational executives and managers of strategic, corporate, operational and project risk management activities. 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.

Further details are disclosed in the risk management report on page 92.

### INTERNAL AUDIT

The Group's risk-based, systems approach to internal audit delivered anticipated results. The Group chief 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.

### 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 commercial 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 Group commercial executive leads the engagement of general litigation and reputational risks to the Group, supported as appropriate by external legal advice.

# SOCIAL & ETHICS COMMITTEE

**NTOMBI LANGA-ROYDS**

The social & ethics committee continued with its mandate to assist 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, clients, business partners, communities and society in general. It also monitors the Group's ethical practices.

## MEMBERSHIP

Ntombi Langa-Royds serves as chairman of the committee, with Bill Nairn and Mahlape Sello as members. The Group chief executive, Group financial director, Group commercial executive and Group sustainability executive attend meetings by invitation. The committee met twice during the year under review.

## TERMS OF REFERENCE

The committee's responsibilities include:

- Ensuring that social & ethics standards are developed and maintained
- Reviewing and approving the Group's social & ethics strategy, standard and structures
- Assessing and measuring social & 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 with laws, policies, regulations, standards and guidelines, including competition law
- Considering all substantive regulatory developments and practice in social & ethics and related matters
- Consulting and communicating on social & ethics issues with internal and external stakeholders
- Reporting annually on social & ethics issues and related matters at the annual general meeting
- Ensuring that management allocates adequate resources to social & ethics standards, codes of best practice and regulatory requirements.

## ASSESSMENT

The committee evaluated its performance and effectiveness by way of self-assessment questionnaires. Based on the results, the committee believes that it functions effectively and has complied with its mandate in all material respects.

## COMPETITION MATTERS

Murray & Roberts rejects any form of anti-competitive or collusive conduct by its employees, and is committed to complete compliance with the Competition Act.

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

Further details on competition matters are contained in the chairman's statement on page 22.

## STATEMENT OF BUSINESS PRINCIPLES

The Statement of Business Principles, adopted in the previous financial year, was widely distributed and enforced across the Group. It was disseminated to existing employees and new recruits, and forums were held 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 is required to 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 promotes 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, 51 cases were reported and were investigated, some of which remain under investigation. Appropriate action was taken in every instance of unethical behaviour.

A professional firm of forensic consultants and investigators appointed by the Group assists with investigations into reported cases.

## 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.

Every executive involved in preparing and authorising each project bid, signs a declaration that he or she has not committed, and is not aware that anyone else affiliated with the bid has committed, whether directly or indirectly, any unethical or unlawful practice in the preparation and submission of the tender or resultant project delivery in question.

We do not condone anti-competitive or collusive conduct in any shape or form by our employees in every jurisdiction in which we operate, whether or not there are anti-competitive or anti-collusive laws in place. We are also committed to compliance with the South African Competition Act.

## 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 South African operations. The Group achieved a consolidated BBBEE rating of level 3 when measured against the Construction Sector Charter. Individual operating company BBBEE ratings range from level 2 to level 6. All South African operating companies are encouraged to improve their ratings so that the Group can, at least, maintain a level 3 BBBEE rating.

# GROUP DIRECTORATE

## NON-EXECUTIVE DIRECTORS

### MAHLAPE SELLO (51)
*Master of Arts in Law (Russia) LLB (Wits)*
**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Mahlape was appointed to the Board in 2009 and became chairman in 2013. She is chairman of the nomination committee and a member of the social & ethics committee, the health, safety & environment committee and the remuneration & human resources committee. She is also a trustee of The Murray & Roberts Trust. Mahlape 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 interim chairperson of the Advisory Committee on Licensing of Private Hospitals at the Gauteng Department of Health.

### DAVID (DAVE) DUNCAN BARBER (60)
*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 Plc 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.

### NOMALIZO (NTOMBI) BERYL LANGA-ROYDS (51)
*BA (Law) LLB*
**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Ntombi was appointed to the Board in June 2013. She is chairman of the social & ethics committee and a member of the remuneration & human resources committee. She is also a trustee of The Murray & Roberts Trust. She owns Nthake Consulting, a human resources consultancy business and has more than 25 years experience in human resources. Ntombi is an independent non-executive director of African Bank (ABIL), PPC and Mpact.

She has previously served as a non-executive director of Exhibitions for Africa, Momentum Health (Pty) Ltd, Momentum Insurance Group Ltd, Primedia Publishing (Pty) Ltd, Respiratory Care Africa Limited and Human Capital Institute (Africa).

### JOHN MICHAEL MCMAHON (66)
*PrEng BSc Eng (Glasgow)*
**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Michael was appointed to the Board in 2004. He is the chairman of the risk management committee, and a member of the health, safety & environment committee, the nomination committee, the audit & sustainability committee and the remuneration & human resources committee. He is also a trustee of The Murray & Roberts Trust and the chairman of Central Rand Gold. 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 (68)
*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 and the social & ethics committee. Bill is a director of AngloGold 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.

### ROYDEN THOMAS VICE (66)
*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, the audit & sustainability 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 (53)
*BCom (Acc) Hons CA(SA)*
**GROUP FINANCIAL DIRECTOR**

Cobus joined Concor in 1998 and following the acquisition of Concor by Murray & Roberts in 2006 was appointed to the Murray & Roberts Limited Board in 2007 and the Murray & Roberts Holdings Board in July 2011. Cobus is the chairman of Murray & Roberts International Holdings, Tolcon and Hall Longmore and a director of Clough Limited. He was previously group financial director for Basil Read and Concor for three and six years respectively and managing director of Concor between 2005 and 2011. He has extensive experience in the construction and engineering industry.

### HENRY JOHANNES LAAS (53)
*BEng (Mining) MBA*
**GROUP CHIEF EXECUTIVE**

Henry joined the Group in 2001 and was appointed to the Board and as Group chief executive in July 2011. He is a member of the health, safety & environment committee. Henry is a director of Murray & Roberts Limited, Murray & Roberts International Holdings and of Clough Limited. 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. Henry was previously an executive director of Murray & Roberts Limited responsible for the Group's engineering platform.

### EMMARENTIA (RENTIA) JOUBERT (34)
*BCom (Acc) Hons CA(SA)*
**GROUP SECRETARY**

Rentia joined the Group in 2010 and was appointed Group secretary in August 2012. She was previously the financial manager at Murray & Roberts Cementation, and is a trustee of the Murray & Roberts Retirement Fund.

*Roy Andersen retired as independent non-executive chairman on 1 March 2013.*
*Namane Magau and Sibusiso Sibisi resigned as independent non-executive directors on 31 October 2012.*
*Tony Routledge retired on 31 October 2012.*
*Orrie Fenn resigned as executive director effective 1 June 2013 to take up an executive leadership role in the Construction Global Underground Mining platform.*
*Thenjiwe Chikane resigned as independent non-executive director on 20 August 2013.*

## RECORD OF ATTENDANCE

| NAME OF DIRECTOR | BOARD | | | | | | | | AUDIT | | | | RISK | | | | REMCO | | | | | NOMCO | | | HSE | | | | | S&E | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Scheduled | | | | | Special[8] | | | Scheduled | | | | Scheduled | | | | Scheduled | | | Special[8] | | Scheduled | | | Scheduled | | | | | Scheduled | |
| M SELLO[6] | ■ | ■ | ■ | ■ | ■ | □ | □ | ■ | ■ | ■ | | | | | | | ■ | □ | ■ | ■ | ■ | ■ | ■ | ■ | | ■ | □ | ■ | ■ | ■ | ■ |
| DD BARBER | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | | | | | | | | | | | | | | |
| AJ BESTER | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | | | | | | | | | | | | | | | | | | | | | | |
| TCP CHIKANE[7] | □ | □ | ■ | ■ | □ | ■ | ■ | ■ | ■ | ■ | ■ | □ | ■ | □ | ■ | □ | | | | | | | | | | | | | | | |
| HJ LAAS | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | | | | | | | | | | | | | | | | ■ | ■ | ■ | ■ | ■ | | |
| JM MCMAHON | ■ | ■ | ■ | ■ | ■ | □ | ■ | ■ | | | | | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | |
| NB LANGA-ROYDS[1] | | | | | ■ | | | | | | | | | | | | | | ■ | | | | | | | | | | | | ■ |
| WA NAIRN | ■ | ■ | ■ | ■ | ■ | □ | ■ | □ | | | | | ■ | ■ | ■ | ■ | | | | | | | | | ■ | ■ | ■ | ■ | ■ | | ■ |
| RT VICE | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | ■ | ■ | ■ | ■ | ■ | ■ | □ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | | | | | | |
| RC ANDERSEN[2] | ■ | ■ | ■ | | | ■ | ■ | ■ | | | | | | | | | ■ | □ | | ■ | | ■ | ■ | | ■ | □ | □ | | | ■ | |
| O FENN[3] | ■ | ■ | ■ | ■ | | ■ | ■ | ■ | | | | | | | | | | | | | | | | | | | | | | | |
| NM MAGAU[4] | ■ | | | | | ■ | ■ | | | | | | | | | | ■ | | | | | | | | ■ | | | | | | |
| AA ROUTLEDGE[5] | ■ | | | | | ■ | ■ | | ■ | | | | | | | | ■ | | | | | | | | | | | | | ■ | |
| SP SIBISI[4] | ■ | | | | | ■ | □ | | | | | | ■ | | | | | | | | | ■ | | | | | | | | | |

*Notes*

*1 Appointed 1 June 2013*
*2 Retired 1 March 2013*
*3 Resigned 1 June 2013*
*4 Resigned 31 October 2012*
*5 Retired 31 October 2012*
*6 Appointed chairman 1 March 2013*
*7 Resigned 20 August 2013*
*8 Special meetings called at short notice can result in some directors being unavailable. Their views on the matters to be discussed are generally obtained beforehand.*

■ ATTENDED □ DID NOT ATTEND

# ANALYSIS OF SHAREHOLDERS

| | Number of shareholders | % of shareholders | Number of shares | % |
|---|---|---|---|---|
| Size of holding | | | | |
| 1 – 1 000 shares | 4 703 | 61,81 | 1 234 712 | 0,28 |
| 1 001 – 10 000 shares | 1 984 | 26,08 | 6 512 917 | 1,46 |
| 10 001 – 100 000 shares | 573 | 7,53 | 20 231 817 | 4,55 |
| 100 001 – 1 000 000 shares | 266 | 3,50 | 73 450 809 | 16,52 |
| 1 000 001 shares and above | 82 | 1,08 | 343 305 863 | 77,19 |
| **Total** | **7 608** | **100** | **444 736 118** | **100** |
| **Category** | | | | |
| Pension funds | 229 | 3,01 | 173 693 611 | 39,06 |
| Unit Trusts/Mutual fund | 202 | 2,66 | 139 480 434 | 31,36 |
| Insurance companies | 33 | 0,43 | 35 461 095 | 7,97 |
| Letsema BEE | 3 | 0,04 | 31 821 016 | 7,16 |
| Sovereign wealth | 5 | 0,07 | 12 480 121 | 2,81 |
| Private investor | 84 | 1,10 | 9 199 851 | 2,07 |
| American Depositary Receipts | 1 | 0,01 | 3 956 591 | 0,89 |
| University | 12 | 0,16 | 2 300 281 | 0,52 |
| Exchange-traded fund | 2 | 0,03 | 2 295 874 | 0,52 |
| Custodians | 11 | 0,14 | 2 267 956 | 0,51 |
| Foreign government | 4 | 0,05 | 728 240 | 0,16 |
| Charity | 9 | 0,12 | 724 603 | 0,16 |
| Treasury | 1 | 0,01 | 676 644 | 0,15 |
| Investment trust | 3 | 0,04 | 393 285 | 0,09 |
| Local authority | 1 | 0,01 | 297 529 | 0,07 |
| Hedge Fund | 1 | 0,01 | 60 000 | 0,01 |
| Real estate fund | 1 | 0,01 | 57 884 | 0,01 |
| Other | 7 006 | 92,10 | 28 841 103 | 6,48 |
| **Total** | **7 608** | **100** | **444 736 118** | **100** |

| | Number of shares | % of shares |
|---|---|---|
| **Major shareholders holding 5% or more of the Company's ordinary shares** | | |
| Government Employees Pension Fund | 88 402 420 | 19,88 |
| **Fund managers holding 5% or more of the Company's ordinary shares** | | |
| Public Investment Corporation | 59 087 441 | 13,29 |
| Old Mutual Asset Managers | 47 517 539 | 10,68 |
| Coronation Asset Management (Pty) Ltd | 43 449 789 | 9,77 |
| Allan Gray Investment Council | 43 214 333 | 9,72 |
| Sanlam Investment Management | 28 226 509 | 6,35 |
| Boston Company Asset Management | 25 033 625 | 5,63 |

**Shareholder spread**

| | Number of shareholders | % of shareholders | Number of shares | % of shares |
|---|---|---|---|---|
| Non-public* | 10 | 0,13 | 32 891 231 | 7,40 |
| Public | 7 598 | 99,87 | 411 844 887 | 92,60 |
| **Total** | **7 608** | **100** | **444 736 118** | **100** |
| Domestic | | | 344 679 877 | 77,50 |
| International | | | 98 089 626 | 22,06 |
| Unidentified | | | 1 966 615 | 0,44 |
| | | | **444 736 118** | **100** |

* *Includes directors, Letsema BEE Trusts, Treasury Shares, The Murray & Roberts Trust, Murray & Roberts Retirement Fund.*

**KUSILE** CHIMNEYS