

# ENGINEERED EXCELLENCE

**BOARD COMMITTEE REPORTS 2015** 

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 the communities in which it conducts its business.

It ensures that the Group commits to best practice in health, safety and protection of the environment and public against hazards and aspects associated with its activities; and 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.

The committee operates under terms of reference which was reviewed and approved by the Board during the year.

### MEMBERSHIP

Ralph Havenstein chairs the committee, with Henry Laas and Mahlape Sello serving as members. Messrs Nairn and McMahon stepped down from the Committee during the year. Business platform chief executives, Group HSE and legal executives attend meetings by invitation.

### **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 and that effective programmes have been put in place to monitor the implementation of policies and standards across the Group;
- Encouraging the development of policies, guidelines and practices congruent with the Company'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; and
- Reviewing compliance by the Company and its subsidiaries, contractors and associates with Group policy, standards and guidelines and appropriate local and international standards and relevant local laws in health, safety and environmental matters.

### 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.

### **ACTIVITIES DURING THE YEAR**

The Committee conducted regular in depth reviews on key health & wellness, safety and environmental topics and made improvement recommendations to executive management where needed. At each meeting the Committee received management reports detailing the Group and business platforms HSE performance, risks and mitigation measures.

During the reporting period, the company continued to show progress in the area of HSE management, especially the implementation and institutionalisation of key recommendations from an independent safety culture assessment conducted five years ago. Similarly good progress has been made in the area of health and wellness and environmental management.

The Committee deeply regrets the tragic death of four employees (three employees and one subcontractor) in the infrastructure and building and underground mining businesses and once again extends its heartfelt condolences to the families of the deceased. In depth evaluation of all fatal incidents were conducted by management and the Committee to ensure identification of root causes and implementation of corrective measures to prevent re-occurrence of similar incidents.

During the reporting period, members of the Committee visited two operations in South Africa to engage with employees and get first-hand experience on HSE matters on projects. After each visit Committee members shared their observations with management and the Board.

In the forthcoming year the Committee will continue with its drive to safeguard the health and safety of employees and affected stakeholders as well as the protection of the environment.

### **RALPH HAVENSTEIN**

### **CHAIRMAN**

HEALTH, SAFETY & ENVIRONMENT ("HSE") COMMITTEE

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**

Mahlape Sello chairs the committee. Michael McMahon and Royden Vice serve as members of the committee. The Group chief executive attends by invitation.

# BOARD & COMMITTEE APPRAISAL

Self-assessment questionnaires were completed by the Board and each committee during the year under review. An appraisal of the chairman was led by the chairman of the remuneration & human resources committee and discussed by the Board. All appraisal were 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, has been ongoing. 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. After year-end, the Board appointed Suresh Kana and Xolani Mkhwanazi as non-executive directors. Shareholders will be requested to confirm these appointments at the annual general meeting.

### PERFORMANCE AND RE-ELECTION

Dave Barber, Ntombi Langa-Royds, •• and Cobus Bester retire by rotation at the 2015 annual general meeting. The committee reviewed the performance of the retiring directors and recommends their re-election to the Board.

### INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

An evaluation of the independence of the non-executive directors was conducted. The Board was satisfied that they are independent in character and judgement.

### AUDIT & SUSTAINABILITY COMMITTEE

With effect from 1 July 215, Suresh Kana was appointed as a member of the audit & sustainability committee. His appointment will be submitted for approval by the shareholders at the annual general meeting to be held on 5 November 2015.

The committee considered whether the current members (individually/collectively) of the audit & sustainability committee satisfy the requirements of the Companies Act and King III. Following this, it is recommended that the election of the current members of the audit & sustainability committee be approved by the shareholders at the annual general meeting. The members of the audit & sustainability committee will serve for a one-year term, concluding at the FY2016 annual general meeting.

MAHLAPE SELLO CHAIRMAN NOMINATION COMMITTEE THE RISK MANAGEMENT COMMITTEE SUPPORTS THE BOARD IN THE FULFILMENT OF ITS GOVERNANCE RESPONSIBILITIES IN TERMS OF THE GROUP INTEGRATED ASSURANCE FRAMEWORK.

The committee operates under a terms of reference, approved by the Board, which is reviewed annually and amended as is considered necessary to ensure the mandate of the committee remains appropriate and relevant.

### **MEMBERSHIP**

Michael McMahon serves as chairman of the committee. Dave Barber and Royden Vice serve as members of the committee. Suresh Kana joined the committee from 1 July 2015, subject to approval by shareholders at AGM. The Group chief executive, Group financial director, Group commercial executive and chief information officer attend meetings by invitation. The chairman of the committee also serves on the audit & sustainability committee. This ensures that overlapping responsibilities are appropriately addressed.

## 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 every respect.

## **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 in place, that together enhance the Group's ability to achieve its strategic objectives;
- All significant risk exposures are timeously identified and clearly understood by management, and that mitigation responses are effectively and efficiently implemented to preserve and promote stakeholder interests; and
- The Group's risk management and control systems are adequate and effective, and disclosure regarding risk is comprehensive, timely and relevant.

**pg 28** // Further details are disclosed in the risk management report

A

### **INTERNAL AUDIT**

The Group's internal audit function, which follows a risk-based approach in discharging its mandate, and which co-sourced resources from KPMG, delivered a number of findings. All material findings were satisfactorily addressed by management, and comprehensive follow-up procedures were carried out by internal audit to confirm management's responses. Internal audit's mandate includes reviews of all of the Group's critical controls and major projects.

# **INSURANCE AND TREASURY**

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

# **CLAIMS AND LITIGATIONS**

Group legal services, under the leadership of the Group commercial executive, and with the support and involvement of the business platform CFOs, manage 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.

### **MICHAEL MCMAHON**

CHAIRMAN RISK MANAGEMENT COMMITTEE MURRAY & ROBERTS, AS A GOOD CORPORATE CITIZEN AND A LONG-TERM LEADER IN THE SOUTHERN AFRICAN ENGINEERING AND CONSTRUCTION SECTOR, IS COMMITTED TO CONTRIBUTING TO A SUSTAINABLE FUTURE THROUGH ITS CORE PURPOSE OF DELIVERING INFRASTRUCTURE, TO ENABLE MEANINGFUL ECONOMIC AND SOCIAL DEVELOPMENT IN THE COMMUNITIES WITHIN WHICH IT OPERATES.

The social & ethics committee assists the Board to fulfil its governance responsibilities in relation to the Group's commitment to Zero Harm from its business activities, to comply with laws, rules, codes and standards as a good corporate citizen, and to its employees, shareholders, customers, business partners and society in general as a responsible corporate citizen. It also monitors the Group's ethical practices. The committee operates under a terms of reference, approved by the Board, which is reviewed annually and amended as considered necessary to ensure the mandate of the committee remains appropriate and relevant.

### **MEMBERSHIP**

Ntombi Langa-Royds chairs the committee. Ralph Havenstein and Mahlape Sello serve as members of the committee. The Group chief executive, Group financial director, and Group commercial, sustainability and health, safety & environment executives attend meetings by invitation.

# **TERMS OF REFERENCE**

### The committee's responsibilities include:

- Overseeing the Group's implementation of and compliance with sound principles of governance, including the principles set out in King III;
- Overseeing the Group's social and ethics strategy and structures;
- Ensuring that social and ethics standards and procedures are in place and are effective;
- Assessing and measuring social and ethics performance with reference to the United Nations Global Compact Principles, the OECD Guidelines for Multinational Enterprises, the JSE Socially Responsible Investment Index, the Construction Sector BBBEE scorecard, and International Labour Organisation protocols;
- Overseeing Group-wide compliance with laws, rules, codes and standards;
- Understanding all significant regulatory developments and changes in social and ethics management, and ensuring Group responses are appropriate and timely;
- Consulting and communicating on social and ethics issues with internal and external stakeholders; and
- Reporting annually on social and ethics issues at the annual general meeting.

## ASSESSMENT

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

### **SOCIAL & ETHICS MATTERS**

Worldwide: The Group promotes a culture of ethical values, standards and practices in all areas and aspects of its business operations. The Group's published values and the Statement of Business Principles effectively establish the Group's ethics framework, which has now been consolidated into a Code of Conduct. The code has become the standard bearer of the moral and ethical culture of the Group, and was actively applied and enforced across the Group during the year, including amongst its supplier and subcontractor groupings.

In South Africa: The Committee had oversight of the Group's Community Development programmes. The Group is cognisant of the symbiotic relationships between business and society in South Africa. The Group also includes the communities in which it operates, and the reciprocal impacts of these relationships in its understanding and therefore continues to deliver infrastructure in a sustainable way that enables socio-economic growth. Recognising that education and skills development are key drivers in addressing poverty, unemployment and economic growth, Murray & Roberts has embedded Community Development as a strategic business imperative in South Africa geared towards redressing some of the educational inequalities of the past, addressing a number of critical skills shortages in the built environment, and thereby making its contribution to building the social capital required to sustain economic growth both currently and in the future.

### BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The Group is committed to promoting diversity across all its operations and contributing to social and economic development in the countries in which we operate. The Group understands that this commitment is essential to our sustainable development. In South Africa, we acknowledge the significant work that still needs to be done to transform our operations as a moral, social and commercial imperative and we continued to support the country's drive to advance broad-based black economic empowerment. The Group has maintained its consolidated B-BBEE rating of Level 2, which was independently measured on the Construction Sector Charter. This performance has set a solid foundation that enables us to work towards meeting the more stringent requirements of the revised B-BBEE Generic codes. Employment equity, skills development and enterprise & supplier development will remain key focus areas in our South African operations.

### **NTOMBI LANGA-ROYDS**

CHAIRMAN SOCIAL & ETHICS COMMITTEE

# **RECORD OF ATTENDANCE**

	BOARD					AUDIT				RISK			REMUNERATION				NOMI	HEALTH, SAFETY & ENVIRONMENT				SOCIAL & Ethics				
	Meeting				Special	Meeting		Meeting			Meeting		Special		Ме	Meeting				Meeting						
NAME OF DIRECTOR																										
M Sello														Х						Х	Х			Х	Х	
DD Barber																										
AJ Bester					$\checkmark$																					
R Havenstein					$\checkmark$																					
HJ Laas																										
JM McMahon <sup>2</sup>																						_				
NB Langa-Royds																										
WA Nairn <sup>1</sup>			_	_							_	_									_	_			_	_
RT Vice	V	V		$\checkmark$		$\checkmark$			V	V																

<sup>1</sup> Retired 31 December 2015

 $^{\rm 2}$   $\,$  JM McMahon stepped down from the HSE committee during the year  $\,$ 

Note: SP Kana and XH Mkhwanazi were appointed subsequent to the year end