KING IV GOVERNANCE PRINCIPLES

APPLICATION BY MURRAY & ROBERTS FY2022

King IV Governance Principles

Leadership, ethics and corporate citizenship

1 The governing body should lead ethically and effectively (Leadership).

The Board is the highest governing authority in the Group and has ultimate responsibility for corporate governance.

Decisions and actions are guided by ethical principles as set out in the Code of Conduct by ensuring that individual directors:

- Adhere to legal standards of conduct as set out in the Companies Act;
- Exercise their fiduciary duties in the best interest of the Group;
- Disclose real or perceived conflicts to the Board and deal with them accordingly; and
- Deal in securities only in accordance with the policy adopted by the Board.

The Board has a charter setting out its role, powers and responsibilities in terms of the latest governance developments and the requirements for its composition, meeting procedures, work plan and evaluation. Salient features of the charter are published in the annual integrated report.

The Board is responsible for corporate governance and determining the Group's strategic direction. Decisions, deliberations and actions are based on the Group's published Values.

Other references:

🌐 **ONLINE** Sustainability report

2 The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture (Organisational ethics).

Managing ethics within the Group is an important part of the Board's focus and responsibility. The Code of Conduct approved by the Board is applied across the Group, and to external service providers. The Board also reviews the Group's compliance with laws, rules, codes and standards through the work plan of the social & ethics committee, which ensures that the Group subscribes to ethical business principles supported by policies, standards and procedures. Behaviour is managed and monitored in line with the Code, and instances of unethical behaviour are reported and fully addressed.

Assurance through appropriate audit, review and control process was provided for all perceived high risk compliance matters.

An induction programme is applied to every new employee across the Group and Code of Conduct training is completed regularly.

Other references:

🌐 **ONLINE** Sustainability report

3 The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen (Responsible corporate citizenship).

The Board provides strategic direction and approves policies and frameworks to ensure that all workplace, societal, economic, financial, social, environmental (including climate change) and ethical issues are addressed by the Group. The Board has established Board committees such as the audit committee; the health, safety & environment committee; the risk management committee; the remuneration & human resources committee; the nomination & governance committee and the social & ethics committee to assist it in discharging its duties, as set out in the approved committee mandates and terms of references.

With the Board's strategic direction, the Group seeks to protect, enhance and invest in the wellbeing of the economy, society and the environment. The social & ethics committee ensures that the Group formulates collaborative responses to sustainability challenges.

The Board ensures that the business strategy and decision-making include a broader, integrated consideration of environmental (including climate change), social and governance impacts. Progress on ESG matters is included in the annual integrated report, as well as the sustainability report. Full disclosure is made of all the arrangements, areas of focus, measures and monitoring, and planned areas of future focus that make the Group a responsible corporate citizen.

Other references:

🌐 **ONLINE** Sustainability report

Strategy performance and reporting

4 **The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process (Strategy and performance).**

The Group's strategic focus is firmly directed at primarily delivering services in the global natural resources market sectors of metals & minerals, energy, resources & infrastructure and power, industrial & water. The Board approves the strategy and oversees its implementation, including the operational plans and budgets, as well as the Group's performance.

The Board ensures appropriate alignment between strategy and the purpose and mandate of the Group and delegates to executive management the responsibility to implement and execute the strategy, including its underpinning policies and operational plans. The Board appreciates that strategy, risk, performance, sustainability and going concern are inseparable and this is evident in the annual integrated report. The Board exercises full oversight over the implementation of the strategy, policies and operational plans by executive management against agreed performance targets and measures.

Other references:

🌐 **ONLINE** Risk report

🌐 **ONLINE** Sustainability report

5 **The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects (Reporting).**

The Board, assisted by the audit committee, assumes responsibility for the annual integrated report and ensures that the report is relevant and reliable, and represents the performance of the Group, both as to the financial and the non-financial aspects of the Group's performance.

The annual integrated report includes the Group's summary of financial statements and commentary on material issues that affect the Group, its stakeholders and the environment and is widely and appropriately published annually.

The audit committee appoints an external, independent consultant to obtain assurance in relation to the reporting and disclosure of several material sustainability issues.

Other references:

🌐 **ONLINE** Annual integrated report

Governing structures and delegation

6 **The governing body should serve as the focal point and custodian of corporate governance in the organisation (Primary role and responsibilities of the governing body).**

The Board has an approved charter setting out its role, powers and responsibilities in terms of the latest governance developments and the requirements for its composition, meeting procedures, work plan and evaluation. Salient features of the charter are published in the annual integrated report.

The Board meets formally four times during the financial year. The Board further meets when necessary outside of the formal meeting cycle to consider matters requiring urgent attention. In addition, directors meet ahead of the scheduled meeting where the Group's budget and business plan is examined in the context of the approved strategy and have full access to any and all executive members of the Group.

Board members are permitted to take independent advice in connection with discharging their duties following an agreed protocol, at the cost of the Group.

Other references:

ONLINE Governance report

7 **The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively (Composition of the governing body).**

COMPOSITION
The majority of Board members are independent non-executive directors. Directors are appointed through a formal process undertaken by the nomination & governance committee, which takes into consideration the knowledge, skills and resources required by members of the Board. The size and diversity of the Board allows for the Board to conduct its business effectively. The chief executive officer and chief financial officer are executive directors of the Board.

The Board acknowledges the importance of diversity and a formal policy was adopted to guide and assist the Board in attaining not only gender and race, but broader diversity at Board level.

NOMINATION, ELECTION AND APPOINTMENT OF MEMBERS TO THE GOVERNING BODY
The nomination & governance committee assists the Board in identifying suitable candidates that addresses the Board's requirements in terms of knowledge, skills and resources. All appointments comply with the requirements of the Companies Act and the company's memorandum of incorporation.

A brief CV for each director standing for election or re-election at the AGM is included in the annual integrated report and referred to in the notice of the AGM. Non-executive directors are formally appointed by the Board, and it is recorded in a formal contract.

A formal induction programme is in place for new directors, which provides them with information on the Group's strategy and operations, and sets out their responsibilities as directors. Continuing development training is available to directors on request.

INDEPENDENCE AND CONFLICTS
The independence of the Board and procedures for ensuring that relevant conflicts of interest are addressed are contained in the Board charter and terms of reference.

Relevant details of the Board are included in the annual integrated report.

CHAIR OF THE GOVERNING BODY
The chairman of the Board is an experienced independent non-executive director, free of conflict at the time of his appointment and was so elected by the Board. The Board assesses the independence of the chairman upon appointment. The chairman has no executive function or responsibility.

Other references:

ONLINE Governance report

> **8**   The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties (Committees of the governing body).

GENERAL

The following committees are in place:

- Audit committee;
- Remuneration & human resources committee;
- Nomination & governance committee;
- Risk management committee;
- Health, safety & environment committee; and
- Social & ethics committee.

Each committee has a formal terms of reference that sets out its role, powers and responsibilities. The committee chairperson reports back to the Board after meetings on key issues covered at the meeting.

Each committee undertakes a committee assessment on a regular basis and a committee report, including key areas of focus during the reporting period, is included in the annual integrated report.

AUDIT COMMITTEE

An effective and independent audit committee is in place and comprises of independent non-executive directors, as required in terms of the Companies Act. The terms of reference of the audit committee sets out all the statutory functions, roles, powers, responsibilities and membership of the committee.

An internal audit charter, reviewed by the audit committee and approved by the Board, formally defines the purpose, authority and responsibility of internal audit. The charter gives the chief audit executive, who reports administratively to the group commercial director, direct and unrestricted access to the chief executive officer, chief financial officer, chairman of the audit committee and chairman of the Board. The chief audit executive has unfettered access to Board and committee minutes and submissions, and the Group risk register.

NOMINATION & GOVERNANCE COMMITTEE

The nomination & governance committee is authorised to assist and guide the Board to ensure that:

- The structure, size, composition and effectiveness of the Board and Board committees are regularly reviewed and maintained at levels which are considered appropriate, particularly in the context of the Group's strategy as agreed by the Board from time to time;
- Directors are appointed and continuation of tenure is determined through a formal process;
- An induction and continuing professional training and development of directors takes place; and
- Consider the extent to which the corporate governance framework of the Company is appropriate and effective, in view of any developments in the Group, its business environment, new corporate governance requirements and shall make recommendations to the Board.

RISK MANAGEMENT COMMITTEE

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

- The Company has designed, implemented and monitors an effective Integrated Assurance Policy and Risk Management Standard for risk management, with appropriate organisational structures, processes and systems, that will enhance the Group's ability to achieve its strategic objectives;
- Significant risk exposures are clearly identified and understood, and that mitigation responses effectively and efficiently promote stakeholder interests;
- The risk control systems are adequate and effective; and
- Disclosure regarding risk is comprehensive, timely and relevant.

REMUNERATION & HUMAN RESOURCES COMMITTEE

The remuneration & human resources committee is authorised to review and ensure the application of a Group remuneration philosophy, which is aligned to the approved Group strategy, and the purpose of which is to attract, retain, motivate and reward directors, senior executives and employees by the payment of fair, responsible, competitive and appropriately structured remuneration.

The remuneration & human resources committee assists the Board to ensure that the disclosure of Director and Prescribed Officer remuneration is accurate, complete and transparent.

A committee report is included in the annual integrated report.

SOCIAL & ETHICS COMMITTEE

The social & ethics committee assists and guides the Board to fulfil its responsibilities in respect of the following:

- Adopting the necessary policy, strategy and structure to manage social and ethical issues;
- Providing leadership and guidance to the Board on social and ethical issues; and
- Ensuring effective and adequate policies, standards and procedures are in place to manage social and ethical risks.

9 The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continual improvement in its performance and effectiveness (Evaluations of the performance of the governing body).

The directors undertake regular evaluations during which the Board, each director and the relevant Board committee is assessed. The chairman of the Board discusses the results of the reviews with each director and committee member.

The Board has adopted the following three-year cycle for the evaluation process:
- **Year 1:** Formal Evaluation facilitated by external provider.
- **Year 2:** Informal Evaluation by discussion at committee level.
- **Year 3:** Formal Evaluation by questionnaire facilitated by the Group Secretary.

Other references:

⊕ **ONLINE** Governance report

10 The governing body should ensure that the appointment of, and delegation to, executive management contribute to role clarity and the effective exercise of authority and responsibilities (Appointment and delegation to executive management).

CEO APPOINTMENT AND ROLE

The Board appoints the chief executive officer from a recommendation of the nomination & governance committee and the Board approves executive management appointments.

The role and function of the chief executive officer is formalised in the Chief Executive Mandate and the Board evaluates the performance of the chief executive officer annually. Succession plans are in place for the chief executive officer and other members of executive and senior management.

DELEGATION

A comprehensive delegated authority matrix has been reviewed, approved and implemented by the Board. The authority matrix is regularly reviewed, and updated when necessary.

PROFESSIONAL CORPORATE GOVERNANCE SERVICES TO THE GOVERNING BODY

A competent and experienced company secretary, who is not a director of the Board, assists the Board with:
- The nomination and appointment of directors through the nomination & governance committee;
- Director induction and training programmes;
- Providing guidance to the Board on director duties, responsibilities and good governance;
- Keeping the Board and committee charters up-to-date;
- Preparing and circulating Board papers;
- Drafting the Board annual work plan;
- Preparing and circulating minutes of Board and committee meetings; and
- Evaluation of the Board, committees and individual directors.

The appointment and functions of the company secretary are in line with the requirements of the Companies Act.

Other references:

⊕ **ONLINE** Governance report

⊕ **ONLINE** Remuneration report

Governance functional areas

11 **The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives (Risk governance).**

The risk management committee assists the Board in executing its responsibility for the governance of risk. The committee's terms of reference outlines its responsibilities, membership and work plan.

The Board is apprised of the Group's going concern status at the interim and full year Board meetings, and monitors the solvency and liquidity of the Group on a regular basis.

The Group Integrated Assurance Policy, approved by the Board, which covers risk management, is in place. The Board has delegated to the risk management committee the responsibility to review in detail the risk management systems applied across the Group, to consider the reports of executive management regarding impending risks and mitigation measures, and to report back to the Board on its findings and recommendations. Summary risk reports are also presented to the Board with the findings and recommendations of the risk management committee.

The Board is responsible for determining the level of Group risk tolerance and appetite by considering and approving the Group risk tolerance matrix against which all business risks are measured.

The audit committee and risk management committee (with inputs from the Murray & Roberts Limited risk committee) assist the Board in carrying out its risk oversight responsibilities by conducting detailed reviews of the Group's risk management systems and considering in detail the risks facing the Group and management's mitigation actions.

Executive management is responsible for the design, implementation and monitoring of the Group risk management plan, which includes the development and maintenance of a comprehensive risk management system. The risk management system requires that a risk assessment is carried out for every project at project bidding stage. Risk assessments are then carried out across projects and businesses quarterly. Key risks are escalated to the Board through quarterly risk reports, and the reported risks are discussed and interrogated with Group management.

The Board regularly satisfies itself that the embedded risk management system, comprising frameworks, standards and procedures, is operating efficiently, and is designed to anticipate and identify unpredictable and emerging risks in sufficient time for adequate management interventions to be initiated.

Key risks and management interventions are regularly reported to the Board, and the Board considers the appropriateness of such interventions in the context of the criticality of the risks reported. Executive management's risk monitoring and action plans are regularly reported to the Board for evaluation and, where necessary, for further guidance.

The Group chief audit executive carries out regular reviews of the risk management systems and processes, and annually reports his findings directly to the Board.

A comprehensive report on Group risks is reviewed and approved by the Risk Management Committee for inclusion in the annual integrated report.

Other references:

ONLINE Risk report

12 The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives (Technology and information governance).

The Board is aware of and takes responsibility for IT governance in the Group. An IT charter, policies and standards have been approved by the Board and are implemented by executive management. IT is a regular agenda item at Board meetings and the Board obtains annual assurance on the effectiveness of IT controls.

A Board approved IT strategy aligns IT with strategic business processes. Innovative use of IT is encouraged and the business is well supported through the use of IT.

Executive management is responsible for the implementation of IT processes and structures as per the IT charter through an effective IT steering committee. Furthermore, the Chief Information Officer interacts with the Board on strategic IT matters.

The Board has oversight of significant IT projects and makes decisions on major IT investments. The Board requires and obtains assurance annually on IT governance and controls across the Group.

IT strategic and operational risks have been identified and are monitored and reported at IT steering committee meetings. Strategic risks are regularly reported into the Group's risk management system. Disaster recovery is well entrenched in the Group's systems, and is tested regularly.

An Information Security Strategy has been approved by the Board. A Security Management System has been developed and implemented. Personal information is identified and is treated as an important asset in line with data privacy and protection principles.

The risk management committee has full oversight into the IT function. Formal and regular independent and internal audits are used to obtain assurance that IT risks are effectively identified and mitigated.

Other references:

🌐 **ONLINE** Risk report

13 The governing body should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen (Compliance governance).

The Group Integrated Assurance Policy sets the mandate for regulatory compliance, which includes the implementation of a compliance framework and process as set out in the Group Code of Conduct and Group Regulatory Compliance Standard.

The social & ethics committee receives a regulatory compliance report at each meeting, updating it on Group activities that enforce and ensure legal compliance, and the committee reports back to the Board with its findings on a bi-annual basis. Assurance on perceived high risk compliance matters is obtained by the social & ethics committee through both internal audit and regulatory compliance.

Through the social & ethics committee, the Board is advised of the prevailing regulatory environment and applicable and relevant changes thereto, and how those changes are likely to affect the Group. A legal update report is also submitted to the Board annually. Induction, training and legal opinions are resources made available to each individual director to ensure they are familiar with the laws, rules, codes and standards that apply to the local and international operations of the Group.

Other references:

🌐 **ONLINE** Governance report

🌐 **ONLINE** Sustainability report

14 **The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of the strategic objectives and positive outcomes in the short, medium and long term (Remuneration governance).**

REMUNERATION POLICY

Murray & Roberts believes that directors, executives, management and staff should be paid fair, competitive and appropriately structured remuneration in the best interests of shareholders. The Group's Remuneration Policy for executive directors and prescribed officers takes into account fixed and variable components of total reward (informed by benchmarks) linked to specific performance targets. Shareholders were consulted in this process of establishing the Remuneration Policy.

REMUNERATION REPORT

The Remuneration Policy, together with its implementation is disclosed per individual executive director and prescribed officer in the Group's annual integrated report and annual financial statements.

VOTING ON REMUNERATION

The Remuneration Policy and the report on the implementation of the Remuneration Policy, set out in the remuneration report in the Group's annual integrated report, is voted on by shareholders annually on an advisory basis.

Proposed fees for non-executive directors are approved annually by shareholders by means of a special resolution.

Other references:

ONLINE Remuneration report

15 **The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports (Assurance).**

All the members of the audit committee are independent non-executive directors. The audit committee has a good understanding of integrated reporting, internal financial controls, the external and internal audit process, corporate law, risk management, sustainability issues, information technology governance and governance processes within the Group.

INTEGRATED ASSURANCE

The audit committee has approved an integrated assurance model, comprising risk management, regulatory compliance, internal audit and external audit, following which the Board approved the Group Integrated Assurance Policy on the strength of the committee's recommendation that the policy be adopted.

The integrated assurance model assists in addressing control over the key risks facing the Group. Such risks and their mitigating controls are identified and controlled by executive management, within a risk framework determined by the risk management committee.

The internal control and the integrated assurance model includes:

- a documented organisational structure with appropriate separation of responsibility;
- policies and procedures (including a code of conduct to foster a strong ethical climate) which are communicated throughout the Group; and
- mechanisms to ensure compliance, and to monitor the effective implementation of the system on a continuous basis.

The audit committee has oversight over and monitors (on a quarterly basis) the co-ordination of assurance activities that, taken together, comprise the integrated assurance model.

ASSURANCE OF EXTERNAL REPORTS

The Group produces an annual integrated report that sets out governance, social, economic, financial and environmental information necessary for stakeholders to be able to understand and assess how the Group creates value over the short, medium and long term. The audit committee assists the Board in fulfilling the Board's oversight role relating to the integrity of financial reporting in terms of accounting standards and the Listings Requirements of the JSE Limited. For more detail, please see the audit committee report and governance report in the annual integrated report.

The audit committee recommends to shareholders the appointment, reappointment and removal of the external auditor based on the committee's assessment of the audit firm's and the auditor's qualifications, experience, resources, effectiveness and independence. These attributes are assessed annually.

INTERNAL AUDIT

Group internal audit was established to assist the Board and executive management with the achievement of their objectives and has remained a vital part of the Group's governance and combined assurance structures. Internal audit is an independent assurance provider which focuses on the adequacy and effectiveness of the Group's governance, risk management and control structures, systems and processes. The centrally-coordinated, regionally-based function operates in terms of a formal mandate, in conformance with the International Professional Practices Framework for Internal Audit (Standards).

Group internal audit is independent from management and operations and follows a risk-based audit approach. Key to this is focusing on the Group's strategy and understanding the risks flowing from and associated with the strategy. Internal audit reporting meets the needs and requirements of executive management and the audit committee.

The chief audit executive leads internal audit which covers the global operations of the Group and is resourced largely with internal employees and external resources where necessary. Internal audit assists the Board and executive management in maintaining an effective internal control environment by evaluating those controls continuously, using a risk-based approach, to determine whether they are adequately designed and operating efficiently and effectively, and to recommend improvements where necessary. The internal audit assurance provided consists of independent evaluations of the adequacy and effectiveness of risk management, internal controls, financial reporting mechanisms and records, information systems and operations, safeguarding of assets (including fraud prevention) and adherence to laws and regulations. It includes a review of strategic risk mitigations, a risk-based review of all major projects, key business processes and systems, the Group's sustainability information, IT governance and IT general controls. An integrated assurance model is in place that ensures a coordinated approach to all assurance activities, appropriate to address the significant risks the Group faces.

The annual audit plan is based on an assessment of risk areas as identified by internal audit and executive and senior management, as well as focusing on areas highlighted by the audit committee. The plan also considers work performed by other assurance providers in and across the Group. The annual audit plan is updated as appropriate to ensure it remains responsive to changes in the business environment. A comprehensive report on internal audit findings is presented to the audit committee quarterly. Follow-up audits are conducted in areas where major internal control weaknesses or failures are identified. The audit committee approves internal audit's risk-based audit plan for each financial year prior to the commencement of that financial year.

Internal audit is independent of any and all management functions, reports organisationally to the group commercial director and maintains clear lines of responsibility and reporting to ensure its findings and opinions are always objective. It reports strategically to the audit committee. The committee reviews the resources and skills of internal audit annually to ensure it is adequate to address the Group's risk and assurance requirements.

For the purpose of ensuring audit practices and endeavours are integral to the risk management activities, the chairman of the audit committee serves on the risk management committee and the chairman of the risk management committee serves on the audit committee. This cross participation ensures that the concerns and findings of the audit committee become an integral component of the Group's risk management process.

Group internal audit submits an annual assessment on the effectiveness of the Group's system of internal control to the audit committee, and an annual assessment of the effectiveness of the Group's risk management system to the risk management committee.

The internal audit function applies its own quality assurance and improvement programme, and is subject to an independent external quality assurance review every 5 years. The last review was performed in June 2018 and internal audit has been assessed as being in "General Conformance" with the IIA's International Standards for the Professional Practice of Internal Auditing and the Code of Ethics.

Other references:

ONLINE Audit report

Stakeholder relationships

16 **In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time (Stakeholders).**

STAKEHOLDER RELATIONSHIPS
Maintaining stakeholder trust given intensifying activism, public scrutiny and expectations of greater transparency and reporting is critical to the Group's resilience and sustainability.

Murray & Roberts strives to communicate and engage transparently, effectively and inclusively with all its stakeholder groups. Ongoing engagement processes seek to ensure that interaction with stakeholders in all our markets is effective and ongoing. A report on stakeholder engagement is included in the annual integrated report.

The Board takes account of the legitimate interests and expectations of stakeholders in its decision-making process and maintains a stakeholder engagement framework, which is proactively implemented and followed by executive management.

SHAREHOLDER RELATIONSHIPS
The Board encourages proactive engagement with shareholders, including engagement at the annual general meeting (AGM) of the Company. All directors, and the designated partner of the external audit firm, are available at the AGM to respond to shareholder queries and the minutes are published on the Company's website each year.

RELATIONSHIPS WITHIN A GROUP OF COMPANIES
The governance framework for subsidiary (platform) boards follows the format of the Board, and such framework has been implemented across the Group.

A delegated authority matrix has been approved by the Board and applies across the Group. It is reviewed annually and updated where necessary.

Other references:

ONLINE Annual integrated report

17 **The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests (Responsibility of institutional investors).**

Not applicable.

Engineered Excellence is a leadership philosophy of planning in detail for the outcomes we want to achieve. ***Engineered Excellence*** means we must apply rigour and discipline in everything we do and remove chance from the objectives we pursue.

Murray & Roberts