

# Mining

The platform is currently engaged on mining projects in Canada, USA, Chile, Argentina, South Africa and elsewhere in Sub-Saharan Africa. These include work on nine vertical shafts, equipping and rehabilitation projects, eight decline shafts and mine lateral development projects, five production mining projects, 32 support and construction projects and five major ore handling infrastructure construction projects. In addition, 30 raise drilling machines are deployed on projects around the world.



**MIKE DA COSTA**  
Platform CEO



## Overview

The past year was characterised by the significant disruption experienced by the Group and the platform as a result of the Group's Australian holding company, MRPL being placed under voluntary administration, along with one of its subsidiary companies, Clough. As a consequence, the platform lost control of its specialist Australian shaft sinking and raise drilling company, RUC, a subsidiary of MRPL. Since the platform was no longer in control of the business, RUC's results were deconsolidated from the Group's continuing operations and reflected as discontinued operations as from 5 December 2022. Up to this point in the year, revenue and earnings were tracking well ahead of the corresponding period in the previous year.

Revenue increased to R11,1 billion (FY2022: R7,9 billion) and operating profit increased to R313 million (FY2022: R234 million). The order book reduced to R13,6 billion (FY2022: R17,2 billion), reflecting the exclusion of the Arnot project, after the client entered into business rescue. New orders decreased to R9,1 billion (FY2022: R14,3 billion). The improvement in platform earnings is due to strong growth recorded by Cementation Americas (USA and Canada), notwithstanding a reduced contribution from Murray & Roberts Cementation (Sub-Saharan Africa).

The Americas business recovered well in a more normalised post-pandemic business environment, and delivered a significantly better performance compared to the prior year. The business delivered strong growth in revenue and earnings on the back of good growth in the order book. Margins also recovered in its underground mining segment. The growth in earnings was despite losses incurred in the materials handling business, TNT. However, TNT experienced strong order book recovery during the fourth quarter of the financial year, setting the business up for revenue growth and a return to profitability during FY2024.

In South Africa, Murray & Roberts Cementation experienced another difficult year. Although there are several potential projects in the pipeline in South Africa, mine operators seem reluctant to invest in projects given the current economic and sociopolitical climate in the country. As a result, very few projects of any significance have come to market and the order book has decreased during the year. However, the business won two significant projects awards, one in the last month of FY2023 and one just after the close of the financial year, reversing the declining trend.

Notwithstanding the reduced order book, revenue improved compared to the prior year but did not convert to improved earnings. Margins were significantly eroded by operational

challenges and cost overruns at the Venetia diamond mine project, which accounts for a large portion of the business' revenue, resulting in the material decrease in earnings. Significant effort, by both our client and the business, has gone into improving the operational and cost performance environment on the project over the past six months, and progress made to date points to a much-improved outcome for FY2024. Better margins and a growing order book will position the business to deliver earnings more in line with historical performance.

In Australia, control of RUC passed to the administrators of MRPL at the beginning of December 2022. Up to that time, the business had been performing very well, with significant growth in revenue and earnings compared to the comparable period in the prior year.

As a provider of specialist mining services, it is our intent to maintain a presence in the APAC region, which is the region formerly serviced by RUC. The Group's global expertise in mine design, engineering and construction, and our technical capability in areas like vertical and decline shaft construction means that our services should always be in demand in the APAC region, including Australia. This region is a key part of the global mining sector and it is important for Murray & Roberts to maintain a footprint in the region.

The preferred scenario is for Murray & Roberts to regain control of RUC and to retain this business as part of our multinational Mining platform and efforts in this regard are continuing.

However, should the Group not be able to regain control of RUC, Cementation APAC, a company recently established in Australia, will be developed and capacitated to provide engineering and contracting services to mining clients in APAC. The Cementation brand is well known in the global mining sector and the Group will target project opportunities in Australia, leveraging the capabilities of our existing businesses in North America (Cementation Americas) and in Sub-Saharan Africa (Murray & Roberts Cementation).

We strive for zero harm in everything we do. We are therefore deeply saddened by the fatal incident that occurred in the raise drilling division of RUC during October 2022. This incident ended five years with no fatalities for the platform. We extend our deepest condolences to the deceased's family, colleagues, and friends. The LTIFR for the period deteriorated to 0.89 (FY2022: 0.76) due to reduced exposure hours following the loss of RUC. The TRCR improved by 21% to 4.00 (FY2022: 5.05).



## Opportunity

Commodity prices in general have declined over the past year but remain relatively robust, and many mine owners are maintaining acceptable operating margins. There are, however, several risks developing that create significant uncertainty for mine owners considering capital investments:

- Inflation remains stubbornly high, notwithstanding efforts by central banks to bring it under control.
- Geopolitical instability in various parts of the world.
- The increasing threat of instability in global financial markets and a global recession.
- Supply chains still not fully recovered post-COVID.
- Skills shortages negatively impacting the cost and efficiency of project delivery.

In this uncertainty, mine owners tend to defer riskier investments and invest only in projects with higher certainty and returns, such as brown field replacement projects or expansions. There has also been an increase in merger and acquisition activity, as the major mining companies deem additional and future production as more value accretive and lower risk than exploring for and developing new orebodies. This limits opportunities for growth in the mining contracting and construction market. But despite the headwinds, the mining contracting and construction market is expected to deliver modest growth over the medium term. The need to grow production of 'future facing' commodities (required for the energy transition), as well as for mine owners to replace depleting reserves, will support this growth.

A large proportion of the platform's order book comprises these 'future-facing' commodities, and our intention is to grow our exposure and strengthen our relationships with related clients, particularly the major diversified operators. But while decarbonisation will boost demand for some commodities, others such as thermal coal, will be negatively impacted over time. We continue not to pursue projects in thermal coal, other than in South Africa given its socioeconomic dependence on coal-fired power. We will therefore only mine thermal coal for clients who supply the national power utility, Eskom.

We continue to apply our range of capabilities to support clients in achieving their carbon reduction goals. This includes working with clients to design and build infrastructure that is less carbon intensive, working with clients and OEMs to introduce more carbon and energy efficient equipment and other related project solutions.

## Strategy

Within this fast-changing operating environment, the platform's vision is to be the global mining services partner of choice, recognised as a responsible, fully diversified service provider with the best skillset in the industry (designing, developing, constructing and operating mines). This requires that we respond to key shifts in the global mining contracting market.

The prioritisation of ESG issues by various stakeholders is resulting in several shifts in the industry. Mine operators are placing far more emphasis on limiting the negative impact of their operations on the environment and on local communities, and finding means to contribute positively to the areas where they operate. This has seen them broaden their capital allocation priorities to include investments in environmental and social development initiatives.

Mine operators are also working towards less invasive ways to access orebodies. For example, using a vertical shaft to access an underground mine, rather than constructing an open pit that has a large surface footprint and is difficult to rehabilitate at the end of life, minimises the environmental impact of a mine. Clients are also pursuing more efficient and precise means of extracting the orebody for less waste, thereby limiting the need for large tailings facilities on the surface and improving cost efficiencies. Our existing capabilities and our approach to innovation and development of new capabilities positions us well to respond to these shifts in requirements from major operators.

Although commodity prices have declined over the past year and operating margins have moderated, the industry is still in a robust position and demand for skilled and experienced people remains acute. Combined with the retirement from the industry of many skilled people, we have intensified efforts to attract, train and develop young people in our industry.

Data connectivity in underground mines is accelerating and enabling the rapid adoption of digital technologies. These technologies present opportunity for productivity and safety improvement, but also present industry leaders with transformation and change management challenges.

This dynamic environment creates real opportunity for growth, both in terms of a growing market and growing market share. To realise this opportunity, the business must be appropriately positioned; the essence of our strategy is to establish the platform as an integrated multinational organisation, enabling more effective collaboration between the regional entities.



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**This consolidated multinational organisation, headquartered in Perth, will better enable the regional businesses with particular focus on:**

- Uniting the regional entities under a common global brand but preserving their regional identities (global leverage, local knowledge);
- Establishing a new entity to provide a global funding structure to support the regions, provide strategic global procurement services, and establish a common asset management philosophy;
- Establishing centres of excellence to drive innovation and global best practice;
- Leading the digital transformation strategy for the global business;
- Developing processes for talent acquisition and development on a global basis; and
- Developing customer relationships on a global level.

**In pursuit of our vision, we aim to be:**

- An agile, globally integrated business that continuously expands its core competencies and capabilities;
- An employer of choice, providing an exciting and valuable employment proposition worldwide (global reach, great working environment and innovative work practices);
- Recognised as a disruptor in the global natural resources sector, pioneering new technology and innovative solutions to drive sustainable improvements in performance and productivity; and
- A leader in stakeholder relationships and engagement, creating sustainable shared value through a commitment to positively impact the environments and communities in which we operate.

Significant progress has been made in various aspects of the strategic plan during the first half of FY2023; particularly in the workstreams related to the establishment of a global financing structure and strategic procurement, the digital transformation strategy and the establishment of Centres of Excellence. However, work on the implementation of these plans was halted because of the disruption to the business caused by the voluntary administration.

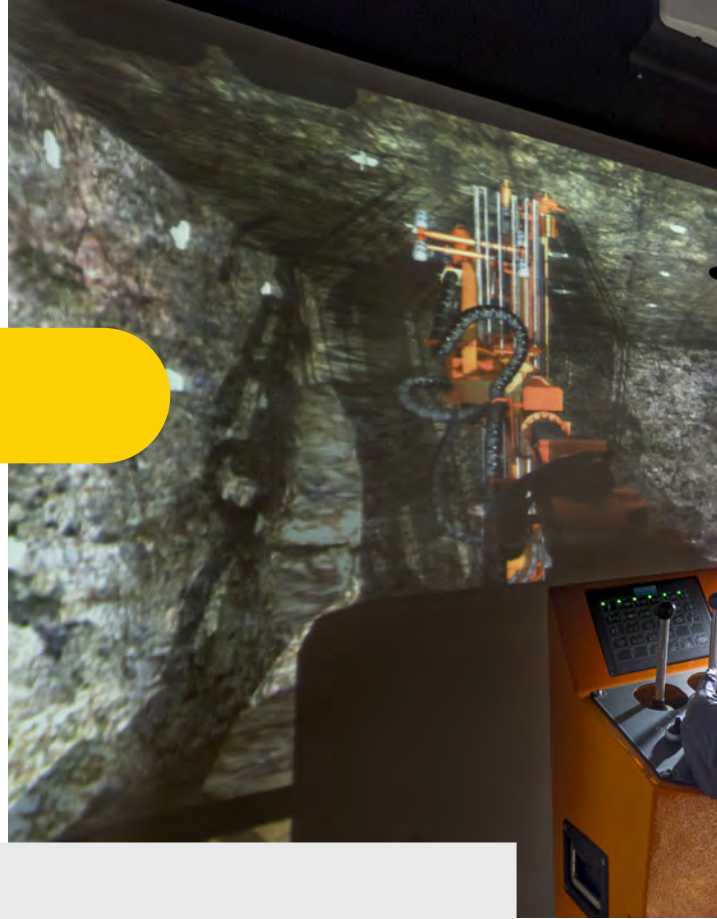




## CONTRACTOR OF CHOICE

### Engineered Excellence

*Engineered Excellence* defines our management approach at every level of the organisation. This leadership philosophy means we thoroughly plan everything we do to achieve excellent outcomes, with nothing left to chance. It challenges us to drive continuous improvement in project risk management and delivery, and in achieving industry leading HSE performance, which is as important to our clients as it is to our employees.



### Zero Harm

Our approach to health and safety management centres on continual improvement, founded on effective leadership, a clear understanding of the risks in our business, the controls required to mitigate those risks, accountability, and our extensive operational experience. Clear policies, standards and procedures and the competence and motivation of our employees support our aspiration of Zero Harm.

#### Fatality prevention

Our fatality prevention efforts are largely focused on safety in design, thorough planning for safe execution, management of critical risks and recognising and managing change in our work environment and processes.

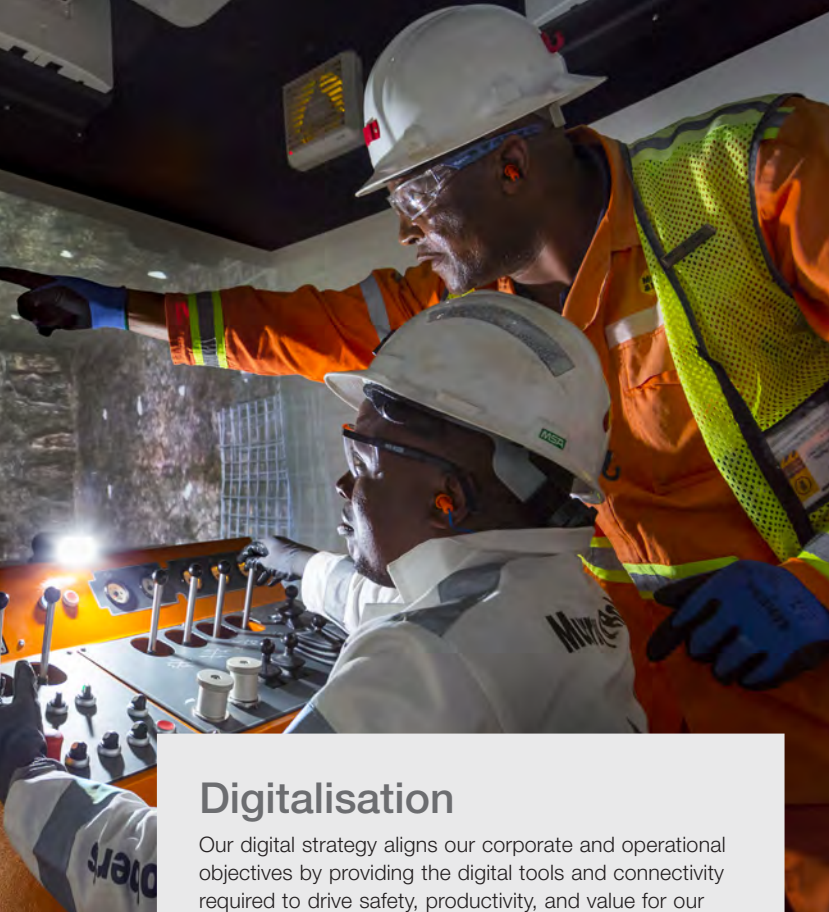
In the year ahead, CRM will be adopted as the programme to manage and respond to critical safety risks across the global business. Cementation Americas has already adopted the CRM programme some time ago and it is now well entrenched in this business. Murray & Roberts Cementation will now adopt CRM and will implement the programme in a phased approach during the year ahead. The programme requires every project team to maintain a risk register for critical tasks along with a set of controls that must be implemented to mitigate the critical risks. To ensure the controls are effective, a control verification process is incorporated. This requires line personnel at various levels of seniority to conduct periodic checks on the status of critical controls. Independent system effectiveness audits are also conducted on a regular basis.

In addition, all our businesses have implemented High Potential Hazards ("HPH") and High Potential Incidents ("HPI") reporting. All HPHs and HPIs are thoroughly investigated, implementation and effectiveness of controls are interrogated, and measures are developed to prevent reoccurrences.

#### Injury prevention

Our efforts to prevent injuries are supported by:

- **Training** – all employees undergo appropriate training for their roles in one of our world-class training centres, as well as on-the-job coaching and training.
- **Standards and safe work procedures** – we have developed comprehensive standards and procedures that are implemented at all our project sites.
- **Pre-work planning** – before any work commences, our teams are required to plan the work and ensure they understand what must be done, why it must be done, how they are going to do it and that they have the resources to do the work safely and efficiently.
- **Leadership and supervision** – leaders and supervisors are held accountable for delivering safe, quality outcomes – which requires that they spend sufficient time observing, engaging, and coaching work teams. It is their responsibility to ensure that all employees have the means and ability to do the work required of them – and safely.
- **HPH and HPI reporting** – we run onsite reporting programmes that encourage all employees to report potential hazards and incidents. These reports are analysed to proactively address safety risks and ensure that remedial action is implemented where required.
- **Learning and sharing** – we take advantage of the experience of our diverse operations, clients and partners and share lessons learnt to improve safety across our operations.
- **PPE** – all employees are issued with quality personal protective equipment, appropriate for the work they are doing.



## Digitalisation

Our digital strategy aligns our corporate and operational objectives by providing the digital tools and connectivity required to drive safety, productivity, and value for our stakeholders. The implementation of the strategy is being advanced within three themes:

### Asset maintenance

Encompasses initiatives that manage the life cycle of assets to minimise total cost of ownership through a strategy that maximises availability, whilst balancing maintenance costs and operational risk.

### Operational effectiveness

Encompasses initiatives that increase productivity and reduce variation within operations through continuous improvement of processes, feedback/reporting, decision-making, quality control, deployment of resources and waste removal.

### Autonomous and remote operations

Encompasses initiatives that utilise automation and remote operation of both fixed and mobile equipment to achieve improved safety and/or labour efficiencies by using multi-machine functionality.

Good progress has been made over the past two years in terms of refining the strategy and driving implementation through Insig, a startup technology company in which Murray & Roberts UK owned a 65% interest. However, with MRPL entering voluntary administration, Murray & Roberts UK was not able to continue funding Insig. The development of the software required to continue with the implementation of the digital strategy and any further digital application development or implementation was put on hold. The strategy as previously envisioned is still very relevant and the benefits are not in doubt, thus implementation will resume as soon as the financial position of the global business has been stabilised.

## Project delivery

A robust project delivery governance system based on PMBOK best practice principles provides the basis for successful project outcomes. This system comprises five phases with stage gated approvals required to progress from one to phase to the next:

**Tender  
Stage**

**Project  
Start-Up**

**Project  
Planning**

**Project  
Execution**

**Project  
Closure**

Each phase has several deliverables that are audited internally and reviewed periodically. Included is a robust risk assessment and management system that ensures that all project risks are well understood and mitigated. The approval process for a project is also determined by the risk ranking, where lowest risk projects are approved at operating company level ranging up to highest risk projects having to be approved by the Murray & Roberts Holdings Board. The planning and execution phases have rigorous requirements for planning, reporting, reviews, risk management, change management and auditing.

One of the major drivers of project risk is the commercial terms of the contracts that we engage on.

As we are able to advance our client engagement strategy and move towards a more partnering and collaborative engagement – where risk is apportioned more appropriately – we foresee that the proportion of cost reimbursable contracts in the portfolio will increase in the medium term.



## EMPLOYER OF CHOICE

### Best people practices

Leadership continuity is critical to achieving *Engineered Excellence* in all that we do. To this end, each of our businesses have leadership development programmes that provide training and coaching. High-performing individuals are identified through a structured performance management process and those earmarked for succession are included in the Talent Management programme, which incorporates a personal development plan and mentoring relationship with a senior colleague. Their progress is reviewed periodically by a panel of senior executives.

We have an established performance management system. Employees from middle management levels and above enter performance contracts and development plans with their managers at the start of each year – performance is assessed twice per year and linked to performance-based rewards.

Globally, there is a growing skills shortage in the mining sector. The current robust cycle of mining investment in Australia is causing an acute skills shortage. The recovery in mining activity in North America has also accelerated, leading to increased competition for skills in this region. In Sub-Saharan Africa, shaft sinking and mechanised mining skills are especially scarce, as investment in the region increases.

These factors, together with the requirement for mine owners and contractors to recruit and employ from communities near mines, make effective training and development essential. The platform has a strong training and development ethos and its world-class training facility in South Africa has been recognised for its significant contribution to skills development in the region. These centres not only cater for the platform's training needs, but also provide a training service to many of our clients. In South Africa, the centre offers training for learnerships sponsored by the Mining Qualifications Authority. On the job training and development also plays a significant part in fully developing the skills required to deliver the standard of work that we are known for, and we have well-developed systems and processes to ensure that this is achieved in all of the regions of the world where we operate.

Employee relations are sound across all our businesses. In South Africa, where the workforce is unionised, management have professional and constructive relationships with union representatives and officials. No significant strikes or work stoppages occurred at any of our projects during the year.

### Diversity, equity and inclusion

All our businesses employ diversity policies appropriate to their regions of operation.

In South Africa, Murray & Roberts Cementation met its transformation targets for FY2023, maintaining a Level 1 BBBEE accreditation. This was achieved by ensuring that all major projects:

- Continue to transform the composition of the supervisory and management layers of project teams, by prioritising the development and recruitment of black people;
- Recruit and train people from local communities to be employed on the project; and
- Ensure local suppliers are selected to participate in supplier development programmes and procurement contracts.

Cementation Americas has an established diversity policy. Its diversity task group identifies actions to promote inclusivity.



## STAKEHOLDER TRUST

### Localisation

We have a good record of recruiting and training people from local communities and providing opportunities for employment on the mines that we build. We look for every opportunity to localise our supply chains and identify local businesses able to supply goods and services to our projects. We also build the capacity of local suppliers where required, to enable them to supply the necessary services required by ourselves or the mine owner.

In 2019, Murray & Roberts Cementation established the Boipelo joint venture with Amandla TM, a Black-owned mining contracting company. Boipelo is 51% owned by Amandla TM and provides contract mining services to the coal mining industry in South Africa. The joint venture performed well during the year and has recently added a further three-year mining contract with Thungela to its order book.

Murray & Roberts Cementation has local partners in other countries in Africa and local opportunities are pursued in joint venture with them.

Cementation Canada has joint ventures with First Nations groupings, which tender for work in the territories where they are resident. The company also works with local partners in Peru and Chile.

### Ethical business practices

Senior management and key employees receive regular training on ethical business practices. Twice per year, members of senior management are required to complete a declaration to confirm that they are aware of the Group's anti-corruption and bribery policies and are not aware of any instances where these policies have been breached. For every tender that is submitted, those involved in compiling the tender, together with the managing director of the company, formally declare that there was no unethical behaviour involved in the compilation of the tender.

All our businesses have an anonymous whistle-blower facility that can be used to report incidents of fraud, corruption, or other unethical behaviour. The administrators refer complaints to management, which are thoroughly investigated, with appropriate action taken when required.

### Stakeholder engagement

Values-led and ethical conduct underpin our intention to be recognised as a trusted partner to our stakeholders, wherever we work in the world.

Given our global reach and our broad range of capabilities, we aim to shift the way that we engage with strategic clients by developing relationships that are based on partnering and collaboration to achieve the best outcomes for the projects that we deliver for them. To be successful, such relationships require a change to the current typical commercial model to one that is based more on entering into longer-term partnering agreements, based on the contractor's capability to meet the requirements of the client, rather than on the basis of competitive tendering on a project-by-project basis.

Various channels exist within our organisation for engagement with employees and employee representatives. Daily engagements take place between managers and supervisors, and supervisors and their crews at daily line up meetings. Management and executive engagements take place from time to time in the form of town hall meetings. Where formal union structures exist, engagements are taking place regularly within the formal engagement structures.

We strive for shared value through a commitment to positively impact the environments and communities in which we operate, sustainably leaving them in a significantly better state than before we arrived. We achieve this through the development of local businesses by establishing joint ventures with local communities, creating business opportunities for local businesses, investing in community infrastructure development, and recruiting and training people from the local communities for employment on our projects.

## PROSPECTS

The global economic outlook remains uncertain, with geopolitical instability persisting and inflation remaining stubbornly high, notwithstanding the sustained efforts of central banks to bring inflation under control. These efforts are driving interest rates to multi-decade highs, resulting in some global financial instability and the prospect of a global recession looming. This, in turn, is resulting in downward pressure on commodity prices and increased risk aversion from mine owners that may result in some investment decisions being postponed.

Notwithstanding these headwinds, the demands placed on the industry to supply the commodities required for the transformation of the world's energy supply, the ever increasing need to replace depleting ore reserves and the fact that the major operators have robust balance sheets means that, at least to some extent, investment into replacement and expanding capacity is almost certain. This will create continued demand for our services and provide opportunity for the growth of our multinational business in the medium term.

The platform result for FY2023 was severely impacted by the disruption to the Group resulting from the voluntary administration of MRPL. However, FY2024 will see a return to stability for the platform, growing the order book and delivering an improved operating and financial performance, to provide a solid foundation for growth. We are confident the platform's true potential will be seen in FY2025 and beyond.



# Power, industrial & water

The platform provides services across the project life cycle, from development to engineering, procurement, construction, commissioning, and operations & maintenance. It is focused on the power generation (renewables and gas), power transmission & distribution, wastewater and resources & industrial markets; primarily in South Africa, but also elsewhere in Sub-Saharan Africa. The bulk of its order book and prospects are in the renewable energy (solar and wind) and power transmission sectors.



**STEVE  
HARRISON**  
Platform CEO

Targeted projects from the Renewable Independent Power Producer Programme bid window 5, only reached financial close in Q2 and Q3 of FY2023. This hindered the platform's return to profitability. Although work commenced on projects during the second half, the opportunity came too late to generate sufficient revenue to record a profit for the year. The platform is, however, well positioned for FY2024 considering its order book and prospects in the renewable energy sector.



## Overview

The platform's focus for FY2023 was reorganisation, order book growth and a return to profitability, moving into FY2024 and FY2025. The award of targeted projects in the renewable energy sector of approximately R2 billion was key to this turnaround.

Revenue increased to R1,3 billion (FY2022: R0,8 billion) and the platform recorded a significantly reduced operating loss of R47 million (FY2022: R155 million). As targeted projects from the Renewable Independent Power Producer Programme bid window 5 only reached financial close late in FY2023, secured projects had limited opportunity to accrue sufficient revenue to positively impact profitability for the year under review. The order book increased to R1,8 billion (FY2022: R0,4 billion) following the award of renewable energy sector contracts to OptiPower Projects ("OptiPower"). Category 1 opportunities amounted to R9 billion (FY2022: R9,1 billion), reflective of opportunities in the renewable energy (solar and wind) and power transmission sectors.

OptiPower Projects secured three Wind Energy Facilities and a Main Transmission Substation in REIPPP bid window 5 in FY2023, with strong prospects for further awards in FY2024. Towards year end, the second phase of the MTS (additional 500MVA transformer and feeder bay) was awarded to OptiPower on a limited notice to proceed basis, and financial close and full notice to proceed is expected in September 2023.

OptiPower successfully completed a 132kV transmission line in Botswana for a private Australian mining company and was awarded a new substation contract by an Australian private gas development company in Botswana. A 132kV transmission line is under construction in KwaZulu-Natal for Eskom Distribution and another 132kV overhead line in Eswatini, for the Eswatini Electricity Company.

In FY2023, the Murray & Roberts Power & Energy business was repositioned as Murray & Roberts Projects ("MRP") to undertake engineering, procurement and construction projects and self-execute all structural, mechanical, piping, electrical and instrumentation work. Specific focus and bidding activity for MRP has been in the utility-scale Photovoltaic ("PV") sector, in joint venture with Abengoa Energia of Spain.

MRP reported low revenue due to limited opportunity for structural, mechanical, piping, electrical and instrumentation construction services in the resources and industrial market in FY2023. However, it continued to perform small maintenance and outage works packages at Medupi, and successfully concluded a project for Air Liquide in Mpumalanga. In FY2023 Q3, our scope of work on the Power Programme (Medupi and Kusile boiler works for Mitsubishi Hitachi Power Systems Africa) was completed and an amicable full and final settlement agreement was reached on all outstanding commercial matters. As part of the settlement, MRP agreed to assist MHPSA to close out several technical matters at Medupi and Kusile.

During the year, Murray & Roberts Water commissioned its Organica wastewater treatment plant in the V&A Waterfront in Cape Town. The 10-year Operations and Maintenance contract to supply water commenced in the financial year. Although this is a small wastewater treatment facility, it is significant as it is the first commercialised application of the environmentally friendly Organica technology in South Africa. Due to the lack of funding and structure in the South African wastewater treatment (public) sector, the decision was made to downscale the MRW business to focus only on Organica opportunities in South Africa. We are pursuing several opportunities for the technology with the city of Cape Town and property developers.

On balance, we believe the platform is well positioned for a return to profitability in FY2024 and growth in the subsequent years.

## Opportunity

The platform's service offering to the renewable energy market sectors aligns with the global imperative for economies to transition to a more sustainable and environmentally supportive future.

The platform will continue to perform maintenance work on Eskom's ageing coal fleet, as these power stations remain critical to the South African economy. However, we will not pursue opportunities on coal power stations outside of South Africa and have successfully made a strategic shift towards renewable energy projects. The platform's recent successes in securing work in renewable sector electrical balance of plant ("EBOP") for wind energy farms and high voltage ("HV") substations and HV overhead lines, and its progression in joint venture with Abengoa Energia to become an EPC solution provider for utility-scale renewable projects, demonstrate that this strategy is gaining momentum.

The intent to position Wade Walker Solar with a portfolio of small scale (0.5MW to 10MW) commercial and industrial solar PV projects further underlines this strategy. Wade Walker Solar was awarded their second PV solar project for Impala Platinum towards year end, and the business is pursuing a portfolio approach for key industrial clients.

Apart from South Africa's deficit in electricity generation capacity and acceleration of renewable energy projects, the transmission and distribution infrastructure to support additional capacity and the locations of new generation hubs is constrained and requires major and urgent investment. REIPP bid window 6 did not award any wind energy projects due to a lack of grid capacity in a severely constrained transmission and substation network. However, this presents significant medium-to longer-term potential for OptiPower, considering its capability in HV transmission and distribution, as well as substation work.



It is positive to note that Eskom has formally commenced a request for information to establish panels of transmission and substation companies to execute their substantial pipeline of projects. Eskom plans to build over 1500km per year of 400kV overhead lines in South Africa into 2032, and OptiPower is one of a select group of contractors certified to build these overhead lines.

Several REIPP bid window 5 developers are facing challenges to financial close for their projects at the awarded tariffs, and bid window 6 preferred bidders are still heading towards financial close – currently none have closed. Requests for proposals relating to South Africa's Integrated Resource Plan are now heading into bid window 7 of the REIPPP programme, as well as for battery storage and other power generating technologies, including gas, which demonstrates the momentum in our domestic market.

As these renewable projects reach financial close, we expect the EPC landscape in South Africa to change. The Independent Power Producers are predominantly international companies with entrenched relationships with international EPC players, although these players will be required to meet local content obligations. With its Level 1 BBBEE accreditation and Construction Industry Development Board 9ME and 9EP ratings, Murray & Roberts is well positioned to participate in these projects as a local EPC contractor for specific EBOP and grid works, or as a local partner to international EPCs under the Abengoa Energia joint venture.

The wastewater sector in South Africa, in need of critical new infrastructure and maintenance, remains inactive and currently presents limited opportunity. The platform has, as mentioned above, downscaled the MRW business with a focus on the application of the Organica technology to specific opportunities.

The platform is no longer pursuing the limited opportunities in the oil and gas market in Sub-Saharan Africa, as it is largely driven by international oil companies and the development of large production facilities has been limited.

## Strategy

Our three-year objective is to ensure the viability of the platform as a sustainable business by reorganising the business and targeting only short- to medium-term opportunities in the renewable energy (solar and wind), battery storage and HV substation and transmission sectors, where there is a high level of confidence that these projects will come to market. Secondary markets include mining processing plant construction, maintenance work and fuel storage terminals. A revised management structure aligned to the adjusted platform strategy was implemented in FY2022 and consolidated in FY2023. Business processes were implemented to better suit a smaller and more streamlined organisation.



## CONTRACTOR OF CHOICE

### Engineered Excellence

Although our projects involve complex commercial arrangements, we engage proactively with prospective clients to explore alternative contracting models that are more suitable and equitable in dealing with the risks and costs associated with this complexity. Projects are executed in accordance with the Group project management assurance framework, and the executive team reviews project progress at monthly review meetings.

The platform has the capacity to execute projects in a market that has seen significant loss of capacity – a clear competitive advantage. Together with our project experience, this has enabled us to expand our service offering in the renewable energy market.

All businesses in the platform have maintained their ISO 45001, ISO 9001, and ISO 14001 certifications. The platform also maintained the prestigious South African Institute of Welding ISO 3834 accreditation.

### Digitalisation

The platform's digital strategy aims to refine and improve business systems, and implement operational information management and software tools that improve performance oversight and reduce administrative burdens.

The platform undertakes work that is traditionally low-tech and labour intensive, with limited opportunity for automation. The opportunity to introduce digitalisation is in the evolution of project reporting systems and the application of current and reliable project data. However, project delivery remains heavily dependent on people to execute the work. Increasingly, we are using biometric reporting technologies, including the maintenance of employee databases, onboarding, management of time and attendance, safety behaviour and operational performance. This allows real-time analysis of the operational health of a project site.

### Zero Harm

The PIW platform's safety performance improved in FY2023, with zero LTIs (a leading industry performance), no serious safety incidents and two medical treatment cases which resulted in the TRCR deteriorating to 1.57 (FY2022: 1.35). The LTIFR was 0.0 (FY2022: 0.68). The platform was also the recipient of the Group chief executive "Best Safety Performance at a Business Level" award.

All projects are required to implement the Group's Major Accident Prevention programme to manage high-risk tasks by applying appropriate preventative controls. Key focus areas for FY2024 will be to roll out MAP to operator level and improve MAP self-audits undertaken by leaders. New HSE Standards will be selected for FY2024 and distributed to all projects, with corporate HSE oversight ensuring employee understanding and participation.

Another focus area for FY2024 will be to implement the safety recognition programme that encourages employees to proactively meet and exceed safety standards. The recognition programme will focus on individual, team, and project HSE performance and reward achievers accordingly.

Corporate HSE will closely monitor the reporting of high potential hazards and implement incident preventing plans to ensure zero re-occurrences. Leading indicators, especially hazard observation frequency rates, as well as MAP critical control verifications, have seen a significant improvement trend throughout the platform for FY2023. Although positive results were seen in leading indicators in FY2023, an improvement is needed to ensure continual improvement and the continuation of Zero Harm.

The platform will continue to develop and define its environmental footprint and prioritise the collection of environmental data to make informed and calculated business decisions.



**"Our three-year objective is to ensure the viability of the platform as a sustainable business by reorganising the business and targeting only short- to medium-term opportunities in the renewable energy (solar and wind), battery storage and HV substation and transmission sectors, where there is a high level of confidence that these projects will come to market."**



## EMPLOYER OF CHOICE

### Best people practices

Headcount increased from 502 in FY2022 to 849 in FY2023, mainly at project level due to the growth in the order book. Business partners have been engaged to provide support across a broad spectrum of issues impacting people. Time and attendance are managed digitally through facial recognition, allowing for real time reporting and payroll management.

Top talent is identified and reviewed every year through a structured process, including formal performance evaluations. Focused development plans are implemented to allow for career progression and retention of these individuals.

Training spend increased from R1,1 million to R1,6 million, with 457 training interventions compared with 272 interventions in FY2022. Most of the training initiatives are project focused, ensuring that employees can perform their duties safely and productively.

### Diversity, equity and inclusion

Due to the increase in headcount, there was an opportunity to improve employment equity metrics, which had declined in the last two financial years due to restructuring. We set a target of 43% black employees at middle management and 75% at junior management for FY2023, and are pleased those targets were exceeded. Overall, the total black employee percentage improved from 80% to 88%, and the total female employee percentage from 15% to 18%. Our focus to recruit and develop black employees will continue, particularly for middle management positions.

## STAKEHOLDER TRUST

### Localisation

Unskilled, and as many as possible semi-skilled employees are recruited from project host communities, with a focus on women and youth. Recruitment is done through a process agreed with the host communities, facilitated by the client and an elected community liaison officer. Through on-the-job-training, many of the unskilled employees gain skills to become semi-skilled employees, thus becoming more employable for future opportunities.

We continue to excel in preferential procurement by meeting our targets and have implemented several supplier development programmes.

### Ethical business practices

Senior management and key employees in specific roles receive regular training on ethical business practices. They are required to sign a declaration that confirms there was no unethical or anticompetitive conduct in the preparation of tenders. A whistle-blower hotline exists for employees to report any unethical behaviour and independent forensic consultants investigate all reported cases thoroughly and findings are actioned.

### Stakeholder engagement

The Group's stakeholder engagement framework guides our relationships with clients, employees, the community, and other stakeholders. The platform is accountable for stakeholder inclusion in identifying, understanding, and responding to sustainability issues and concerns in its business environment.

## PROSPECTS

OptiPower enjoys the strongest project pipeline, comprising opportunities for transmission line projects and HV substations. The joint venture with Abengoa Energia for utility-scale solar PV projects offers the biggest opportunity pipeline for MRP. This business is also the platform's EPC integrator and structural, mechanical and piping contractor, and it targets maintenance work on power stations and construction work for mines and industrial clients.

As the platform consolidates its market position over the next three years, we are confident that near-term opportunities, specifically in the renewable energy sector, will enable the platform to return to profitability in FY2024. The delay in returning to profitability in FY2023 was disappointing, but projects are now being unlocked as developers reach financial close on their projects.



