

SUSTAINABILITY REPORT



Our key sustainability challenges

HEALTH & SAFETY

Eliminate fatalities and disabling injuries and reduce LTIFR to below 1,0, attend to occupational health challenges and prevent environmental degradation.

ANTI-COMPETITIVE BEHAVIOUR

Zero tolerance for collusive misconduct, defend our brand and statement of financial position against any investigation and continue executive education.

DISCRIMINATION

Challenge the *status quo* of endemic tendency to discriminate on multiple dimensions of difference in the workplace.

TRANSFORMATION AND BLACK ECONOMIC EMPOWERMENT

More high-level appointments, retention of professional entrants, maintain BBBEE score and partnership with government.

Developments in 2010

FINANCIAL SUSTAINABILITY

- Strong focus on cash and working capital management, with net capital expenditure decreasing to R1,1 billion (2009: R2,4 billion).
- The Group's order book grew marginally to R42 billion despite the challenging trading environment.

HEALTH & SAFETY

- Despite a 23% improvement in the Group's consolidated lost time injury frequency rate (LTIFR) to 2,20, the Group regrettably recorded nine (2009: nine) fatal accidents during the course of the year.
- Appointed DuPont Sustainable Solutions, a global leader in health & safety management, to undertake a comprehensive evaluation of the South African operations' safety culture and systems against best practice standards.

OUR EMPLOYEES

- Investment in formal employee training and development increased 22% to approximately R117 million (2009: R96 million).

TRANSFORMATION & LOCAL ECONOMIC DEVELOPMENT

- The Group's main board composition reflects the transformation of South African society. Six (40%) directors are black, three (20%) of whom are women.
- The group achieved an enhanced BBBEE rating of level 4 (2009: level 5).
- Preferential procurement increased significantly to 46% (2009: 27%) of the South African operations' procurement expenditure of approximately R15,1 billion.

COMMUNITY DEVELOPMENT

- Investment of R22,2 million (2009: R21,1 million) in CSI projects supporting mathematics, science and technology education, numeracy education in early childhood development and environmental education.
- Investment of R22,0 million (2009: R20,4 million) through the Letsema Sizwe Broad-Based Community Trust to support youth and sports development.

ENVIRONMENTAL

- Enhanced environmental reporting, particularly for energy usage and carbon footprint, which increased by 8,8% to 809 090 tonnes CO₂e.
- Launched an energy management initiative in early 2010 for South African operating companies to ensure effective and efficient use of energy and to reduce energy cost.

ETHICS

- Extensive training on the South African Competition Act, with more than 1 350 employees receiving online training and assessment during the year.



Caring for the environment

A firm commitment to minimising the impact on the environment underpinned all work done by Concor Roads & Earthworks during a recent upgrade of the N2 highway between Tsitsikamma and Witelsbos. In a key intervention, 6 000 m³ of top soil was stored and reused on the project to rehabilitate verges.

Our commitment to sustainable earnings growth and value creation is non-negotiable.

Message from the group chief executive

Murray & Roberts has adopted a non-negotiable commitment to sustainable earnings growth and value creation, enhancing the growth of its business and adding value in a responsible and sustainable manner. This non-negotiable commitment is extended to:

Zero harm to

- Company and employees
- Business partners and shareholders
- Fatality & Disabling injury = 0
- Societies and environments we serve and within which we operate

People development

- Leadership, management and skills – Training & succession
- Diversity and empowerment – Representative of society

This commitment drives strategy and decision making and reinforces responsibility to create value for current and future stakeholders and generations.

The safety of our employees, contractors and visitors to our sites is a key priority and receives significant focus from me personally and the Group's operating leadership teams. Despite our efforts, nine of our colleagues lost their lives while working for us during the year under review. The new financial year started on a sad note following the death of six Murray & Roberts employees and one contractor employee in three separate incidents. Five colleagues working on the Murray & Roberts Cementation Marikana project passed away tragically in a fall of ground incident on 6 July 2010. Regrettably, another Murray & Roberts Cementation employee passed away at the Kroondal Kopenang shaft on 13 August 2010 after a load haul dumper accident. The third incident occurred on 17 August 2010 at Park Station on the Gautrain project, when a contractor employee fell approximately seven metres and sustained fatal injuries. Every fatality touches all of us and I am personally committed to eliminating hazards and inappropriate behaviour to ensure that all our people go home safely at the end of each day.

The South African competition authorities have initiated a wide ranging investigation into all aspects of potential collusion in the construction industry. In compliance with its legal obligation, Murray & Roberts took an industry lead before any public concern was expressed on possible corruption in the sector. The Group was a founding signatory to the Partnership against Corruption Initiative of the World Economic Forum in 2004. It initiated internal audits



A 20 metre span two metre high bridge was constructed to protect the roots of a 500 year old yellowwood tree growing alongside the recently upgraded N2 highway between Tsitsikamma and Witelsbos

across its various operations and continues a program of communication and training to assist employees in understanding competition law and its implications for the Group. Where any evidence of possible collusion is uncovered, disclosure is made and full cooperation is given to the authorities.

We continue to play an important role in social development through employment and training opportunities, infrastructure provision, local business development and payment of taxes in our host countries.

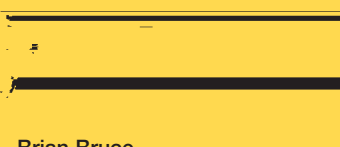
We are committed to supporting the communities within which we operate through our corporate social investment and Letsema empowerment trusts, which support university and school upliftment, early childhood development and the development of youth affected and infected by HIV/AIDS and impacted by poverty.

We continue to invest significantly in the training and development of our employees at all levels, providing a range of training, learning and career development opportunities for our people. We place a high level of emphasis on developing skilled artisans and supervisors. We invest much time and effort on building our pipeline of talent and have a well established leadership succession and development process which aims to ensure that we have the required talent to meet our strategic objectives.

Murray & Roberts broadly reflects the demographic profile of the communities within which it operates. This results in a diverse workforce on multiple dimensions. Discrimination across these dimensions invariably exists in our workplaces and we continuously challenge the *status quo* of this endemic tendency to discriminate.

We have continued to build our broad-based black economic empowerment and employment equity profiles with many operations having improved their ratings through the year. However, transformation within our South African operations still remains a challenge and we will continue to strive for a more representative make-up of our leadership and workforce.

Murray & Roberts aspires for zero harm in all aspects of its business – its people, partners and clients, the natural environment in which it operates and society in general. It is up to all of us to make this happen, and it starts with me and our leadership teams.



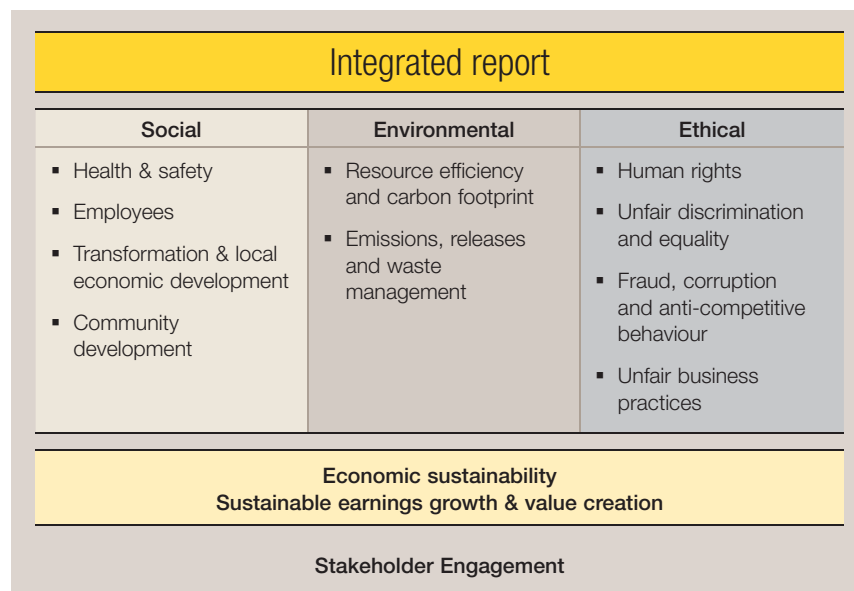
Brian Bruce
Group chief executive

Sustainability framework and context

Murray & Roberts is integral to the societies within which it operates. It is influenced by society and the environment and through its business activities has an impact on society and the environment. As a consequence, the sustainability of Murray & Roberts and the delivery of sustainable earnings growth and value creation is dependent on:

- accepting appropriate opportunity and risk
- effective management of opportunity and risk
- world class operations
- engaged employees and productive assets
- minimising the impact of our operations on society and the environment

Murray & Roberts has adopted the following sustainability framework to guide its approach to sustainable development:



Murray & Roberts aspires for zero harm in all aspects of its business – its people, partners and clients, the natural environment in which it operates and society in general.

The economic sustainability of Murray & Roberts is dependent on its ability to minimise its impact on the societies within which it operates and the natural environment and to undertake its operations in an ethical way. The ability to apply the appropriate resources to minimise our impact is equally dependent on the sustainability of our earnings.

The issues considered and reported on have been identified through a high level internal process of engagement across the business to determine what would substantively influence the performance of Murray & Roberts and the assessments and decisions of stakeholders. Murray & Roberts will during the course of the next financial year assess its process for reviewing material issues and engage key stakeholders to comment on risks and opportunities that may be associated with the Group's social, environmental and ethical behaviour.

Our sustainability report has been written in accordance with the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines and the King Code of Governance Principles for South Africa 2009 (King III). Continuous improvement in reporting systems and measures is undertaken to present useful and accurate information. The data provided is derived from the Group's many operations around the world,

and, in some cases, grouped data is not strictly comparable. To further improve the data collection process and ensure comparability year-on-year, the Group will employ independent assurance for the next sustainability report.

The audit committee will oversee the integrated report, including the sustainability report, in the 2011 financial year. The audit committee will review a summary of the GRI.

This sustainability report encompasses the performance of operating subsidiaries that generate sustainability impacts and over whose operating policies and practices Murray & Roberts exercises control or significant influence. The report includes Clough, which has an independent board of directors. Information on Clough's sustainability approach can be obtained from www.clough.com.au.

Statistics in this report cover the 12 month period to 30 June 2010. Past sustainability reports are contained in previous annual reports available on www.murrob.com. A GRI index is included at the end of the sustainability report for ease of reference.

Stakeholder engagement

Murray & Roberts communicates constantly with its stakeholders and engages in a constructive and transparent manner. Key stakeholders are generally identified as groups or individuals impacted by our operations, with an interest in what we do or the ability to influence our activities, in proximity to our operations or dependent on Murray & Roberts. Our stakeholders include shareholders, analysts, customers, suppliers, governments, communities impacted by our operations, our employees and special interest groups, for example NGOs, industry associations and trade unions. We are in the process of reviewing the identification of important stakeholder groupings, which involves mapping out stakeholders by operation and region and then profiling them to establish their level of influence on our operations and to prioritise our engagement with them.

Mutual trust and understanding with our stakeholders is imperative and we use specific means of communication for each stakeholder group. We engage through our operations where, for example, stakeholder queries may relate to impacts on local employment and procurement, and through our corporate office on matters relating to the broader issues of Murray & Roberts and our industry, including broad-based black economic empowerment (BBBEE), human capital development, risk management, health, safety and environmental (HSE) management and assurance. As part of our stakeholder mapping and prioritisation, we will review and develop appropriate mechanisms and processes to constructively engage with our stakeholders. The outcome of this process will be a strategy and policy for the management of relations with stakeholders.

Shareholders and investment community

Murray & Roberts has a diverse shareholding; 57% of our shareholders are international investors, and 80% of our shares are held by institutional investors. General communication with shareholders is facilitated by:

- the Group's annual and interim reports
- the Murray & Roberts website www.murrob.com
- the annual general meeting
- media releases
- the Stock Exchange News Service (SENS)
- operational news
- the Murray & Roberts client service centre
- financial results presentations in February and August each year

Additional information is provided to the investment community through:

- one-on-one meetings with the group chief executive and group financial director
- investor conferences
- subject-specific presentations

Feedback from the market is obtained by:

- broker reports

- one-on-one contact
- the CE discussion forum on www.murrob.com

Customers

The Group's customer base includes corporate institutions, government departments, state owned enterprises, mining houses, large businesses, other contractors and private developers. Our stated objective is to gain preferred status through world class implementation of projects, and supply of products and services that fulfil customer requirements. Specific initiatives to enhance our customer/client relationships include:

- identification of customer/client needs
- staff training programs
- strategic alliances
- market engagement
- innovation and education
- focus on quality, cost and performance delivery

Measures are in place to monitor customer/client satisfaction. These include questionnaires and regular customer surveys, with key account and project managers maintaining regular contact with customers/clients. Some operations have call centres



Murray & Roberts seeks to create a mindset and an environment where people believe it is possible to work injury free

which field enquiries and undertake to resolve complaints within a specified period of time. A group client service centre assists to bridge the knowledge gap between Murray & Roberts and its people, potential clients, existing clients and the general public. This facility processes about 2 500 calls per month.

Contract terms and conditions typically provide the mechanism for managing contractual disputes. These may be adjudicated by a third party, arbitration or litigation. Disputes are managed at the appropriate level under the guidance of responsible executives and, where necessary, are escalated to executive director level.

Employees

Our workforce is large and diverse, with employees and limited duration employees in more than 25 countries. Our employees are concerned about their own health and safety and that of their fellow workers. They also have an interest in decent working conditions, fair remuneration and career development opportunities.



We engage with our employees by a variety of means, including:

- direct communication through immediate supervisors and management
- performance and development discussions
- group and operations newsletters and general communications
- monthly safety messages and SMSs
- the Murray & Roberts website and intranet
- the Murray & Roberts client service centre
- participation in various forums and initiatives

Feedback is obtained from our employees by:

- direct communication with immediate supervisors and management
- performance and development discussions
- “Ask Brian”, an internal discussion forum personally engaged by the group CE

- “Tip Offs Anonymous”, a confidential call centre to report unethical conduct
- employee surveys conducted by some operations

Suppliers

There are policies and procedures in our operations for the selection of suppliers. The following performance deliverables are important:

- pricing
- reliability
- quality
- BBBEE

The creditworthiness, and safety and environmental records of joint venture partners or subcontractors are also considered.

The performance of our suppliers is monitored regularly and supplier audits are conducted from time to time within our operations.

Communities

Murray & Roberts has more than 200 project and fixed sites across the globe. As a consequence, the Group operates in many communities and has the potential to influence the communities within which it operates both positively and negatively. Murray & Roberts encourages constructive and transparent engagement with these communities through its operations which are best placed to understand the impact and concerns of communities.

Governments

Murray & Roberts operates a global business and has a presence in over 25 countries, with approximately 67% of its activity in the SADC region. The Group engages with government entities at national, provincial and local levels as clients and regulators. Relationships are maintained at corporate and operational levels, as appropriate. Any engagement must be undertaken in a manner that adheres to high standards of ethics and complies with the law.

Special and other interest groups

Murray & Roberts engages several other stakeholders, including NGOs, industry associations, trade unions and the media, which represent a broad range of interests groups. We engage NGOs as partners in our corporate social investment process and as opinion leaders or advocates of particular issues of importance to Murray & Roberts. We engage trade unions as part of our collective bargaining arrangements with our employees to address some of our employee needs. The media represents a broad range of issues reflecting all stakeholder interests and we engage them through media releases, presentations and interviews.

We welcome the feedback of all stakeholders through:

- Murray & Roberts Client Service:
 - +27 11 456 1144
 - clientservice@murrob.com
- CE discussion forum
 - www.murrob.com

Sustainability performance

Performance Dimension	Performance		Movement
	2010	2009	
FINANCIAL & ECONOMIC			
Revenue	31 962	32 684	↓
Net operating costs	30 086	29 910	↑
Year end net cash position (positive cash less overdraft)	2 566	2 877	↓
Operating cash inflow (before dividends)	691	1 559	↓
Order book relative to construction & engineering revenues	1,7 times	1,6 times	↑
Opportunities in the active pipeline (Rm)	61	67	↓
Project procurement system (OMS) workflow transactions	7 065	3 641	↑
Project procurement system (OMS) decisions supported	1 019	482	↑
Value added to employees	8 673	9 428	↓
Value added to providers of finance (net)	618	376	↑
Value added to government	3 019	3 373	↓
Value added to maintain and expand the Group	1 773	2 763	↓
% preferential procurement spend South Africa	45,7	27,3	↑
SOCIAL			
Safety			
Fatalities	9	9	↔
FIFR (per million hours worked for the year)	0,05	0,05	↔
RIFR (per million hours worked for the year)	0,6	0,8	↓
LTIFR (per million hours worked for the year)	2,2	2,9	↓
OHSAS 18001 management system implementation (% coverage)	± 67	± 69	↓
Health			
Voluntary HIV/AIDS tests	8 063	>3 500	↑
HIV/AIDS prevalence of employees tested (%)	About 14	About 17	↓
New cases of tuberculosis	82	58	↑
Noise induced hearing loss (NIHL)	103	65	↑
Alcohol random tests	271 460	4 445	↑
% positive alcohol random tests	0,2	5,6	↓
Drug random tests	7 012	3 396	↑
% positive drug random tests	3,0	3,9	↓
Employees			
Spending on formal employee training and development (Rm)	117	96	↑
Skills development on black employees (%)	71	76	↓
Total number of bursars	167	193	↓
% of bursars who are black	57	55	↑
% of bursars who are female	32	31	↑
Graduate recruitment	53	88	↓
% of graduates who are black	62	68	↓
% of graduates who are female	23	25	↓
Leadership development program	220	269	↓
% of participants who are black	45	46	↓
% of participants who are female	16	26	↓
Transformation & local economic development			
BBBEE rating based on the dti Codes of Good Practice	Level 4	Level 5	↑
Wealth created through Letsema BBBEE share ownership transaction (Rm)	988	1 227	↓
Bursaries awarded by the Letsema Employee Benefits Trust (Rm)	12,0	5,4	↑
Dividends distributed to 14 125 employee shareholders through the Letsema employee share ownership scheme (Rm)	4,5	9,2	↓
% of South African based employees who are female	13,9	10,8	↑
% of South African based employees who are black	82,8	85,5	↓
% of South African based employees designated as management who are female	11,1	10,4	↑
% of South African based employees designated as management who are black	44,3	47,8	↓
Community			
Corporate social investment in community programs (Rm)	22,2	21,1	↑
Letsema broad-based community commitments (Rm)	22,0	20,4	↑
ENVIRONMENTAL			
Energy usage (MW-h)	2 013 497	1 772 416	↑
Water usage (kilolitres)	± 1,2 million	± 1,6 million	↓
Carbon footprint (tonnes of carbon dioxide equivalent)	809 090	743 804	↑
ISO 14001 management system implementation (% coverage)	± 64	± 62	↑

Financial & economic

Financial sustainability

The financial sustainability of construction and engineering businesses is driven by:

- the statement of financial position's strength which impacts the Group's credit rating for performance bonds and working capital
- sound cash flows to support investment and growth
- a formalised project procurement system which defines our risk appetite
- the project order book relative to revenue

The year end net cash position was R2,6 billion (2009: R2,9 billion) after a 53% decrease in net capital expenditure to R1,1 billion (2009: R2,4 billion). Operating cash inflow for the year was down 56% at R691 million (2009: R1,6 billion) after a R0,9 billion increase in working capital

(2009: R1,3 billion increase). The increase in working capital relates to funding on Gautrain and utilisation of advance payments.

Procurement of projects is the primary medium through which risk enters the Group. The group risk appetite sets the operational environment for risk. Prospects are filtered against criteria such as value, country, legal system and scope, and the level of authorisation required is indicated. The opportunity management system (OMS) supports the evaluation and approval of project opportunities in the context of the risk appetite. At 30 June 2010 opportunities in the active pipeline amounted to R61 billion

(2009: R67 billion). During the year the system supported 1 019 (2009: 482) decisions and processed 7 065 (2009: 3 641) workflow transactions.

The Group's order book grew marginally to R42 billion despite the challenging trading environment. The table below reflects order book development relative to construction and engineering revenues where global best practice indicates that for sustainable performance, the order book should be within the range 75% to 125% of current year revenues. Less than 75% would indicate stagnation.

Financial year	Order book	Relative to contracting revenue
30 June 2008	R55 billion	2,4 times 2008 revenue
30 June 2009	R40 billion	1,6 times 2009 revenue
30 June 2010	R42 billion	1,7 times 2010 revenue

Economic contribution

Value added is the measure of wealth the Group creates through its operations by adding value to the cost of raw materials, products and services purchased. The table opposite shows total wealth created and how it was shared between stakeholders who contributed to its creation. Also shown is the amount retained and reinvested in the Group for the replacement of assets and further development of people and operations.

Everything that is not the natural or agricultural environment is the built environment. This is where Murray & Roberts has played a significant role throughout its 108 year history, delivering the infrastructure and facilities required for sustainable growth of the economies within which it operates. One of our great human challenges is to satisfy the growing global demand for transport & logistics; power & energy; water & sanitation; telecommunications; health & education; and accommodation & facilities infrastructure.

The quantifiable benefits to society of our contribution are not easily identified, but considering the positive impact of an adequate built environment on socio-economic development and the scale required to make the difference measurable, the significance Murray & Roberts has attained in its market over more than 108 years, offers some testimony in this respect.

STATEMENT OF VALUE CREATED for the year ended 30 June 2010

All monetary amounts expressed in millions of Rands	2010	%	2009	%
Revenue	31 962		32 684	
Less: Cost of materials, services and subcontractors	(20 530)		(19 513)	
Exceptional items	101		8	
Value created	11 533		13 179	
Distributed as follows:				
To employees – Payroll costs	8 673	75	9 428	72
To providers of finance				
– Lease costs and net interest on loans	618	6	375	3
To government – Company tax	470	4	612	4
To maintain and expand the Group				
– Reserves available to ordinary shareholders	1 098		2 018	
– Depreciation	649		711	
– Amortisation	25		35	
	1 772	15	2 764	21
	11 533	100	13 179	100
Number of employees	40 413		38 981	
State and local taxes charged to the Group or collected on behalf of governments by the Group				
Company taxation	470		612	
Indirect taxation	1 200		1 475	
Employees' tax	1 313		1 260	
Rates and taxes	27		15	
Customs and excise duty	9		11	
	3 019		3 373	

Social

Health & safety

Providing a safe and healthy work environment for employees, contractors and other stakeholders remains one of our key focus areas. We have set a challenging goal of achieving zero harm across all of our operating entities.

Murray & Roberts seeks to create a mindset and an environment where people believe it is possible to work injury free, regardless of where they are in the world, what role they undertake, or in which operation they work. Although significant progress has been made in understanding health and safety risks associated with our environment and implementing mitigating measures, our performance is still far from our aspiration.

Safety performance

Regrettably, the Group recorded nine (2009: nine) fatal accidents during the financial year, seven from South African operations and two from Middle East operations. It is also regrettable that the new financial year started on a sad note following the death of

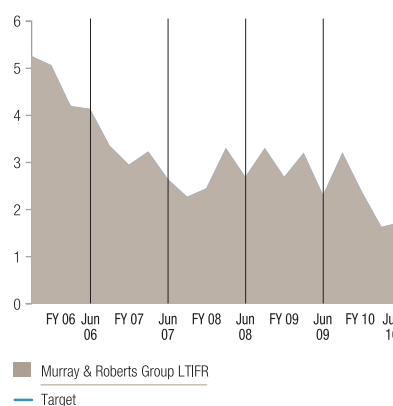
six Murray & Roberts employees and one contractor employee in three separate incidents. The first incident occurred on 6 July 2010 where five employees lost their lives in a massive fall of ground (FOG) incident at Aquarius Marikana shaft number 4. The second incident was on 13 August 2010 where an employee sustained fatal injuries after he was caught between two load haul dumpers (LHDs) at Aquarius Kopaneng shaft. The third incident occurred on 17 August 2010 at Park Station on the Gautrain project, when a contractor employee fell approximately seven metres and sustained fatal injuries.

Four (2009: three) of the fatalities during the financial year occurred in underground mining operations in South Africa and five (2008: five) were recorded in the construction operations. We are deeply disappointed by the occurrence of fatalities despite our relentless effort to improve health and safety. Comprehensive investigations were conducted to determine root causes and corrective measures implemented to prevent re-occurrence.

The group consolidated lost time injury frequency rate (LTIFR), measured over a million man hours, improved to 2,20, a 23% improvement from the 2009 performance. Our target over the next two years is to reduce the LTIFR by 33% per annum in order to achieve our objective of less than 1,0. The graph below illustrates the Group's historic performance against target.

Murray & Roberts Group LTIFR

(per million hours worked)



Safe workplaces – our approach

We believe that management is ultimately responsible for providing a safe and healthy workplace. However, this cannot be achieved without the participation of highly motivated employees and other stakeholders. As a result, appropriate strategies, structures and resources are continuously implemented to make this partnership possible.

In line with sound corporate governance principles, a health, safety & environment (HSE) committee reviews operational performance in safety, health and environment and provides strategic guidance to improve performance. Below this structure are various health and safety management committees whose purpose is to review and advance the health and safety program with the involvement of all relevant stakeholders.

The Group appointed Thokozani Mdluli as the group chief safety executive in May 2010. He will be responsible for supporting the Group's leadership in enhancing its health and safety standards and practices.

The Group has appointed DuPont Sustainable Solutions, a global leader in health and safety management, to undertake a comprehensive evaluation of the Group's South African operations against best practice standards. Murray & Roberts wants to achieve sustained excellence in safety performance and in order to do this the Group recognises that a safety culture change is necessary, which focuses on the safe behaviour and actions of people and key process safety management elements. To begin the change process a better understanding of the current state is



Thokozani Mdluli

necessary, where the process will identify strengths and opportunities from which to build sustainable improvement. A comprehensive set of continuous improvement recommendations will be developed and implemented across the Group. We recognise that this is not a quick fix solution but rather a sustained journey to zero harm.

Responding to safety challenges

Further enhancements were made in our approach to managing safety by developing and implementing a model that clearly articulates the roles, responsibility and accountability of corporate office versus the operations.

Our approach to safety is incorporated in our charter, which states that we value health, safety and the environment by integrating sound health, safety and environmental management into all activities to achieve zero harm.

The group health and safety framework seeks to implement a continuous improvement risk-based approach to better understand and treat the exposures facing Murray &

Roberts. The framework serves to guide operational health and safety management, policies, standards and procedures.

The group HSE policy outlines Murray & Roberts' aspiration of zero harm to the health and safety of its employees, sub-contractors and suppliers, visitors and others under its managerial control. This aspiration is reflected in our group wide targets of:

- zero fatalities and permanent disablement
- 33% reduction in LTIFR per annum to achieve <1,0 by 2012
- comprehensive incident reporting

Leadership and line accountability

Strong safety leadership is essential in our journey to achieve zero harm. The Murray & Roberts leadership succession and development model provides guidelines on the characteristics required of a Murray & Roberts leader. Managers at all levels, from executive to frontline management, are accountable for health and safety. They are expected to lead by example and demonstrate a visible commitment to health and safety.

In order to improve the competency of all managers, Murray & Roberts will introduce health and safety leadership interventions that include:

- identifying critical and highly visible behaviours to be demonstrated by leaders that set the tone for health and safety commitment
- implementing a leadership visibility program where leaders go to the shop floor and engage employees on health and safety matters
- incorporating health and safety into performance appraisals and holding managers accountable for health and safety performance in their areas
- training leaders in health and safety legislation and company standards

While every initiative taken seeks to positively impact the behaviour of both employees and leaders in our organisation, we have also sought further guidance from experts to advance our knowledge and skills on this subject. DuPont Sustainable Solutions, one of the leading companies on behaviour based safety, was appointed to facilitate a senior leadership safety summit on the executive role in safety management, including:

- vision and commitment
- accountability
- leadership and participation
- integration of safety in business planning

Strong safety leadership is essential in our journey to achieve zero harm, as is the participation of highly motivated employees



Implementation of critical safety standards

Elimination of work related fatalities is the first priority in our journey to zero harm. Information from risk assessments and incident investigations indicates a few activities that are associated with the majority of our fatal and serious incidents. A response strategy focusing on measures to address these risks has been formulated and will be implemented across the Group during the new financial year. Fatal risk control protocols (FRCPs), will be implemented to address risks associated with the following activities:

- working at heights
- underground ground control
- surface ground control
- mobile equipment
- safeguarding against falling and rolling objects
- lifting operations
- lockout and isolation
- equipment safeguarding
- confined space
- light motor vehicle
- explosive management
- hazardous materials management

A plan to train employees on the requirements of the FRCPs, implementation of the requirements on the shop floor and vigorous auditing to track progress will be rolled out during the next financial year. The aim is to achieve sustainable compliance over a reasonably short period of time. Progress on implementation will be closely monitored at the highest level within the organisation.

Safety indicators

Murray & Roberts currently utilises a set of lag indicators to measure overall safety effectiveness and performance – some of our operations have made significant advances in this process of measurement and now include leading indicators to track health and safety performance.

During the past year we reviewed our key indicators and aligned them with best practices. From 1 July 2010, the Group will track the following lag indicators:

- recordable case rate, which includes cases of fatality, permanent disability, lost time, restricted work day and medical treatment
- lost time injury rate, which includes permanent disability and lost time injuries
- total injuries frequency rate which includes all cases mentioned and first aid cases

These measurements will assist in comparing our performance with that of our clients and other players in the industry.

The use of leading health and safety indicators has been identified as one of the key focus areas in our effort to achieve a proactive health and safety culture. We have identified leading indicators that will be monitored at group level. Examples include:

- number of safety interactions/observations/audits/inspections conducted versus planned
- incidents reported versus investigated
- implementation of action plans resulting from audit findings
- number of near misses reported
- safety related disciplinary actions taken

More leading indicators will be implemented at operational level and we plan to learn from their experiences and include more at group level.

In order to effectively manage a mix of leading and lagging indicators, a more sophisticated reporting system will be deployed across the Group which will also lead to greater consistency in reporting across the operating entities.

Communication and safety awareness

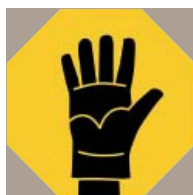
The Murray & Roberts STOP.THINK campaign focuses on raising health and safety awareness across all Murray & Roberts sites. The Group has developed an extensive collection of collateral that is used on work sites, including:

- STOP.THINK awareness video
- STOP.THINK safety clothing
- STOP.THINK decals
- STOP.THINK industrial theatre
- STOP.THINK change room

During the year, a series of STOP.THINK Moments videos were developed to re-enact serious incidents and highlight the behavioural contributors to the incident. STOP.THINK Moment videos use actors to recreate actual incidents (fatal and disabling) that occurred on Murray & Roberts sites and projects. Where possible, family members, friends and colleagues are interviewed to add a touch of reality to each video.

An extension of our STOP.THINK brand is the *Impilo Yethu* print medium comic strip communication platform. *Impilo Yethu* was originally created with a predominant focus on safety related issues at work, but has since broadened its mandate to safety at home, protecting the environment, lifestyle choices and general health. *Impilo Yethu* is used in the mornings in toolbox talks to brief and educate employees on site.

Hand signals allow workers to communicate vital safety messages to each other in noisy environments, over vast distances and at differing heights.



STOP.THINK



I'm safe



Danger



Help



The Murray & Roberts STOP.THINK campaign focuses on raising health and safety awareness at all work sites

SMS is another key medium of communication, used to establish membership of an *Impilo Yethu* club and communicate HSE messages. The Group has created a database of more than 10 000 mobile telephone numbers from club membership and previous entries into *Impilo Yethu* competitions. Early morning SMS messages to employees reinforce core messages such as "Don't forget to STOP.THINK today!" or "Don't forget to hook up today!"

The STOP.THINK initiative provides a strong foundation for communicating current and future improvement initiatives across the Group.

Hazard identification and control

A variety of workplace interactions, observations and audits are to be implemented to encourage all employees to STOP.THINK and act safely. We have, however, identified that employees often fail to identify hazards before commencing their tasks. To address this challenge we will implement a training program to develop employees' skills in hazard identification and control.

The program will go beyond hazard identification and include training to enhance skills in conducting safety observation/interactions amongst employees. Safety observation is a process where employees observe one another to identify good practices, as well as unintentional at-risk behaviours. The greatest benefit of safety observations is the discussion that takes place following the observation, where employees reinforce the safe activities and identify better ways of controlling the associated hazards.

Where we experience lost time, disabling or fatal incidents, we require operations to conduct thorough investigations to determine the root causes and prevent re-occurrence. A need was identified to train managers and health and safety professionals in conducting good quality investigations. 86 employees were trained on the TapRoot process, an internationally recognised incident investigation process. More training sessions are scheduled for the early part of 2011.

A process has been put in place to facilitate sharing of lessons learned from incidents across the organisations. Operations are expected to use this information to conduct gap analysis in their areas and close the loop to prevent the repeat of similar incidents.

Contractor safety

Murray & Roberts makes extensive use of contractor companies in some of its activities and they are a key contributor to our health and safety statistics. Programs aligned with the new construction regulations have been implemented to ensure that contractors comply with legal requirements and Murray & Roberts standards. More time will be spent on ensuring

a consistent and proactive approach towards management of contractors across the Group.

Operational performance review

In addition to lagging and leading indicators the focus of the health and safety program will be on evaluating the effectiveness of operational plans. The internal and external audit program will place specific emphasis on the implementation of critical health and safety standards and legal requirements.

Occupational and societal health

Identifying and controlling undesirable impacts that our operations may have on the health and wellbeing of employees, contractors and other stakeholders is central to our sustainability strategy. We implement medical surveillance and industrial hygiene programs to ensure successful identification and management of potential health risks and implementation of remedial strategies.

Hearing loss is a major occupational health risk in our operations. 103 (2009: 65) new noise induced hearing loss cases were recorded in the year. The Group has engaged specialised service providers to assist with mitigation measures which include engineering controls to eliminate or reduce impact to acceptable levels or use of personal protective equipment (PPE) where the risk cannot be completely eliminated. Employees receive regular training in the potential health impacts in the workplace and protective measures.

Sub-Saharan Africa remains the region most heavily affected by HIV worldwide, accounting for over two thirds (67%) of all people living with HIV and nearly three quarters (72%) of AIDS-related deaths in 2008. The nine countries in southern Africa continue to bear a disproportionate share of the global AIDS burden, each with an adult HIV prevalence greater than 10%. Murray & Roberts operates in and employs migrant workers from several of these countries. With an adult HIV prevalence of 26% in 2007, Swaziland has the most severe level of infection in the world; Lesotho's epidemic seems to have stabilised, with a prevalence of about 23% in 2008; Botswana has a prevalence of 25% and South Africa continues to be home to the world's largest population of people (an estimated 5,7 million) living with HIV. The prevalence rate amongst adults aged 15 to 49 is estimated to be about 17%. It is estimated that the prevalence rate within Murray & Roberts employees is in line with these levels.

This poses several risks for Murray & Roberts' southern African operations including:

- safety incidents due to fatigue and illness
- lower employee productivity
- heightened absenteeism

CASE STUDY: MURRAY & ROBERTS CEMENTATION HIV/AIDS PROGRAM

Murray & Roberts Cementation believes that knowing your HIV/Aids status helps you to change lifestyle behaviour. The company has implemented voluntary counseling and testing (VCT) campaigns as a preventative measure against HIV infections. The VCT campaigns are conducted twice a year at each site and 3 063 Murray & Roberts Cementation employees were tested in 2010, with 511 being identified as HIV positive. This is an HIV prevalence rate of employees tested of about 17%. The following statistics have been identified through this program:

- *The HIV prevalence rates of employees tested range from about 8% to 33% on a per site basis*
- *About 16% of male tested employees are HIV positive*
- *About 23% of female tested employees are HIV positive*
- *About 28% of HIV positive tested employees are on anti-retroviral treatment*
- *About 28% of HIV positive tested male employees are on treatment*
- *About 40% of HIV positive tested female employees are on treatment*

Murray & Roberts Cementation applies these measures to ensure confidentiality:

- *management and company officials never participate in employee VCT processes*
- *the service provider deals directly with the employees on all VCT processes*
- *the service provider never divulges the status of any employees to anyone except the individuals themselves*

Pre-testing and post-testing counseling are conducted by the service providers during the VCT process and individuals who need further counseling are referred to the Group's EWP service provider. Employees who test positive are referred for further disease management by the VCT service provider.

The majority of operations have installed extensive societal health programs, including random substance abuse tests and voluntary HIV/AIDS tests. The Group's risk-based HIV/AIDS policy promotes voluntary testing, non-discrimination and awareness about preventing the spread of the disease and mitigating its effects. This is aimed at a further reduction in the incidence of societal health problems.

A major societal health problem is drug and alcohol abuse. Of the 7 012 drug tests conducted, 3,0% (2009: 3,9%) returned positive. Of the 271 460 alcohol tests conducted, 0,2% (2009: 5,6%) returned positive. These employees receive counseling on the negative effects of substance abuse.

The major health risks identified for each operating environment are:

- Lung function disorders from dust exposure – primarily construction
- Fatigue and heat stress – primarily mining
- Repetitive strain and ergonomic injuries – primarily fixed facility sites

Preventative and corrective mitigation measures are being implemented to eliminate the underlying causes and hazards of all health risks. Training and the use of PPE contribute to a reduction in the impact of health risks.

The Group employee wellness program (EWP) is committed to creating a caring and supportive working environment that is people-centred and people-driven. The Murray & Roberts EWP is designed to assist employees experiencing personal and/or work-related difficulties and to ensure optimal performance by employees.

In the six months to June 2010, 1 701 EWP safety risk assessment cases were reported. This is a significant increase when compared to the previous year, where 596 cases were reported. The increase is due to the increased marketing initiatives in a number of divisions, implementation of several on-site clinics, introduction of more effective marketing material, an increase in the number of ICAS client representatives, a better appreciation in our operations of the benefits of a comprehensive EWP program and the introduction of the ICAS safety risk assessment service.

Organisational issues (work relationships and working conditions) are the more frequently presented problems and personal relationships and money management are other key issues addressed. Our operations and EWP service provider address these issues through various means, including education and referral to necessary support services.

Although not represented in the top five problems, a number of traumatic safety events occurred during the period and our EWP service provider provided on-site trauma counseling for 63 employees during 2010. 44 employees were counseled at Murray & Roberts Cementation in June 2010 following two fatal incidents.

Murray & Roberts undertook a safety risk assessment as part of its EWP service in several of its operations. These assessments provide an in-depth understanding of the risks that could, if left untreated, result in workplace injuries and lost time. Once assessed, employees are either deemed fit to work in safety critical positions or fit / unfit subject to appropriate interventions. 928 assessments were conducted in 2010. The key risks identified were alcohol abuse, stress and depression. Our EWP service provider has worked closely with the relevant operations to refer employees to the necessary support services in order to assist in reducing the associated risk.



Our employees

The capacity and capability of our employees is a cornerstone of sustainability in Murray & Roberts. The Group aims to be an employer of choice in the construction and engineering sectors and its world class delivery of products and services is a reflection of the capability of its diverse but experienced workforce.

The Murray & Roberts employment value proposition is equal to global practices of high performing employers of choice. It focuses on issues that enable our human capital to achieve the strategic objectives of our Group by:

- attracting competent and fitting employees
- retaining employees
- supporting employee performance
- transitioning and developing employees
- communicating with employees

Due to the diversity of Murray & Roberts, individual business entities are encouraged to tailor their human resource plans to their specific needs, but they are required to align their plans with the Group's employment value proposition.

Murray & Roberts endorses employee rights contained within the Constitution of South Africa 108 of 1996, including the right to freedom of association. The Group's policies and procedures are aligned with the constitution and the laws of South Africa and where appropriate, other countries in which we operate.

Human resource policies and procedures, including procedures for the management of grievances, disputes and disciplinary measures, are in place in all group operations.



The capacity and capability of our people is a cornerstone of our sustainability

Capacity development

A global benchmark study conducted by Murray & Roberts revealed that human capital development is one of five key characteristics of best-in-class engineering & construction companies. Building world class leadership, as well as individual and organisational capability and capacity, is crucial to Globalising Murray & Roberts. The Group complies with prevailing skills development legislation and provides a range of training, learning and career development opportunities for its people. In 2010, investment in formal employee training and development was approximately R117 million (2009: R96 million), including wages and salaries of participants and capital expenditure in upgrading training facilities. Approximately 10 000 employees undertook formal skills enhancement and training development during the year.

Murray & Roberts plays a leading role in addressing the skills deficit in South Africa through public sector initiatives, including the requirements of the Accelerated and Shared Growth Initiative for South Africa (ASGISA) that govern our involvement in the power generation projects, particularly the Eskom power program. Enhancement of academic knowledge in power related subjects and establishment of large scale skills development capability is prioritised within communities surrounding major power stations and selected other developments.

The National Business Initiative's Education College Industry Partnerships program with South Africa's Department of Education has been enhanced by the Group's continued investment in artisan training and in particular the Tlhahlong artisan training centre at the Lephalale FET College. Murray & Roberts Construction runs a construction skills and supervisory training centre and has been recognised by the Construction Education and Training Authority as a Construction Centre of Excellence.

CASE STUDY: TLHAHLONG ARTISAN TRAINING CENTRE

In 2007, Murray & Roberts Projects (formerly Murray & Roberts MEI) was awarded a contract by Hitachi Power Africa to supply and install structural steel, ducting, bunkers, piping and free issue boiler and ancillary equipment for the Medupi power station. The project is based in Lephalale, Limpopo near the Matimba power station.

Murray & Roberts Projects has agreed to meet significant targets of ASGISA: 700 artisans will be trained for the Medupi power station project through the Tlhahlong artisan training centre. The centre covers a space of 6 000 m² and includes: classrooms, storerooms, workshops as well as a simulation area for steel erecting and rigging. Training is taking place in conjunction with the following key stakeholders:

- Murray & Roberts Projects
- The FET College in Lephalale
- Gijima AST (the training provider)
- The merSETA (manufacturing, engineering & related services SETA)

Murray & Roberts aims to leave a positive legacy in communities where the company undertakes large projects. Through the Medupi project, Murray & Roberts will contribute substantially to the upliftment of the local community with the transfer of skills and the development of new skills.

Training at the centre is based on the Accelerated Artisan Training Program (AATP) module which was introduced by the merSETA to address the skills shortage in the country. Training consists of 26 weeks of institutional training at the Tlhahlong Centre, and workplace experience is undertaken at the Medupi site according to a structured log book with activities signed off by a qualified artisan who also acts as coach. The minimum period of the workplace exposure is 54 weeks. The entire training period ends with a trade test that needs to be completed and passed.

The total capital investment by Murray & Roberts to erect and equip the Tlhahlong centre was just under R27 million. Afrox made a donation to the value of R1,2 million in the form of welding equipment and consumables.

As Limpopo is one of the poorest provinces in South Africa with a large number of unskilled inhabitants and a high rate of unemployment, the Tlhahlong Centre provides a unique opportunity for individuals to qualify as artisans, therefore empowering the community and, in turn, building skills capacity in the country.

This model will be extended to facilitate localised development of higher level artisan skills for other infrastructure investment programs.

Murray & Roberts actively attracts and develops young talented people to fulfil its human capital and transformation needs. The Group has established an integrated graduate pipeline to supplement the learnerships and traineeships offered by many of its operations. This pipeline comprises a tertiary education bursary scheme, a graduate development program (GDP) and a campus engagement initiative.

The Murray & Roberts bursary scheme provides financial assistance to full-time students, enabling them to qualify for a degree or national diploma at a recognised South African University or University of Technology, and to contribute to the Group's medium and long term needs for qualified staff. The scheme is aimed primarily at engineering and built environment fields of study. The number of bursaries awarded annually depends on the Group's needs.

Murray & Roberts currently has a total of 167 bursars (2009: 193), 57% of whom are black students and 32% female. The Group aims to increase the number of black bursars in the year ahead to at least 70%.

The GDP is part of the Leadership Pipeline approach to addressing human capacity and transformation issues. It aims to provide a steady pipeline of future leaders. The GDP is in its fifth year with an ex-bursary intake of 53 graduates (2009: 88). Currently, 62% of the graduates are black and 23% female.

Murray & Roberts and its operations offer skills development programs, from adult basic education to learnerships and leadership programs. The Group had 1 140 (2009: 438) people undertaking learnerships at 30 June 2010, 91% of whom are black, and 559 (2009: 276) black employees on adult basic education and training initiatives.

The Group has implemented a comprehensive leadership performance and development process for its corporate and senior operational leadership teams. Performance reviews are formal and in most instances conducted biannually, and monthly performance and development discussions are encouraged. There are more than 720 managers active in the system. Leadership development initiatives comprising four differentiated and role aligned programs ensure that Murray & Roberts people are well equipped to meet current and future leadership opportunities. The programs are designed to support development of individuals throughout their careers and to help individuals to understand:

- the role they are assigned to
- what work they value at present and what work they should value to become more effective and to prepare for a transition
- where and on what they invest their time at present and how
- they should change their time application to become more effective and to prepare for a transition
- the core skills, knowledge and experience required to be effective at their level
- their own level of performance and development needs

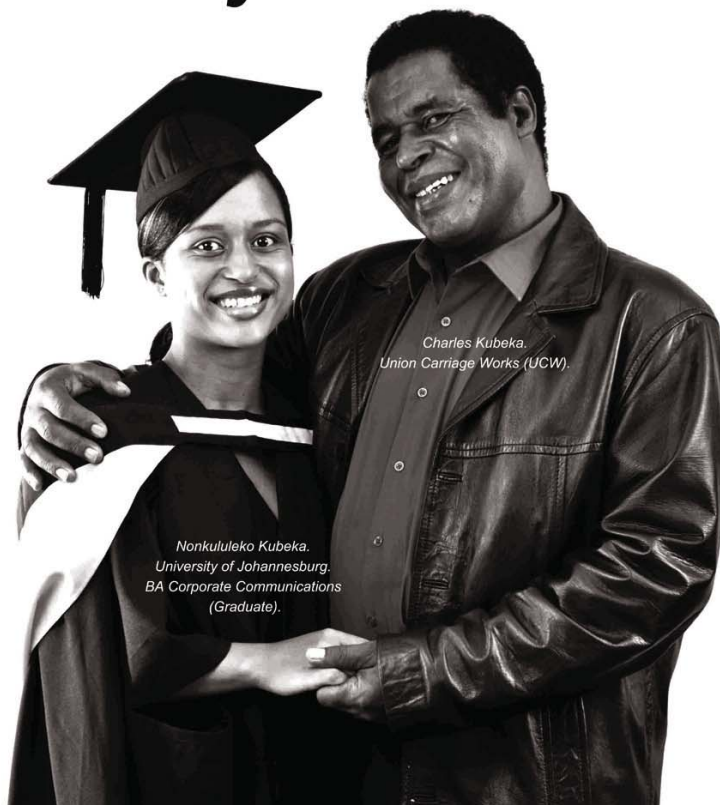
The leadership development program, excluding new graduates, has 167 (2009: 181) delegates, 40% of whom are black managers and 14% female.

The Group conducts an annual leadership succession review to identify and plan key activities to ensure that the right people assume leadership positions across the Group now and into the future. The leadership review extends the Group's

business planning process by solely focusing on people selection, performance, development and succession aligned to the Group's business plans.

Murray & Roberts is committed to the national agenda of South Africa, including the pursuit of employment equity throughout the organisation, the economic empowerment of all sectors of society and facilitation of the growth of direct investment into the economy.

"Thank you Letsema!"



LETSEMA KHANYISA TRUST

Education Bursaries



Contact your HR Department for an application form
or call Murray & Roberts Client Services on (011) 456-1144.

CLOSING DATE 30 JUNE 2010.



Transformation & local economic development

Diversity and employment equity

Murray & Roberts embraces diversity and is committed to transformation, non-discrimination and freedom of association.

The Group's employment equity approach provides for equal opportunity and fair treatment in employment. While this enables compliance with South African employment equity legislation, the Group emphasises diversity to maximise its talent pool, strengthen capacity and increase innovation by introducing different ways of thinking.

Murray & Roberts has in recent years attracted a number of historically disadvantaged employees and executives who see in the company a long term career rather than a short term opportunity. Skills shortage and the impact of increased transformation pressure have created challenges to the retention of experienced black executives, engineers and other built environment professionals.

The Group's main board composition reflects the transformation of South African society. Six directors are black, three of whom are women. 83% of South African-based employees are black, while 14% are female. Approximately 44% (2009: 48%) of all levels designated as management in the domestic market are black, and 11% (2009: 10%) female.

Each of the Group's South African business operations compiles employment equity plans and reports for the Department of Labour. Employment equity forums representing employees, contribute to the pursuit of employment equity targets and objectives.

Analysis of the Group's employment equity profile indicates that more work is required if the Group is to make greater progress in achieving its long term targets. An holistic approach aimed at both supply side initiatives (growing the pool, diversifying the source and attracting better than the competition) and demand side activities (retention plans, accelerated development and reconsidering job designs) is utilised across the Group to ensure that it attracts, develops and retains the talent it requires to meet its transformation and growth objectives.

Non-South African operating companies are required to achieve a diverse representation of the people within their geographic location and comply with the relevant legislation in the country in which they operate.

Consolidated summary of the Murray & Roberts employment equity profile in South Africa – 30 June 2010

Occupational levels	Male				Female				Total excluding Foreigners	Foreign nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White		Male	Female	
Top management	5	1	1	72	1	1	0	3	84	7	0	91
Senior management	17	3	8	183	2	4	2	25	244	16	0	260
Professionally qualified and experienced specialists and mid-management	110	50	55	655	33	8	15	85	1 011	41	1	1 053
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1 617	239	88	1 910	176	36	20	215	4 301	136	1	4 438
Semi-skilled and discretionary decision making	8 479	239	61	452	1 051	87	52	338	10 759	3 719	10	14 488
Unskilled and defined decision making	5 490	164	3	134	1 034	63	0	11	6 899	1 563	15	8 477
TOTAL PERMANENT	15 718	696	216	3 406	2 297	199	89	677	23 298	5 482	27	28 807
Temporary employees	1 109	117	7	161	134	23	2	31	1 584	88	0	1 672
GRAND TOTAL	16 827	813	223	3 567	2 431	222	91	708	24 882	5 570	27	30 479

Broad-based black economic empowerment

Murray & Roberts follows the provisions of the Broad-Based Black Economic Empowerment Act 53 of 2003 and the principles embodied in the Codes of Good Practice on BBBEE, by instituting a policy for the upliftment of the historically disadvantaged in South Africa.

The group achieved an enhanced BBBEE rating of level 4 (2009: level 5) through an independent verification process.

A review of the Group's current empowerment criteria was conducted during the year and confirmed that the Group's empowerment status is compliant with various industry charters and current legislation. The key areas for improvement are targeted procurement, skills development and employment equity. BBBEE remains a priority challenge for the Group. There is much to be done to ensure we meet our expectations as well as maintain our commitment to meritocracy as the basis for appointment and reward.

Additional information on our black economic empowerment strategy and practices is available on page 12 of the annual report.

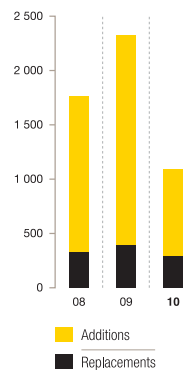
The Letsema BBBEE shareholding offers previously disadvantaged employees their families and some of the communities in which Murray & Roberts operates a stake in the company and its future. Since Letsema was launched in 2005, wealth of more than R985 million has been created for participants and total dividends of R157 million have been paid to the trusts.

Local economic development

Murray & Roberts is committed to the principle of supporting local economic development in the economies within which it operates with the aim of supporting government and client localisation strategies. Murray & Roberts has made a significant investment in its plant and equipment over the past three years with a cumulative capital expenditure of R5,2 billion. R4,2 billion has contributed to the expansion of our productive base.

Capital expenditure

(R millions)



This investment has created more jobs both directly and indirectly and provides a platform for future growth and economic development in the economies within which Murray & Roberts operates

Preferential procurement increased significantly to 46% (2009: 27%) of the South African operations' total procurement expenditure of approximately R15,1 billion. This is a 121% increase in preferential procurement spend in the South African operations.

CASE STUDY: GENREC ENGINEERING

R252 million has been invested over the last three years to increase the structural steel fabrication capacity at Genrec Engineering's Wadeville (Germiston) facility.

The expenditure was incurred in the purchase of CNC saws, drills and profile cutting machines. Automated welding machines and a CNC machining centre were also acquired. The workshop facility has been expanded by extending the current bays and creating two new stock handling bays. The craneage capacity was also increased significantly. The adjacent property including an additional workshop and office block were also acquired.

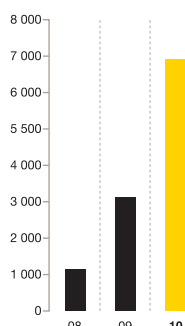


Capacity has been increased by almost 100% to 36 000 tonnes per annum of light and heavy structural steel fabrication.

This expenditure has enabled Genrec Engineering to be ideally placed to fabricate the structural steel requirements for South Africa's current and future power generation, particularly the Medupi and Kusile boiler projects, which are projects of national importance.

Preferential procurement
– all suppliers

(R millions)



Murray & Roberts also significantly increased its procurement from small and micro enterprises, more than 50% black owned businesses and black women owned business, as depicted below.

Procurement expenditure (R millions)	2010	2009	% Increase
Qualifying small enterprises & exempted micro enterprises	1 605	577	178
Suppliers that are >50% black owned	1 166	582	100
Suppliers that are >30% black women owned	260	51	409

The improvements are partly attributable to better recording of preferential procurement but primarily to the commitment by Murray & Roberts to support local empowered suppliers.

In line with the Codes of Good Practice on BBBEE targets for preferential procurement, the Group aims to achieve 50% BBBEE procurement expenditure from all suppliers based on the BBBEE procurement recognition levels as a percentage of total measured procurement expenditure by 2012.

The Group's preferential procurement policy requires each operating entity to verify its suppliers and alternatively to source empowered suppliers, should the existing suppliers not be appropriately empowered.

Community development

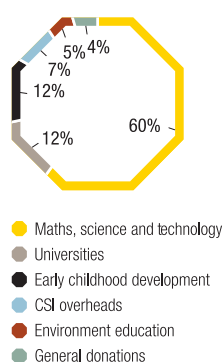
Murray & Roberts is integrated with its society and its business activities have an impact on the communities in which they are undertaken. The Group is committed to managing this impact responsibly and accepts that its obligation extends beyond statutory requirements to the upliftment of society as a whole.

The Murray & Roberts corporate social investment (CSI) program focuses on development projects aligned with the Group's business strategy, supporting mathematics, science and technology education, numeracy and literacy education in early childhood development and environmental education. Murray & Roberts supports sustainable social development through many of its community initiatives. A number of employees participate in community development as champions of projects the Group supports.

Investment of R22,2 million (2008: R21,1 million) in CSI projects during the year under review includes funding for the Murray & Roberts TRAC Laboratories at the University of Zululand Science Centre, Richards Bay and at Observatory, Johannesburg; South African Institute of Mechanical Engineers Technology Olympiad; Maths, Science and Technology in Engineering project developed by the Maths Centre; the National Business

Initiative's Mathematical Literacy Pilot Project; Professional Development of Teachers; laboratory upgrades for the School of Civil and Environmental Engineering at the University of the Witwatersrand; and The Molteno Institute for Language and Literacy. Murray & Roberts has seconded a senior executive to the University of Witwatersrand to assist with the university's significant capital expansion program.

2010 CSI expenditure



The Murray & Roberts construction businesses undertake project specific socio-economic development initiatives. An example includes a partnership with the South African Department of Defence,

where 23 members were trained at the Murray & Roberts Construction Centre of Excellence in construction supervision and a further 75 in various trades, including bricklaying, plastering and tiling, carpentry and painting, and decorating. The Department of Defence members graduated with Construction Education and Training Authority recognised qualifications and related site exposure.

Murray & Roberts supports the Chair of Environmental Education at Rhodes University, a Chair of Mechanical Engineering at the University of the Witwatersrand, the Chair in Collaborative Governance and Accountability at the University of South Africa and the Chair in Construction Management at the University of Stellenbosch. Murray & Roberts has also funded the Next Generation Scholars Project at the University of Johannesburg, which is a subvention partnership aimed at establishing world class academic capacity in science and engineering disciplines.

A number of awards are made each year to recognise and reward initiatives that contribute to the enhancement of society. These include the Jack Cheetham Memorial Award for development in sport and the Letsema Award for sportspeople with disabilities, the Des Baker Award for students of architecture and the JD Roberts Award for environmentally sustainable solutions to human dilemmas.

CASE STUDY: TRAC LEPHALALE

Lephalale is located in the far northwest area of Limpopo province. It is approximately 280 kilometres from the nearest town, Mokopane, and 50 kilometres from the Botswana border. Lephalale will also be home to the Medupi power station. Although there has been an increase in activity in the area due to the construction of the power station, many remain unemployed and live in poverty. Lephalale has a population of 105 000 people, of whom only 19 500 are urbanised. The majority of the population live in remote villages where access to basic service is non-existent. There are several schools but their conditions are not conducive to adequate learning and teaching.

In 2009, as Murray & Roberts commenced contracting work for Eskom at Medupi, we undertook to make a meaningful impact in the community. Colleagues at TRAC South Africa indicated a need to support physical science education in the community. TRAC contacted the district office of the Department of Education (DoE) to identify schools that would benefit from assistance. Eight schools were identified according to their most recent physical science examination results and the DoE informed them and they became part of the TRAC program.



The mobile TRAC lab commenced work in the area on 15 February 2010 and relationships have been established between the TRAC manager, district education officials and Murray & Roberts employees at the Tlhahlong Training centre. To date, the TRAC manager has visited the schools 20 times. The total number of learners reached to date is 1 050 with learners being exposed to hands-on experiments.

Murray & Roberts also supports the work of the South African Business Coalition Against HIV and AIDS, the World Wildlife Fund and the Business Trust. Through our contributions of R1,5 million, Murray & Roberts is one of many partner companies within the Business Trust and these funds have contributed to the achievement of program objectives and provided income and work for some 1,5 million people. We have supported Business Against Crime for several years, allocating over R700 000 towards efforts aimed at crime prevention strategies and projects.

In addition, the Letsema Sizwe Broad-Based Community Trust (Sizwe) provides benefits to national and regional community groupings. The aim is to promote and enable social upliftment of the communities within which Murray & Roberts operates, including black youth, aged people, disabled people and black women. To date, the Sizwe trust has distributed R60,6 million towards the empowerment of designated groups.

In 2010 Sizwe distributed R22,0 million to more than ten beneficiary organisations, including the Jack Cheetham Memorial Award and the Letsema Award winners and runners up. The majority of the funds were distributed to the following beneficiary organisations, which have been beneficiaries of Sizwe since 2007:

- Disability Empowerment Concerns Trust
- Heartbeat Centre for Community Development
- Kurisani Investment for LoveLife Youth Development Trust

- Outward Bound South Africa
- Soul City Broad-Based Empowerment Company & Soul City Institute

Murray & Roberts undertakes various enterprise development activities through its group operating companies. Activities include the procurement of subcontractors from small, medium and micro enterprises (SMMEs), early payment to SMME suppliers, preferential credit terms for buyers and administration support for certain customers.

The Group and its subsidiaries belong to all the associations and organisations relevant to our sector, including the South African Federation of Civil Engineering Contractors, the Steel and Industries Federation of South Africa and the National Business Initiative, where we are actively involved in their Education College Industry Partnerships (CIP) program aimed at building strategic partnerships between companies and Further Education and Training (FET) colleges to address skills shortages. The CIP's biggest contribution to date to the FET sector has been the revision of the National Curriculum Vocational Building and Civil program in collaboration with the previous administration of the Department of Education. Coupled with the revision and roll out of a new curriculum that is more relevant and responsive to the needs of the world of work, the partners have also funded extensive lecturer support opportunities. These efforts include the training of approximately 200 civil and building lecturers on the revised curriculum since 2008. The training takes place in Cape Town and Tshwane and is open to lecturers across all 50 FET colleges demonstrating the wider reach of the partnership in the country at no cost to the colleges apart from transport and accommodation.

Murray & Roberts is committed to the principle of zero harm to the natural environment in all operations and activities conducted. The Group's performance against environmental standards remained acceptable during the year, with more attention given to recording and reporting of environmental data and incidents.

Environmental

The major environmental risks impacting the Group's operations are presented in the table below:

Environmental risk	Applicability/group segment
Release of hydrocarbons	All operating environments
Water/ground water pollution	All operating environments
Air pollution	Fixed facility sites
Waste management	All operating environments
Hazardous material handling	Fixed facility & construction sites

In this context, a group environmental framework has called for explicit measures of environmental performance, including the following indicators against which risks and opportunities can be assessed and managed for:

- resource efficiency and carbon footprint
- emissions, effluents, and waste management

The framework aims to enable operations to better understand and identify hazards and risks and their potential effects, and the preventative measures required to achieve the Group's zero harm aspiration.

Murray & Roberts requires that operating companies adopt the most stringent standards, implementation and compliance to ISO 14001, a standard that addresses environmental management systems (EMS), whether they are imposed by client management plans, local and national legislation, or the Group. Currently, 64% of the Group's operations are certified to ISO 14001. Murray & Roberts will be tracking progress towards compliance as part of its internal assurance plan.

Resource efficiency and carbon footprint

Energy usage

Increasing industrialisation and urbanisation, increasing fossil fuel consumption, rising energy costs and climate change are a concern for broader society and Murray & Roberts. Murray & Roberts consumed approximately two million MW-h of energy from a variety of fuel sources, with bituminous coal, diesel oil and electricity accounting for 81% of the Group's energy usage. The table below indicates the amount of energy used by the Group and the major users.

Fuel source	MW-h	% of Total	Major user – %
Bituminous coal	686 786	34,1	Ocon Brick – 95
Diesel oil	657 918	32,7	Clough – 74
Electricity	288 819	14,3	CISCO – 56
Heavy fuel oil	275 869	13,7	Much Asphalt – 60
Petrol	56 693	2,8	Concor – 24
LPG	36 145	1,8	Technicrete – 85
Natural gas	7 882	0,4	Hall Longmore – 100
Naphtha	3 380	0,2	UCW – 100

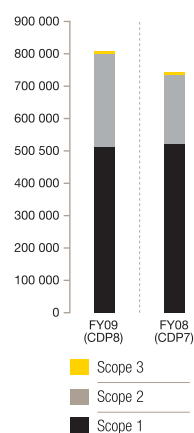
Carbon footprint

Murray & Roberts has participated in the Carbon Disclosure Project (CDP) for the past three years, to evaluate the impact its activities might have on climate change. The Group completed the CDP 8 (8th edition) questionnaire in May 2010.

The Group's carbon footprint reported last year was 1 376 379 tonnes of carbon dioxide equivalents (CO₂e). This value has been reviewed and corrected to 743 804 tonnes CO₂e. The difference is due firstly to the elimination of bitumen, which was previously captured as an energy source rather than as an additive to asphalt production and secondly, carbon emissions were recalculated with updated emission factors.

The Group's carbon footprint increased by 8,8% to 809 090 tonnes CO₂e for the year 2009 (CDP 8). This increase is the result of a significant improvement in monitoring and reporting of carbon emissions across the Group.

Tonnes of CO₂e



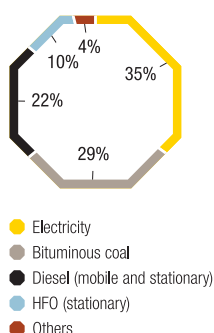
Approximately 79% of the Group's carbon footprint is attributable to its South African operations with the Construction Products SADC cluster accounting for 67% of the total carbon footprint. Construction Products SADC operations consume most of scope 1 (e.g. coal in Ocon Brick) and electricity (scope 2). CISCO accounts for 56% of the Group's 288 million kilowatt hours of electricity consumption.

The table on the following page illustrates the contribution to the footprint by operational cluster.

Operational cluster	FY 2009/CDP 8				
	Scope 1	Scope 2	Scope 3	Total	% Total
Construction Products SADC	327 837	211 758	0	539 595	66,7
Clough	128 210	1 612	1 560	131 382	16,2
Construction SADC	17 911	34 901	24	52 836	6,5
Engineering SADC	24 433	14 846	0	39 279	4,9
Cementation Group	7 382	19 815	1 705	28 902	3,6
Middle East	7 931	1 252	246	9 429	1,2
Corporate	35	2 582	5 051	7 668	0,9
TOTAL (tonnes CO₂e)	513 738	286 767	8 585	809 090	100

The figure below indicates percentage contribution to the Group's carbon footprint by emission source. Electricity (scope 2 emission source), bituminous coal (scope 1), diesel for mobile use (scope 1) and heavy fuel oil (HFO) (scope 1) are the largest contributors to the carbon footprint.

Sources of greenhouse gas emissions



The Scope 3 emissions were restricted to employee travel. Scope 3 emissions for South African operations were consolidated and reported under Corporate.

Murray & Roberts has identified the key climate change risks and opportunities, which are summarised below.

Category	Risk and opportunity
Regulatory	<ul style="list-style-type: none"> Fuel/taxes and regulations Carbon taxes General environmental regulations, including planning (building codes and legislation)
Physical	<ul style="list-style-type: none"> Changes in precipitation patterns Changes in frequency of extreme weather events Induced changes in human, natural and cultural resources
Reputational	<ul style="list-style-type: none"> Litigation exposures, insurance costs and unforeseen environmental remediation expenses resulting from the increasing number and scope of regulatory requirements
Financial	<ul style="list-style-type: none"> Increased transportation costs: carbon tax and fuel levies will increase transportation costs
Market	<ul style="list-style-type: none"> Trade and market risks of carbon intensive products (steel, asphalt, clay bricks) compared to lower carbon alternatives Demand of low carbon solutions from clients
Others	<ul style="list-style-type: none"> Changes in the availability and costs of goods and services

The implications for Murray & Roberts include:

- Increased expenses (purchasing emissions permits, penalties for over running caps, reporting costs), increase in electricity costs and business running costs
- Increased rate of diseases, damage and disruption to operations near coastlines, increased logistics and insurance costs and availability of materials due to physical risks
- Revenue protection as well as the value of any existing assets in carbon intensive sectors, new contract awards reduced by inability to offer these low carbon solutions/demands by client

Murray & Roberts attempts to be proactive rather than reactive in terms of potential regulatory risks. Possible changes in regulation are anticipated and actions are planned in advance of regulatory changes. Furthermore, Murray & Roberts engages regulatory authorities to understand, and potentially advise on impending changes. Potential physical risks from climate change are constantly monitored at operational level and where they are material, they form part of each company's risk register.

Murray & Roberts launched an energy management initiative in early 2010 for all its South African operating companies with the objective of:

- ensuring effective and efficient use of energy, and to reduce energy cost without compromising productive output
- ensuring use of the most effective source of energy
- improving efficiency by reducing all sources of waste in energy, hence a reduction in carbon footprint

It is too early to report on the impact of this initiative, but several initiatives are being investigated.

The setting of green house gas (GHG) reduction targets for a large diversified company such as Murray & Roberts requires understanding and the support of all of the companies and operations involved. Murray & Roberts recognises that setting a group GHG target cannot be done without interaction with all of the relevant companies. As such the company has started a process of engaging those operations which contribute most to the overall group carbon footprint to determine emission reduction actions, opportunities and possible targets. Details of our actions to date are provided in our public response to the Carbon Disclosure Project (www.cdproject.net).

CASE STUDY: GREENING ASPHALT PRODUCTION

Much Asphalt has introduced new technology to lower the carbon footprint and energy use of asphalt production at its Benoni, South Africa plant. Much Asphalt introduced double barrel green system technology which allows for temperature reductions of up to 30° celsius, thereby reducing energy and heavy fuel oil consumption, and the associated carbon footprint. This technology reduces the carbon footprint of asphalt on an intensity basis (kg CO₂/tonne of asphalt) of between 20% and 25%. Murray & Roberts will continue to investigate the feasibility of retrofitting the existing Much Asphalt plants with the new foam technology. This will allow the company to differentiate itself competitively by offering a low carbon source of asphalt.



Water usage

Murray & Roberts operates in several water constrained environments, including South Africa, Western Australia and the UAE. Fresh water resources are dwindling, with 98% of South Africa's available water resources being fully utilised. The estimated water usage for the Group was about 1,2 million kilolitres, mainly supplied by local municipal systems. Cementation Group and our construction operations do not report on water used as it is accounted for on site by clients. Murray & Roberts is, however, evaluating the possibility of participating

in the CDP Water Disclosure project in an effort to more accurately measure its water footprint, better understand the water related risks and opportunities and then effectively manage water usage through responsible water stewardship.

Emissions, releases, and waste management

Air emissions

The Group's manufacturing operations measure and monitor air emissions in accordance with permit requirements. For example, Oconbrick undertakes a monthly monitoring and measurement of air quality and Much Asphalt monitors particulate matter and gaseous emissions at all of its sites. Much Asphalt Polokwane, Nomad and Witbank plants were regrettably not compliant with dust emissions, with 6,6 tonnes of particulate matter being released at the Polokwane plant, the only plant without a filtration system. Capital expenditure has been allocated to remedy the situation in Polokwane and the Nomad and Witbank plants have been repaired and the situation remedied. Gaseous emissions (CO, CO₂, SO₂, NO₂) are a bi-product of Much Asphalt's fuel combustion from burners and all tests conducted in this regard have been within legal limits.

No testing is undertaken by our mining operations as it is carried out by clients. Asphalt plants at the sites of Concor Roads & Earthworks are tested extensively and all tests have passed. Murray & Roberts Construction and Gautrain only monitor dust on sites.

Surface and ground water releases

The Group recorded several minor hydrocarbon spillages of less than 25 litres, with the Gautrain project reporting approximately 80 oil spill incidents. In addition, there were two significant hydrocarbon spillages on the Gautrain project of 300 and 500 litres of hydraulic oils and fuel, which have been remedied.



Murray & Roberts engages its operations which contribute most to the overall group carbon footprint to determine emission reduction actions

The formal directive issued to Bombela by the South African Department of Water Affairs and Forestry (DWAF) on 12 December 2008 remains in place over the Gautrain project. However, some aspects have been closed. Bombela has been allowed to pump water to storm at one of four permanent discharge points, namely Sandspruit and rehabilitation of Mushroom Farm Park is complete. A number of items are still outstanding and Bombela expects to be granted approval after construction is complete for the other three permanent discharge points. Final water crossing works are in process and Bombela expects to gain clearance on this issue by end September 2010. The remedial actions have to date been implemented to the Group's satisfaction and we will continue to monitor the situation.

Murray & Roberts Cementation reported two contraventions during the year, where the construction of a "French drain" system at Pandora 3 Shaft was not compliant with the client's environmental management plans and at PK 2 Shaft where disposal of hazardous waste was done without having the required safe disposal certificates. Both incidents have been remedied.

Waste generation and disposal

Waste generated by Murray & Roberts includes scrap steel, paper and plastic, waste bricks, concrete and hydrocarbons

(oil and fuel). Waste generated is measured and monitored at an operational level, however the data is currently inconsistent and incomplete so no aggregation of data is possible at this time. Non-hazardous waste (concrete, brick, paper, steel) is either recycled or reused. Hazardous hydrocarbons and plastic waste is removed and recycled where possible.

Ethics

Murray & Roberts acknowledges that the "tone at the top" sets the foundation for an ethical culture within an organisation. A company builds an ethical culture in informal and formal ways. Formal means include compiling an ethics risk and opportunity profile, developing a statement of business principles (commonly referred to as a code of ethics) and integrating ethical standards into its business activities and reporting on and disclosing the company's ethics performance. Murray & Roberts is in the process of finalising its statement of business principles which aims to promote and encourage ethical behaviour. The statement of business principles will apply to all Murray & Roberts employees irrespective of geographic location.

The Group ensures compliance with all its legal and regulatory requirements through application of its governance policies and procedures. Directors are bound by a board mandated Code of Conduct which contains standards of accepted behaviour.

Human rights

Murray & Roberts endorses employee rights contained within the Constitution of South Africa 108 of 1996, including the right to collective bargaining. Murray & Roberts acknowledges the right of individuals to freedom of association and rejects child and forced labour. A large portion of the Group's employees, particularly in the South African mining activities, are represented by trade unions. Murray & Roberts, through its operating entities, actively participates in national bargaining forums, including its membership of the South African Federation of Civil Engineering Contractors and the Steel and Engineering Industries Federation of South Africa. Site-based forums are established where recognition and procedural agreements are in place and voluntary bargaining forums are often aligned to specific industries.

Murray & Roberts occasionally experiences industrial action within its operating entities. Procedures are in place in the operating companies to manage employee relations, industrial action and trade union negotiations.

Murray & Roberts respects the rights of indigenous people and partners with indigenous and local communities where appropriate. Examples include:

- the introduction of broad-based trusts as 10% shareholders in the Group in December 2005 to support socio-economic development of the South African communities within which it operates
- supporting the requirements of ASGISA where Murray & Roberts seeks to develop skills and enhance procurement within communities surrounding its major projects
- Cementation Canada's partnership with the Kitikmeot communities through Kitikmeot Corporation of Nunavut, in northern Canada. Kitikmeot Corporation is the economic development arm of the Kitikmeot Inuit Association, and is responsible for developing business opportunities for the Kitikmeot region.

Unfair discrimination and equality

Discrimination of any form is viewed in a very serious light by Murray & Roberts and appropriate disciplinary action is taken against offenders. Murray & Roberts believes that no person may unfairly discriminate, directly or indirectly, on one or more grounds including race, gender, pregnancy, marital status, family responsibility, ethnic or social origin, colour, sexual orientation, age, disability, religion, health (including HIV) status, conscience, belief, political opinion, culture, language and birth.

Murray & Roberts furthermore believes that it is not unfair discrimination to promote affirmative action consistent with the Employment Equity Act or to prefer or exclude any person on the basis of an inherent job requirement.

Fraud, corruption, anti-competitive behaviour and unfair business practices

The Partnering Against Corruption Initiative (PACI) was launched at the 2004 annual meeting of the World Economic Forum, backed by a set of principles for countering bribery in business. Murray & Roberts is a founding signatory to PACI and undertakes to counter corruption and bribery in the Group and its markets.

Murray & Roberts was one of only two construction companies which participated in the Ethics Institute of South Africa's 2009 Corporate Ethics Indicator. The benchmark study which is in line with the recommendations of King III, provides the Group with independent, and statistically reliable information on the ethics management practice within the organisation.

Senior corporate and operating entity executives have undergone advanced training on the legislation covering anti-competitive behaviour and the Group has reviewed all operating entities to identify potential competition law risks. Where there is any possibility that such risks might exist, the competition authorities have been informed and appropriate actions taken to protect the company and its shareholders. Management and the Board are committed

to the elimination of this unacceptable practice.

The Group has undertaken extensive training on the South African Competition Act, with more than 1 350 employees receiving online training and assessment during the year.

On 24 August 2010, the South African Competition Commission referred a collusion case against 13 scrap merchants in the markets for the supply of ferrous and non-ferrous scrap metal to the Competition Commission Tribunal. The Commission has asked the Tribunal to impose an administrative penalty of 10% of annual turnover on each of the firms involved. This includes National Scrap Metal (Pty) Ltd (NSM), an associate company of Murray & Roberts. Murray & Roberts has a 42% effective shareholding in NSM. No relief is sought against Murray & Roberts subsidiary Cape Town Iron and Steel Works (Pty) Ltd (CISCO) in these proceedings.

The group chief executive hosts "Ask Brian" on the Interchange and the CE Discussion Forum on the website to promote transparent direct communication on matters of importance to employees and broader society. He is also the direct point of contact for "Tip-offs Anonymous", an independent hotline service that supports reporting of workplace dishonesty including discrimination, theft, fraud and corruption. The Group through its chief executive, engages a professional firm of forensic consultants and investigators to investigate all reported cases. Appropriate disciplinary and legal action is taken for any form of dishonest conduct.





Gautrain viaduct at Centurion, Tshwane

Corporate governance

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Corporate governance

Statement of compliance

The Board of Murray & Roberts Holdings Limited (Board) is committed to and fully endorses the principles of the Code of Corporate Practices and Conduct (Code) as set out in the King Report on Corporate Governance for South Africa 2002 (King II). In supporting the Code, the Board recognises the need to conduct the business of the Group with openness, integrity and accountability. A corporate governance framework has been in operation in the Group for many years and is reviewed from time to time and updated where appropriate. The Board is satisfied that the main principles of the Code have been implemented.

The Board is committed to the highest standards of corporate governance and has already begun taking steps to implement the King Report on Governance for South Africa 2009 (King III) which must be complied with in respect of financial years commencing on or after 1 March 2010. Sound governance principles remain one of the top priorities of the Board.

Board of directors

At the date of this annual report, Murray & Roberts has a unitary Board with 16 directors, 11 of whom are independent non-executive and five executive.

The Board is responsible for approving the strategic direction of the Group and is governed by a charter that sets out the framework of its accountability, responsibility and duty to the company. The Board is committed to corporate governance best practice above the minimum requirements set by the Code.

The Board conducts its business in the best interest of the company and ensures that the Group performs in the best interests of its broader stakeholder group, including present and future investors in the Group, its customers and clients, its business partners, employees and the societies in which it operates.

In order to address its accountability and responsibility, the Board:

- provides ethical leadership and gives direction to the Group in all matters and

approves the strategic plan developed by management in the context of the board charter

- monitors implementation of the strategic plan by management

- acknowledges that strategy, risk, performance and sustainability are inseparable by:

- monitoring key risk areas and key operational performance areas of the company
- ensuring that the strategy will result in sustainable outcomes
- considering sustainability as a business opportunity that guides strategy formulation

- directs the commercial and economic fortunes of the company

- ensures the company is a responsible corporate citizen by considering the impact of the business operations of the company on its people, society and the environment

- monitors that the company complies with all relevant laws, regulations and codes of business practice, considers adherence to non-binding rules and standards

- the company communicates with all relevant stakeholders (internal and external) openly and promptly and with substance prevailing over form

- defines levels of materiality, reserving specific powers to itself and delegating other matters by written authority to management

- monitors performance through the various board committees established to assist in the discharge of its duties without abdicating its own responsibilities

- ensures directors act in the best interest of the company by adhering to legal standards of conduct, disclosing real or perceived conflicts to the Board and dealing in securities only in accordance with a developed policy

- determines policy and processes to ensure the integrity of:

- risk management, effective risk-based internal audit and internal controls

- executive and general remuneration
- external and internal communications
- director and chairman selection, orientation and evaluation

Directors adhere to a Code of Conduct which incorporates agreed standards of accepted behaviour and guidance in decision making, promotes integration and coordination and reaffirms the directors' commitment to the Group.

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

During the year, non-executive directors were paid an annual retainer of R150 000 each with a deduction for non-attendance of R13 000 per meeting. Five scheduled and two special meetings were held during the year. Non-executive directors were paid R26 000 per special board meeting.

Based on a review of non-executive directors' fees undertaken during the year, it is proposed that shareholders approve a revised remuneration structure, at the annual general meeting on 27 October 2010, that non-executive directors be paid a fixed annual fee of R160 000. The deduction for non-attendance and *ad hoc* fee for special board meetings increases to R14 000 and R27 500 respectively.

The proposal is based on a minimum of five scheduled meetings a year and takes into account additional committee workload.

Board meetings

The Board meets at least five times a year in formal meetings. In addition, the directors meet ahead of the scheduled meeting at which the Group's budget and business plan is examined in the context of the approved strategy.

At this meeting, senior executives in the Group engage with the directors in a broad conversation on implementation of the Group's strategy. The Board has adopted a policy to visit key operations on an annual

basis. All directors are kept informed between meetings of major developments affecting the Group. The record of attendance by each director at the board meetings held during the year under review is reflected in the table on page 123 of this report.

Changes to the board

The Board appointed executive directors MP Chaba, TG Fowler and O Fenn with effect from 1 September, 25 September and 20 November 2009, respectively.

Non-executive director WA Nairn was appointed with effect from 30 August 2010.

SJ Flanagan resigned as an executive director of the company and employee of the Group with effect from 31 January 2010.

Chairman and group chief executive

The roles of chairman and group chief executive are separate and they operate under separate mandates issued by the Board that clearly differentiate the division of responsibilities within the company ensuring a balance of power and authority.

The chairman, who is an independent non-executive director, presides over the Board, providing it with effective and directed leadership and ensuring that all relevant information and facts are placed before the Board for decision. The group chief executive is charged with responsibility for the ongoing operations of the Group. He develops the Group's long term strategy and recommends the business plan and budgets to the Board for consideration.

The group chief executive and the chairman are appointed by the Board. The Board is responsible for the annual appraisal of the chairman and the remuneration & human resources committee is responsible for the annual appraisal of the group chief executive.

The remuneration & human resources committee assesses the remuneration of the Board, chairman and group chief executive and the nomination committee is responsible for succession planning of the Board.

Board committees

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

- executive
- audit
- health, safety & environment
- nomination
- remuneration & human resources
- risk management
- social & ethics

The committees assist the Board in the discharge of its duties and responsibilities without abdicating its own responsibilities.

The Board and each committee give attention to both new and existing matters of governance and compliance within their respective mandates. A statement from the chairman of the Board and chairman of each committee is included in this annual report.

Each committee operates according to Board-approved terms of reference. With the exception of the executive committee, all other committees are chaired by an independent non-executive director of the Board.

There is a full report-back from each committee chairman to the Board at each board meeting. Each committee chairman attends the annual general meeting and is available to respond to shareholder questions on committee activities.

For the period under review, all committees, with the exception of the social & ethics committee which was established on 1 July 2010, conducted a self assessment to evaluate their effectiveness. The outcome was positive. All committee terms of reference were reviewed and updated during the year.

The record of attendance by each member of the respective committees for the year under review is reflected in the tables on page 123 of this report.

The Board approved the formation of a social & ethics committee in terms of the draft Companies Amendment Bill 2010. The committee met for the first time

on 24 August 2010. After a year, the committee's merits will be reviewed.

Selection of directors

The Board has approved a policy on the criteria for the selection and continuation of office for directors and the nomination and evaluation processes to be followed.

The nomination committee considers and makes appropriate recommendations regarding appointments and re-election of directors to the Board. This process encompasses an evaluation of skills, knowledge and experience, considers transformation imperatives and ensures the retention of appropriate long term memory on the Board. All recommended appointments and re-election to the Board are made in terms of a formal and transparent process.

As recommended by King III, the independence of the non-executive directors was assessed by the Board, assisted by the nomination committee. All non-executive directors meet the criteria set out in King III for determining their independence in fulfilling their duties towards the company.

Independent advice

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

Board effectiveness

An appraisal of the effectiveness of the Board was conducted externally during the year. The appraisal was benchmarked against the strategic requirements of Murray & Roberts to ensure the capacity to deliver these requirements and strengthen the diversity and sector expertise of directors. The appraisal was positive and its recommendations are being followed through for implementation. The appraisal next year will be conducted internally.

Orientation program

It has been the practice of the Group to ensure that non-executive directors appointed to the Board engage in an

induction process to familiarise themselves with the Group. The process includes visits to key operations in the company and extensive discussions with group leaders.

Group secretary

All directors have access to the advice and services of the group secretary who is responsible for ensuring the proper administration of the Board and sound corporate governance procedures. All directors have full and timely access to information that may be relevant to the proper discharge of their duties. The group secretary provides guidance to the directors on their responsibilities within the prevailing regulatory and statutory environment and the manner in which such responsibilities should be discharged.

Executive committee

The directors of Murray & Roberts Limited and Murray & Roberts International Limited serve as the members of the executive committees of the Board. Meetings are chaired by the group chief executive and group financial director, respectively. The directors support the group chief executive in his responsibility to:

- implement the strategies and policies of the Group

- manage the business and affairs of the Group
- prioritise the allocation of capital, technical know-how and human resources
- establish best management practices and functional standards
- approve and monitor the appointment of senior management
- fulfil any activity or power delegated to the executive committee by the Board that conforms to the company's articles of association

Risk management, systems of control and internal audit

The Board promotes the rational engagement of risk in return for commensurate reward and is responsible for ensuring that risk management, including related systems of internal control, are formalised throughout the Group. These systems of risk management, internal control and internal auditing aim to promote the efficient management of operations, protection of the Group's assets, legislative compliance, business continuity, reliable reporting and the interests of all stakeholders. Details of the Group's risk management status are set out on page 120 of this report.

Share dealings

The Group has an insider trading policy that requires directors and officers who could be expected to have access to price sensitive information, to be precluded from dealing in the Group's shares as well as the shares of Clough Limited for a period of approximately two months prior to the release of the Group's interim results and a period of three months prior to the release of the Group's annual results. To ensure that dealings are not carried out at a time when other price sensitive information may be known, directors, officers and participants in the share incentive scheme must at all times obtain permission from the chairman, group chief executive or group financial director before dealing in the shares of the Group. Approved dealings in the Group's shares by directors are disclosed to the JSE and published on the Stock Exchange News Services (SENS) of the JSE Limited. All approved director dealings are reported in arrears to the scheduled meetings of the Board.

Audit committee

The audit committee operates under an approved charter assisting the Board to fulfil its corporate governance supervision responsibilities relating to accurate financial reporting and adequate financial systems and controls. It does so by evaluating the findings of internal and external audits, actions taken and the appropriateness and adequacy of the systems of internal financial and operational controls.

The chairman of the audit committee reports to the Board on the committee's deliberations and decisions. The internal and external auditors have unrestricted access to the committee. The independence of the external auditor is regularly reviewed and all non-audit related services are pre-approved and reported upon.

The committee is satisfied that the external auditor is independent for the year under review and has nominated for shareholder approval at the annual general meeting, that Deloitte & Touche be reappointed as independent auditors and AF Mackie as the designated auditor.

Membership

The committee consists of four independent non-executive directors. DD Barber served as chairman of the committee with IN Mkhize, AA Routledge and M Sello as members, all of whom are suitably skilled and experienced.

The group chairman, group chief executive, group financial director, group head of assurance and external auditors, all attend meetings by invitation.

The committee is formally re-appointed annually by the Board and met five times during the year under review.

Terms of reference

The committee's responsibilities include:

- assisting the Board to fulfil its responsibility with regard to financial and auditing oversight including internal financial control matters
- monitoring and reviewing the Group's accounting policies, disclosures and financial information issued to stakeholders

- making recommendations to the Board to ensure compliance with International Financial Reporting Standards
- discussing and agreeing the scope, nature and priority of the internal and external audits
- nominating an independent auditor for shareholder approval, determining external auditor fees and terms of audit engagement
- reviewing the quality and effectiveness of the external audit process
- reviewing the internal and external auditor reports
- reviewing the Group's annual financial statements and the Group's financial results and recommending to the Board their publication in the interim and preliminary reports and the annual report
- reviewing price sensitive information such as trading statements

The committee terms of reference and policy for non-audit services were reviewed and approved by the Board during the year.

The committee's responsibilities for the following year have been expanded to include sustainability matters.

Financial director

The committee has for the period under review formally considered and satisfied itself of the appropriateness of the expertise and experience of the group financial director, RW Rees.

Audit and administration

Financial leadership within Murray & Roberts is continuously strengthened to cater for growth in the business, including ongoing employment and redeployment of senior financial executives.

The co-sourcing approach to internal audit is tasked with performing risk based audit throughout the Group and adjusts its coverage and focus based on the changing strategic and operational needs of the Group. Internal audit coverage includes review of strategic risk mitigations, an independent validation of control self assessment results,

selected review of major systems, processes and projects, CoBIT maturity assessments and related IT Audits. A combined assurance model is adopted to ensure a coordinated approach to all assurance activities, appropriate to address the significant risks facing the company.

The audit committee chairman, group financial director and lead external audit partner attend selected contract and subsidiary reviews at half year and full year end. Audit close-out meetings are held between external auditors and operational management at year end. A detailed audit summary memorandum is prepared for all operating entities in the Group and a consolidated report is presented to the audit committee.

David Barber
Chairman

Risk management committee

The risk management committee operates under an approved charter assisting the Board to fulfil its corporate governance supervision responsibilities over the development and implementation of the group risk framework.

Membership

The committee consists of four independent non-executive directors. During the year under review SP Sibisi served as chairman of the committee with DD Barber, IN Mkhize and RT Vice as members. The group chief executive, group financial director, group head of assurance and group risk manager attend meetings ex officio.

Subsequent to the year end, WA Nairn was appointed a member of the committee.

The committee met twice during the year under review.

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

Risk management

The group risk framework is largely implemented and significant risk management structures now exist. The framework serves to regulate the entry of risk into Murray & Roberts and systematically manage threats, while exploiting opportunities.

A risk committee of the Murray & Roberts executive committee (Murray & Roberts Limited) acts as custodian of the group risk appetite, reviews group level risk and interrogates key decisions prior to board approval. During the year, the committee reviewed 11 major project bids.

Currently 16 of the Group's project companies utilise the opportunity management system (OMS). This world class project portfolio management system was developed in-

house to filter and highlight project risks entering the Group's environment. At 30 June 2010 opportunities in the active pipeline amounted to R68 billion. During the year the system supported 1019 decisions and processed 7065 workflow transactions.

Two group level risk assessments were conducted with group executives, in support of the 2010 half year and year end results. Nineteen business plan strategic risk assessments were conducted by the operating companies, as well as a range of project risk assessments. Taking risk management to the next level is a strategy to capitalise on the collective wisdom of the organisation and identify and pre-empt the major, but sometimes less obvious, risks in the environment.

Internal audit

The Group has a risk based approach to internal audit, aimed at testing the integrity of controls managing significant exposure. An internal audit coverage plan has been developed with co-sourced internal audit partners, KPMG. In addition to Group Internal Audit, assurance is provided by audit specialists; dedicated operational resources; peer review at operational level and management review at board, executive committee or project meetings. Approximately two thirds of operating companies within the Group are ISO 9001 accredited.

Insurance

Murray & Roberts has a group insurance program covering asset and liability risks.

Claims and litigations

The group commercial director and commercial executives in the operations, supported and advised by external legal and commercial consultants manage the Group's contractual risk.

The group commercial director leads the engagement of general litigation and reputation risks to the Group, supported as appropriate by external legal advice.

Bonds and guarantees

The OMS establishes a process discipline ahead of the issuing of bonds and guarantees, which is integrated with the treasury management system utilised for guarantee administration.

Forensics

The Group employs a firm of forensic consultants and investigators that report directly to the group chief executive. "Ask Brian" on the Interchange and the CE Discussion Forum on the website promote transparent direct communication with the group chief executive. "Tip-offs Anonymous", an independent hotline service provider, is available to report inappropriate behaviour in the workplace.

Global engagement

The Group is a founding member of the Engineering & Construction Risk Institute (ECRI), an association of global engineering and construction companies which aims to institutionalise sound risk management practice in the global industry.

Murray & Roberts is a signatory to the United Nations Global Compact on Transparency and Crime.

Sibusiso Sibisi
Chairman

Health, safety & environment committee

The health, safety & environment (HSE) committee operates under an approved charter, assisting the Board to fulfil its corporate governance and supervision responsibilities relating to the integration of sound HSE management into all aspects of the Group's business activities.

The committee reviews operational performance in health, safety & environment and provides strategic guidance to management and the Board. It also evaluates the appropriateness and adequacy of policies and strategies against global best practice.

Membership

The committee consists of four non-executive directors and the group chief executive and is chaired by ADVC Knott-Craig, an independent non-executive director. During the year under review, independent members RC Andersen, NM Magau and JM McMahon served on the committee.

Subsequent to the year end, WA Nairn was appointed a member of the committee.

The group executive directors, executives responsible for enterprise capability and health and safety attend meetings by invitation. The committee met five times during the year under review.

Terms of reference

The committee's responsibilities include:

- reviewing and monitoring the framework, strategy, policies and standards for HSE management
- monitoring substantive national and international regulatory and technical developments and practice in HSE management
- reviewing compliance by the company, its contractors and associates with policy, guidelines and appropriate local and international standards and relevant local laws in HSE matters

- monitoring effective risk assessment processes, medical surveillance requirements and accident investigation systems
- reviewing and recommending to the Board for approval an HSE management system consistent with international best practice

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

Fatal accidents

The committee deeply regrets the nine fatal accidents recorded during the year (2009: nine fatalities).

The new financial year started on a sad note following the death of five Murray & Roberts employees who lost their lives in a massive fall of ground (FOG) incident at Aquarius Marikana shaft number 4. The incident occurred on 6 July 2010.

A further two incidents regrettably occurred on 13 and 17 August 2010, at Aquarius Kroondal Kopenang shaft and the Gautrain Park Station site respectively, resulting in the death of one Murray & Roberts employee and a contractor's employee.

The committee extends its sincere sympathies to the families, colleagues and friends of the deceased.

The committee reviews each fatal incident in detail to ensure that the root causes are identified and that corrective actions are implemented with the aim of preventing recurrence of similar incidents.

Further information on the Group's safety performance is provided in the sustainability report on pages 96 to 99. Reference is also made to the Chairman statement and the group chief executive report to stakeholders on pages 30 and 36 respectively.

Safety evaluation

Our goal is to achieve zero harm (zero fatalities and zero disabling injuries) at all our

operations. While significant progress has been made to reduce injuries, our performance is still far from this goal. A total culture transformation is necessary to drive our health and safety performance to another level. Committed and felt leadership is key to making this a reality.

At the proposal of the committee, the Board approved the appointment of DuPont Sustainable Solutions to undertake a comprehensive evaluation of the Group's South African operations against best practice safety management standards and to develop a set of continuous improvement recommendations. We recognise that this is not a quick fix solution but rather a sustained journey to zero harm.

Murray & Roberts aspires to achieve zero harm from all activities conducted, which encompasses all aspects of health (societal and occupational), safety and the natural environment.

Alan Knott-Craig
Chairman

Nomination committee

The nomination committee operates under an approved charter and ensures that the structure, size, composition and effectiveness of the Board and board committees are maintained at levels that are appropriate in the context of the Group's complexity and strategy. It does so by regularly evaluating the Board's performance, undertaking performance appraisals of the chairman and directors, evaluating the effectiveness of board committees and making recommendations to the Board.

Membership

The committee comprises the chairman of the Board and two other independent non-executive directors. The chairman of the committee is appointed by the Board.

RC Andersen served as chairman of the committee and SP Sibisi and RT Vice as members.

The committee met four times during the year under review. The committee terms of reference were reviewed and approved by the Board during the year.

Board & committee appraisal

External appraisals of the effectiveness of the Board, its committees and individual directors were conducted during the year. The appraisals were benchmarked against the strategic requirements of Murray & Roberts and the need to ensure the capacity to deliver these requirements and strengthen the diversity and sector expertise of directors. Committee self assessments were also performed during the year under review. The appraisals were positive and

their recommendations are being followed through for implementation. Internal appraisals will be conducted next year.

An internal appraisal of the chairman was led by the chairman of the remuneration & human resources committee and discussed by the Board. The appraisal was positive.

Succession

Succession planning, taking into account the strategy of the Group and future retirements from the Board, was addressed. The committee takes cognisance of the importance of institutional memory to a developing board and the need to balance this with the introduction of new ideas and experience. During the year, the Board appointed MP Chaba and TG Fowler as executive directors. These appointments were confirmed at the 2009 annual general meeting. Subsequent to the 2009 annual general meeting, the Board appointed O Fenn as an executive director and WA Nairn as a non-executive director. SJ Flanagan resigned as executive director of the company and Group.

Non-executive director, IN Mkhize, has indicated that, due to work commitments, she will not be available for re-election at the 2010 annual general meeting.

The committee reviewed the performance of directors NM Magau, JM McMahon and RT Vice who, in terms of the articles of association, retire by rotation at the 2010 annual general meeting. O Fenn and WA Nairn also retire at the 2010 annual general meeting. The committee recommends their re-election to the Board.

The King Code of Governance Principles for South Africa 2009 (King III) recommends that the independence of non-executive directors be assessed by the Board on an annual basis. The Board, assisted by the nomination committee, conducted an assessment of the independence of its non-executive directors. All non-executive directors meet the criteria set out in King III for determining their independence in fulfilling their duties towards the company.

The average length of service of the non-executive directors was less than six years during the year under review.

Roy Andersen
Chairman

Record of attendance

Record of attendance at board meetings for the 2010 financial year

		Scheduled					Special ⁵	
		26/08/09	25/11/09	24/02/10	21/04/10	23/06/10	07/10/09	21/10/09
RC Andersen	Independent Chairman	√	√	√	√	√	√	√
BC Bruce	Chief Executive	√	√	√	√	√	√	√
DD Barber	Independent	√	√	√	√	√	√	√
MP Chaba ¹	Executive	–	√	√	√	√	√	√
O Fenn ²	Executive	–	√	√	√	√	–	–
SJ Flanagan ³	Executive	√	√	–	–	–	X	√
TG Fowler ⁴	Executive	–	√	√	√	√	√	√
ADVC Knott-Craig	Independent	√	X	√	√	√	√	√
NM Magau	Independent	X	√	√	√	√	√	√
JM McMahon	Independent	√	√	√	√	√	√	X
IN Mkhize	Independent	√	√	√	√	√	√	X
RW Rees	Executive	√	√	√	√	√	√	√
AA Routledge	Independent	√	√	√	√	√	√	√
M Sello	Independent	√	X	√	√	√	√	√
SP Sibisi	Independent	√	√	√	√	√	√	√
RT Vice	Independent	√	√	√	√	√	√	√

Record of attendance at board committee meetings for the 2010 financial year

				Special	
AUDIT COMMITTEE	24/08/09	22/02/10	21/06/10	02/10/09	20/04/10
DD Barber (Chairman)	√	√	√	√	√
IN Mkhize	√	√	√	√	√
AA Routledge	√	√	√	√	√
M Sello	√	X	√	√	√
				Special	
HEALTH, SAFETY & ENVIRONMENT COMMITTEE	25/08/09	23/11/09	23/02/10	20/04/10	22/06/10
ADVC Knott-Craig (Chairman)	√	√	√	√	√
RC Andersen	√	X	√	√	√
BC Bruce	√	√	√	√	√
NM Magau	√	√	√	√	√
JM McMahon	√	√	√	√	√
				Special	
NOMINATION COMMITTEE	25/08/09	22/02/10	21/06/10	15/04/10	
RC Andersen (Chairman)		√	√	√	√
SP Sibisi		√	X	√	√
RT Vice		√	√	√	√
REMUNERATION & HUMAN RESOURCES COMMITTEE	25/08/09	23/02/10	21/06/10		
RT Vice (Chairman)		√	√	√	√
RC Andersen		√	√	√	√
NM Magau		√	√	√	√
AA Routledge		√	√	√	√
RISK MANAGEMENT COMMITTEE	24/08/09	22/02/10			
SP Sibisi (Chairman)	√	√	√	√	√
DD Barber	√	√	√	√	√
IN Mkhize	√	X	√	√	X
RT Vice	√	√	√	√	√

¹ Appointed 1 September 2009. ² Appointed 20 November 2009. ³ Resigned 31 January 2010. ⁴ Appointed 25 September 2009.

⁵ Special meetings called at short notice can result in some directors being unavailable.

Social & ethics committee

The social & ethics committee, which was established on 1 July 2010, operates under an approved charter and the draft Companies Amendment Bill 2010. It assists the Board to fulfill its corporate governance responsibilities and to ensure the Group's commitment to zero harm from the impact of its business on the wellbeing of the company, all its employees, shareholders, clients and business partners and society in general, and to monitor its ethical practices.

Membership

The committee comprises the group chairman and two independent non-executive directors. M Sello serves as chairman of the committee with RC Andersen and AA Routledge as members. The group chief executive, group financial director, group head of assurance and enterprise capability executive attend meetings in an ex officio capacity.

The committee met on one occasion, the initial meeting of the committee.

Terms of reference

The chairman of the committee reports to the Board on the committee's deliberations and decisions. The committee assists the Board by regularly submitting reports and recommendations by:

- reviewing and approving the policy, strategy and structure to manage social and ethics issues in the Group
- monitoring to the best of its ability that subsidiaries, associate companies and significant investments develop policies, guidelines and practices congruent with the company's social and ethics policies
- assessing and measuring performance in social and ethics areas with reference to the United Nations Global Compact Principles, the OECD Guidelines for Multinational Enterprises, the JSE Socially Responsible Investment Index, the Department of Trade and Industry Broad-based Black Economic Empowerment scorecard, International Labour Organisation protocols and the King Code of Governance Principles for South Africa 2009 (King III)

- reviewing compliance by the company, its subsidiaries and associates with policy, guidelines and appropriate local and international standards and relevant local laws in social and ethics matters including competition laws
- considering substantive national and international regulatory developments as well as practice in the fields of social and ethics management
- reviewing the Murray & Roberts Socially Responsible Investment Index and broad-based economic empowerment performance disclosures
- as appropriate, consulting and communicating with internal and external stakeholders with respect to social and ethics issues
- reporting annually to shareholders at the company's annual general meeting on social and ethics issues
- ensuring that management has allocated adequate resources to comply with social and ethics policies, codes of best practice and regulatory requirements

Committee scope

At its first meeting, the committee reviewed its terms of reference, the Group's Corporate Social Investment program and the committee's role in reviewing the company's future integrated report.

It was agreed that a significant amount of work is planned for the committee during the coming year. The committee will consider, inter alia, the following items:

- policy, strategy and structure
- JSE Socially Responsible Investment Index profile
- broad-based black economic empowerment rating and profile
- group Corporate Social Investment and Letsema programs
- compliance with policy, guidelines and appropriate local and international standards and relevant local laws, including:

- Competition Act
- Employment Equity Act
- International Labour Organisation protocol on decent work and working conditions
- King III
- OECD Guidelines for Multinational Enterprises
- United Nations Global Compact Principles
- national and international regulatory and practice developments
- integrated report review

Integrated report

Going forward, the Group's integrated report will contain a large amount of information reviewed and considered during the course of the committee's future activities. As a consequence the committee will, prior to review by the audit committee, review content in the integrated report that is relevant to the social & ethics committee. This will be undertaken for the 2011 integrated report.

Corporate social investment

As South Africa's leading engineering and contracting group, Murray & Roberts has adopted a deliberate and targeted CSI strategy as a vehicle to influence and impact the delivery of quality education in South Africa and more specifically the shortage of critical skills needed in the engineering and construction industry. In 2010 Murray & Roberts contributed R22,2 million to CSI (2009: R21,1 million). Further details of the Group's CSI activities are contained in the sustainability report on pages 106 and 107.

Mahlape Sello
Chairman

Remuneration & human resources committee

The remuneration & human resources committee operates under an approved charter, assisting the Board to fulfil its corporate governance supervision responsibilities and to align the remuneration philosophy with the company's business strategy. The key focus in this regard is to attract, retain, motivate and reward directors, senior executives and staff by the payment of fair, competitive and appropriately structured remuneration in the best interests of shareholders.

Membership

The committee comprises the group chairman and three independent non-executive directors. RT Vice served as chairman of the committee with RC Andersen, NM Magau and AA Routledge as members. The group chief executive, group financial director, enterprise capability executive and independent advisor attend meetings in an ex officio capacity.

The committee met three times during the year under review.

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

Terms of reference

The chairman of the committee reports to the Board on the committee's deliberations and decisions. The committee assists the Board by regularly submitting reports and recommendations regarding the Murray & Roberts employment framework and policies and the Group's remuneration philosophy.

The committee is responsible for considering and approving proposals regarding the remuneration, benefits, share options and related matters of executive directors of the Group, including the group chief executive, all managing directors of the Group's operating entities and senior group executives. It also considers and approves the remuneration

and benefits paid to general staff and has responsibility for oversight of the group pension, provident and other benefit plans.

An independent advisor reviews the Group's remuneration policies and practices.

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

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

Director and executive remuneration

The remuneration packages of executive directors and senior executives include performance related remuneration, which is determined in terms of incentive schemes operated at group and operating entity level. These schemes are disciplined and are designed and implemented with assistance from the independent remuneration consultant to competitively reward those directors and executives who have contributed to the Group's sustainable earnings growth and value creation.

Non-executive directors receive a fee for their contribution to the Board and its committees of which they are members. The level of fees for service as directors, additional fees for service on board committees, fees paid to independent advisors and the chairman's fee are reviewed annually. The committee recommends fee structures, other than for services on this committee, to the Board following research into trends in director remuneration for approval by shareholders at the annual general meeting.

The Group's remuneration policy is described in the remuneration report on

pages 126 to 129. The remuneration of executive directors for the year ended 30 June 2010 is set out in note 46 to the consolidated financial statements. Remuneration details of non-executive directors for the year to 30 June 2010 are set out in note 46 to the consolidated financial statements and the proposed fee increase is included on page 116.

Retirement and other benefit plans

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

The assets of the funds are independently controlled by boards of trustees which include representatives elected by the members. Further details on retirement and other benefit plans are provided in note 45 to the consolidated financial statements.

Royden Vice
Chairman

Remuneration report

Remuneration policy

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

- remuneration consists of fixed and variable elements
- salary is set at a competitive level in order to attract and retain the services of high calibre employees

- the annual bonus plan aligns the interests of executives with those of shareholders in the short term through a focus on earnings growth and value creation and other key drivers reflected in key performance indicators (KPIs)
- the share incentive scheme offers share options to selected key executives so as to provide direct alignment with shareholders on long term value creation

The remuneration & human resources committee (committee) ensures that the mix of remuneration, including short term and long term incentives, meets the Group's strategic objectives. The objective is to average guaranteed salary at the 50th percentile throughout the Group, while achieving at least the 75th percentile for total package remuneration (salary plus annual bonus) based on target performance as below:

Grade	Indicative executive level	Lower quartile*	Median*	Upper quartile*	Upper decile*
L1	Group strategic leadership	100%	150%	167%	200%
L2	Group strategic executive	100%	135%	160%	180%
L3	Group executive	100%	130%	150%	170%
L4	Operations leadership	100%	125%	140%	150%
L5	Operations executive	100%	125%	135%	150%
L6	Functional executive	100%	120%	130%	140%
L7	Services executive	100%	115%	120%	135%
L8	Administration executive	100%	115%	120%	135%

* Total package remuneration relative to total fixed cost of employment (TFCE), including salary, benefits and retirement fund contributions

The Group's key business mission against which remuneration policy is aligned, is a non-negotiable commitment to sustainable earnings growth and value creation, zero harm and people development. This mission defines the key performance areas (KPA's) and KPIs applied to executive director and other senior executive remuneration. KPA's and KPIs are applied to executive gradings in determining individual remuneration packages. They are also used in determining eligibility for performance related remuneration (described later in this report) and the quantum of payments and awards made under these incentive schemes.

King Code of Governance Principles for South Africa 2009

The committee notes that King Code of Governance Principles for South Africa 2009 (King III) sets out principles and recommendations regarding executive remuneration, including disclosure in the company's annual report of remuneration paid to directors and certain other senior employees. These disclosures are included in note 46 to the consolidated financial statements and have been prepared with regard to the requirements of King III.

In accordance with King III, details of remuneration paid to senior employees other than directors have been disclosed. The six senior executives listed are the highest paid permanent employees, three representing the Group's South African operations and three representing its international operations, excluding Clough Limited (Refer to Clough annual report). Remuneration includes all cash payments, benefits and incentive awards received during the year under review. This information has been provided anonymously in this financial year.

A full review of the extent to which the Group's remuneration policy and practices comply with King III will be conducted during the first half of the 2011 financial year and reported on in the integrated report for the 2011 financial year.

Executive director and senior executive remuneration

The Group employs the services of an independent consultant to advise on the profiling and appropriate remuneration levels of executive directors and senior executives relative to market trends, and reviews the Group's remuneration policies and practices in light of this data. The committee is advised independently on remuneration matters.

The remuneration packages of executive directors and senior executives consist of the following:

- salary
- benefits
- retirement fund contributions
- annual bonus
- share incentive awards

There are no material payments made to executive directors and senior executives which are *ex gratia* in nature.

Salary

Salary levels are determined by reference to a job grade, set in accordance with an independently developed balanced scorecard.

Benchmarking is conducted bi-annually and referenced to updated online data to ensure that salary levels for each job grade are in line with the market. Data is collated for companies listed on the JSE which are of a similar size and nature, in terms of market capitalisation and sector, to Murray & Roberts. This includes companies in the construction, mining and industrial sectors. The objective is to set salary levels for executive directors and senior executives, on average, at the market median.

Benefits

Executive directors and senior executives are legally and contractually entitled to

certain benefits in addition to base salary. These benefits include travel allowance, insurance policies relating to death in service and disability, and medical aid. In addition, executive directors and senior executives are covered under the terms and conditions of the Group's personal accident policy.

Retirement fund contributions

A number of retirement funds operate within the Group. In South Africa these are registered as pension or provident funds and are accordingly governed by the Pension Funds Act. Although some funds are privately administered, the majority of funds are incorporated in outsourced umbrella schemes. The assets of the funds are independently controlled by boards of trustees which include representatives elected by the members. The Group makes employer contributions to the retirement fund of all salaried employees, including executive directors and senior executives.

Together, salary, benefits and retirement fund contributions are referred to as the total fixed cost of employment (TFCE).

TFCE packages of executive directors and members of the executive leadership team are reviewed by the committee annually. The committee approves any changes to the annual TFCE package of the group chief executive.

Annual bonus

Executive directors and senior executives are eligible to participate in an annual bonus plan. Non-executive directors are not eligible to participate in this plan. The annual bonus plan together with the share incentive scheme make up the variable component of the remuneration package. The overall purpose of the annual bonus plan is to incentivise and reward those executive

directors and senior executives who contribute to the Group's mission of sustainable earnings growth and value creation, zero harm and people development. Participants may receive a cash payment at the end of each financial year, the amount of which is dependant upon company and personal performance. No deferral is applied.

Because of the cyclical nature of the construction industry primarily as a result of external economic factors, the Group operates a bonus pool system which is available for distribution under the annual bonus plan to all employees and which is calculated by reference to Group EBIT and attributable earnings. The bonus pool is generally capped at 10% of Group EBIT in the year for general staff, while for executive directors and operating managing directors, the bonus pool is calculated at 2,5% of attributable earnings.

The bonus pool is distributed to participating executive directors and senior executives based on a number of factors:

- The seniority of the individual i.e. salary level
- The individual's performance within their operation as tested against their KPIs

The earnings potential per salary level is benchmarked on an annual basis, collated by reference to companies listed on the JSE Limited of a similar size and nature to Murray & Roberts in terms of market capitalisation and other factors. This includes companies in the construction, mining and industrial sectors. The objective is to set the target annual earnings potential, as a percentage of TFCE, at the upper quartile of the market.

In respect of executive directors and senior executives, the target annual bonus earnings potential as a percentage of TFCE for the 2010 financial year is depicted below:

Indicative executive level	Grade	Normal performance			Super performance	
		25th percentile	50th percentile	75th percentile	50th percentile	75th percentile
Group Leadership	L1 – L3	42 to 34	50 to 40	75 to 61	100 to 80	125 to 112
Operations Leadership	L4 – L5	32 to 27	35 to 30	41 to 35	50 to 45	57 to 52
Senior Executives	L6 – L8	25	30	35	40	50

Measured against these performance benchmarks, the standard set for the 2010 financial year incentive framework was between the 25th and 50th percentiles of normal performance. There are individual achievements in the operations that commanded higher levels of reward.

The payments made to directors and senior executives for the 2010 financial year, calculated on the basis summarised above, are disclosed in note 46 to the consolidated financial statements.

Each year, the committee sets the principles of the annual bonus plan for the following year and proposes the awards to be made to executive directors and senior executives. No significant changes to the structure of the annual bonus plan are proposed for the 2011 financial year.

Share incentive scheme

Selected senior employees including executive directors and senior executives are eligible to participate in the Murray & Roberts Holdings Limited Employee Share Incentive Scheme (Scheme). Non-executive directors are not eligible to participate in the Scheme. The overall purpose of the Scheme is to provide general alignment between the executives and shareholders of the company. It also motivates and rewards executives who have contributed to the Group's real sustainable earnings growth and value creation over the long term.

Under the Scheme, participants are granted options to acquire shares in Murray & Roberts at a series of future dates. No consideration is paid by participants for the option grant but the purchase price for the shares is set at the date of grant and is the closing price of a share on the day immediately preceding the grant date.

At the end of each successive vesting period, participants can either defer exercising of the options or pay the purchase price and acquire the specified number of shares in Murray & Roberts and settle the taxation obligation that arises from the transaction. It is only at this point that participants become shareholders and acquire shareholder rights in respect of those shares.

The vesting period applicable to options granted under the Scheme after October 2004 is five years, with one third of shares vesting after three years, one third vesting after four years and the final one third vesting after five years, subject to the relevant conditions being met. All vested options must be exercised within six years from the date of grant, failing which they will lapse.

Historically, the committee granted some options under the Scheme subject to a performance condition, meaning they will vest only to the extent that the specific condition is satisfied. Where a performance condition is imposed, they are referred to as "hurdle" options. Where no performance condition has been imposed and vesting is subject to continued employment only, the options are referred to as "standard". Where the vesting terms of the options vary from those summarised above, they are referred to as "special".

Where a performance condition is imposed, it has been based on a target annual compound increase in share price, with prior conditions being 25% (for March 2002 and 2003 allocations) and CPI+4% (for all other allocations). This is considered to be an appropriate condition in that it supports the business strategy of value creation. In addition, it focuses on an increase in share price and aligns the interests of participants in the Scheme with those of shareholders.

Options are granted under the Scheme generally on an annual basis. However, to reflect the fact that special options were granted to certain executive directors and senior executives in March 2007 to secure their retention and performance through the Group's executive succession and development program up to and beyond 2010, these individuals will not be granted additional options under the Scheme until after 4 March 2011. The options granted in March 2007 were calculated using the Black-Scholes formula for future value to March 2011 but not subject to a performance condition, as their primary purpose was to retain the services of these individuals during a crucial period for the Group. These options become exercisable on the fourth and fifth anniversaries of grant. Details are disclosed in note 46 to the consolidated financial statements.

The value of options granted to executive directors and senior executives is set after consideration of the following:

- the general allocation is limited to 0,5% of the market capitalisation of the Group, which amounts to a maximum of 1,66 million shares for financial year 2010
- under the rules of the Scheme, a participant cannot accumulate within the Scheme, more than 1,0% of the number of issued shares in the Group (currently 3 318 926 shares)
- the number, and value, of shares already held under option
- the factor applicable to the individual's salary level. This ranges from 0,5 to 6 and relates to the value of unexercised options held by that individual as a percentage of TFCE as depicted below:

Factor	Indicative executive level	
6,0	Group chief executive	
5,0	Group financial director	
4,5	Group executive director	– Operations
4,0	Group executive director	– Staff
3,5	Group executive	– Operations
3,0	Group executive	– Staff
	Operations director	– Managing director
2,0	Operations director	– Operations and staff
	Operations executive	– Project/general manager
	Corporate executive	– Key function
1,5	Operations & Corporate	– Senior management
1,0	Operations & Corporate	– Middle management
0,5	Operations & Corporate	– Junior management

Shares required to satisfy options granted under the Scheme which are subsequently exercised, are provided by The Murray & Roberts Trust (Trust).

Under the rules of the Scheme, a maximum of 33 189 262 shares may be issued by The Murray & Roberts Trust (Trust). Under the rules of the Scheme, a maximum of 33 189 262 shares may be issued by Murray & Roberts under the Scheme. To date, the Trust has been funded through a policy approved by the committee to purchase Murray & Roberts shares in the market and the company has not issued shares to the Trust in order to satisfy options granted.

Details of the shares held by the Trust and the outstanding options granted under the Scheme as at 30 June 2010 are set out in note 12 to the consolidated financial statements.

On an annual basis, the committee reviews the share incentive scheme to ensure its continued contribution to shareholder value and proposes allocations for that year in accordance with the guidelines summarised above. The committee is also responsible for administering the Scheme.

Top, senior and mid-level Black executives of the Group's South African operations are eligible to participate in the Letsema Vulindlela Black Executives Trust (Vulindlela) share incentive scheme. Vulindlela was established in December 2005 as part of the Group's broad-based black economic empowerment share ownership scheme. Vulindlela aims to introduce Murray & Roberts Black executives as shareholders in Murray & Roberts, contribute to the attraction and retention of Black executives and align the interests of Black executives with all shareholders. Executive directors, senior executives and non-executive directors are not eligible to participate in Vulindlela.

Disclosure

The remuneration paid to executive directors and selected senior executives for the year ended 30 June 2010 is set out in note 46 to the consolidated financial statements.

Contracts of employment

Executive directors do not have fixed term contracts, but are subject to notice periods of between one and twelve months. Senior executives are subject to a notice period of between one and three months.

There is no material liability to the Group with respect to the termination of contract of any executive director or senior executive. The applicable contracts of employment do not include provisions entitling the individual to a specified payment on termination of employment or on a change of control of Murray & Roberts. Further, no agreements have been entered into with the executive directors or senior executives regarding restraint of trade.

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

Normal retirement of executive directors and senior executives is at age 63 with two further option periods at the discretion of the company to 65 years and finally, 67 years.

Non-executive directors

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

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

To the extent that a non-executive director does not attend a scheduled board meeting, an amount will be deducted from his/her fee. Where a director is required to attend a special board meeting, he/she will receive an additional fee in respect of his/her attendance. This fee structure reflects the skill and experience brought to the company by each non-executive director, responsibilities undertaken, the time commitment involved

and the importance of attendance at and contribution to board and committee meetings.

The level of fees for service as directors, additional fees for service on board committees, fees paid to independent advisors and the chairman's fee are reviewed annually. The committee recommends fee structures to the Board following independent research into trends in director remuneration for approval by shareholders at the annual general meeting.

Non-executive directors do not participate in the annual bonus plan or the Scheme and do not receive any benefits other than those disclosed.

Details of the fees paid to non-executive directors for the year to 30 June 2010 are set out in note 46 to the consolidated financial statements and the proposed fee increases are set out on page 116.

ANALYSIS OF SHAREHOLDERS

June 2010

	Number of shareholders	% of shareholders	Number of shares	% of shares
Size of holding				
1 – 1 000	5 351	65,85	1 909 542	0,58
1 001 – 10 000	2 203	27,11	7 140 349	2,15
10 001 – 100 000	413	5,08	12 844 915	3,87
100 001 – 1 000 000	120	1,48	42 275 936	12,74
1 000 001 shares and over	39	0,48	267 721 877	80,66
Total	8 126	100	331 892 619	100
Category				
Unit Trusts/Mutual funds	164	2,02	106 148 298	31,98
Pension funds	112	1,38	92 270 581	27,80
Black Economic Empowerment	4	0,05	33 178 603	10,00
Insurance companies	11	0,14	17 108 684	5,15
Private clients	71	0,87	14 082 617	4,24
Foreign governments	15	0,18	11 681 457	3,52
Custodians	33	0,41	10 121 262	3,05
American Depositary Receipts	1	0,01	3 603 753	1,09
Hedge funds	2	0,02	795 062	0,24
Investment trusts	4	0,05	701 714	0,21
Charities	5	0,06	555 680	0,17
Universities	4	0,05	314 727	0,09
Local authorities	2	0,02	181 245	0,05
Other	7 698	94,74	41 148 936	12,41
Total	8 126	100	331 892 619	100
			Number of shares	% of shares
Major shareholders holding 5% or more of the company's ordinary shares				
Government Employees Pension Fund (ZA)			41 621 608	12,54
Lazard Emerging Markets Portfolio (US)			30 554 225	9,21
Fund managers holding 5% or more of the company's ordinary shares				
Public Investment Corporation (ZA)			41 621 608	12,54
Lazard Asset Management LLC (Various)			53 985 537	16,27
Capital Group Companies Inc (Various)			23 698 525	7,14
	Number of shareholders	% of shareholders	Number of shares	% of shares
Shareholder spread				
Non-public*	10	0,12	43 051 834	12,97
Public	8 116	99,88	288 840 785	87,03
Total	8 126	100	331 892 619	100
Domestic			142 512 051	42,94
International			189 380 568	57,06
			331 892 619	100

* Includes directors, The Murray & Roberts Trust, Murray & Roberts Retirement Fund, employees and associates.