REMUNERATION REPORT

INTRODUCTION BY THE REMUNERATION AND HUMAN RESOURCES COMMITTEE CHAIRMAN

I am pleased to present the remuneration committee's report on directors' and prescribed officers' remuneration. The report provides context for the remuneration considerations and policy through this introduction, outlines our remuneration policy and presents a report on the remuneration outcomes against our policy.

As described in this integrated report, Murray & Roberts was impacted by poor trading conditions in the oil and gas, mining and construction sectors. Activities in these sectors were at their lowest for more than a decade. Lower financial performance in 2016 than 2015 was due to these difficult markets (particularly in the oil and gas sector). Operating profit was marginally below adjusted target at R947 million. Operating profit in terms of the Short Term Incentive Scheme rules is measured on continuing operations. However, the decision to dispose of the I&B platform and Genrec was taken in May 2016 and therefore the Board has resolved to measure performance against operating profit from continuing and discontinuing operations, and also ignoring the R223 million foreign exchange profit related to Group restructuring. ROICE performance of 10,9% was below threshold, due to the lower profitability. Net cash of R1,762 million was better than target, and FCF of R429 million was also above target. This performance is commendable given the difficult trading conditions.

This year's performance is reflected in the remuneration received by executive directors and prescribed officers during the year under review:

- Annual short-term incentives of 52,92% of the possible maximum have been awarded in respect of performance in 2016. This recognises the Group's financial performance in the current market and the good performance against individual non-financial objectives that were set at the start of the year.
- The performance period for the 2013 FSP long-term incentive ended on 30 June 2016. Half of the award was based on ROICE performance, 25% on relative TSR performance and 25% on FCF. ROICE for the three-year performance period was 14,6%, achieving 92% of target of 15,8%, being WACC plus 3%. The Group's TSR over the performance period was at a negative compound rate of 46,4%. However this is better than the peer group weighted negative compound rate of 50,3%. Cumulative free cash flow was above the cash positive target with a positive free cash flow of 51 cents per share. As a result of this performance, 96% of the 2013 FSP award vested on 28 August 2016.
- Guaranteed pay increases of 5% were implemented with effect from 1 July 2016, approximately 1% below inflation and in line with the average percentage increases awarded to salaried staff across the Group.

Given the changes to policy introduced last year, our shareholder support for the current remuneration policy and our general alignment with the draft King IV, no changes were made to the remuneration policy during the course of FY2016.

The remuneration policy as contained in this remuneration report will be put to a non-binding shareholders vote at the annual general meeting of shareholders. Shareholders are referred to ordinary resolution 7 in the loose insert of the printed report.

I will be stepping down from the committee after the AGM in November 2016 after chairing it for eight years. The Group has changed significantly over this period where today it is a global company with strategic business platforms in Underground Mining, Power & Water and Oil & Gas. Ralph Havenstein will take over as chairman of the committee.

As always we welcome the input of our shareholders on our remuneration policy. We believe our remuneration policy and its application reflect shareholder alignment and will lead to an enhanced performance culture in the Group and sustained shareholder value creation.

ROYDEN VICE
CHAIRMAN
REMUNERATION & HUMAN RESOURCES COMMITTEE

REMUNERATION

Introduction

The remuneration report has been prepared by the remuneration committee in line with the principles outlined in King III and has been approved by the Board. The remuneration report has been updated and reflects international reporting trends. The report covers executive directors', prescribed officers' and non-executive directors' remuneration.

The Group executive committee makes key management decisions under the authority delegated to it by the Board and is responsible for execution of the Group's strategy. The members of the executive committee during FY2016 are shown in the table below.

Executive committee members

NAME	TITLE	DESIGNATION
Henry Laas	Group chief executive	Executive director
Cobus Bester	Group financial director	Executive director
Peter Bennett[1]	Chief executive officer – Oil & Gas business platform	Prescribed officer
Orrie Fenn	Chief executive officer – Underground Mining business platform	Prescribed officer
Kevin Gallagher[2]	Chief executive officer – Oil & Gas business platform	Prescribed officer
Jerome Govender	Chief executive officer – Infrastructure & Building business platform	Prescribed officer
Steve Harrison[3]	Chief executive officer – Power & Water business platform	Prescribed officer
Ian Henstock	Commercial executive	Prescribed officer
Thokozani Mdluli	Health, safety and environment executive	Prescribed officer
Andrew Skudder[4]	Sustainability executive	Prescribed officer

1 *Peter Bennett appointed on 1 February 2016.*
2 *Kevin Gallagher resigned on 31 January 2016.*
3 *Steve Harrison appointed on 1 September 2015.*
4 *Andrew Skudder resigned on 31 July 2016.*

The non-executive directors who served on the Board during FY2016 are listed in the table below.

Non-executive directors

NAME	DESIGNATION
Mahlape Sello	Independent non-executive chairman
Dave Barber	Independent non-executive director
Ralph Havenstein	Independent non-executive director
Suresh Kana[1]	Independent non-executive director
Ntombi Langa-Royds	Independent non-executive director
Michael McMahon[4]	Independent non-executive director
Xolani Mkhwanazi[2]	Independent non-executive director
Keith Spence[3]	Independent non-executive director
Royden Vice[5]	Independent non-executive director

1 *Suresh Kana was appointed as an independent non-executive director on 1 July 2015.*
2 *Xolani Mkhwanazi was appointed as an independent non-executive director on 1 August 2015.*
3 *Keith Spence was appointed as an independent non-executive director on 25 November 2015.*
4 *Michael McMahon retired 30 September 2016.*
5 *Royden Vice will retire 30 November 2016.*

The remuneration report outlines the remuneration policy that guides the remuneration committee's decisions, and the remuneration outcome from the application of the remuneration policy during FY2016.

REMUNERATION REPORT CONTINUED

REMUNERATION POLICY

Remuneration policy principles

Murray & Roberts believes that directors, senior executives and employees should be paid fair, competitive and appropriately structured remuneration in the best interests of shareholders. It also recognises that its remuneration philosophy has a direct effect on the behaviour of employees and that it has to support delivery of the Group's business strategy. The remuneration policy continues to be driven by the principles of developing a performance culture and motivating and retaining key and critical talent.

The Murray & Roberts remuneration policy is aligned to the Group strategy, which aims to deliver enhanced shareholder value through growth in profitability and cash flows, focus on international natural resource market sectors, diversification of the Group's business model, delivery of project and commercial management excellence and enhanced safety, performance and diversity of the Group's employees.

Murray & Roberts recognises that its remuneration policy should be formalised across all the Group's businesses for remuneration to be consistent and fair, however it needs to remain flexible enough to acknowledge differences across businesses, with varying market conditions and external benchmarking, per business platform.

Remuneration policy for executive directors and prescribed officers

To give effect to the general remuneration philosophy that executive directors, prescribed officers and salaried employees should be paid fair, competitive and appropriately structured remuneration in the best interests of the Company and shareholders, the following broad principles are applied:

- Remuneration consists of fixed and variable components, with emphasis on variable pay at senior levels to encourage performance and shareholder value-add;
- Remuneration structures support the development of a performance culture and the Group's business strategy;
- Remuneration components are set at a competitive level to motivate talent and to attract and retain the services of high-calibre employees;
- The short-term incentive plan aligns the interests of executives with those of shareholders in the short term as performance incentives are subject to Company key financial performance and individual non-financial key performance indicators; and
- The long-term incentive plan rewards achievement of financial performance measures supporting long-term shareholder value creation.

Components of remuneration

The remuneration committee ensures that the mix of remuneration components supports the Group's strategic objectives.
Murray & Roberts has the following remuneration components:

- Guaranteed pay (consisting of salary, benefits and retirement fund contributions);
- Short-term incentives; and
- Long-term incentives.

The Company seeks to position guaranteed pay at the median against appropriate benchmarks, however, for total remuneration the policy is to position earnings at the 75th percentile for executives, senior management and talent and critical skills, where the 75th percentile is achieved at between "on-target" and "stretch" performance. This policy supports the underlying principle of paying for performance and the focus on variable pay.

The table on the following pages summarises the key components of executive directors' and prescribed officers' remuneration, the link to strategy, how each component operates and the maximum opportunity for each element.

Summary of remuneration components and link to strategy

GUARANTEED PAY IS A FIXED COMPONENT, WHICH REFLECTS INDIVIDUAL CONTRIBUTION AND MARKET VALUE FOR RESPECTIVE ROLES, WITH INTERNAL AND EXTERNAL EQUITY BEING CORNERSTONES FOR SETTING GUARANTEED PAY.

OPERATION

- Guaranteed pay consists of salary, benefits and retirement fund contributions.
- Positioned at market median (per job grade taking into consideration the size and complexity of the role). The committee considers the impact of any guaranteed pay increase on the total remuneration package.
- Paid monthly in cash net of allocations to travel allowances, retirement fund, insured benefits and medical aid.
- Guaranteed pay (and other elements of the remuneration package) are paid in different currencies as appropriate to reflect the geographic location of the executive.
- Reviewed annually taking account of Group performance, individual performance, changes in responsibility, levels of increase in the market and levels of increase for the broader employee base.
- Benchmarking is performed relative to peer companies for executive directors and for prescribed officers, against companies listed on the JSE which are of a similar size and nature in terms of market capitalisation and sector. The Oil & Gas business platform CEO is benchmarked against an appropriate group of Australian Securities Exchange-listed engineering and construction and oil and gas operator companies.

MAXIMUM OPPORTUNITY

- There is no prescribed maximum annual increase. However, increases will normally be no more than the general level of increase in the market against which the executive's salary is benchmarked.
- On occasions a larger increase may be awarded to recognise, for example, development in role or change in responsibility.

BENEFITS ARE PROVIDED AT COMPETITIVE LEVELS TO ATTRACT AND RETAIN SUITABLY QUALIFIED AND EXPERIENCED EXECUTIVES.

OPERATION

- Benefits such as travel allowances, insurance policies relating to death-in-service and disability benefits and medical aid are included in guaranteed pay.

MAXIMUM OPPORTUNITY

- There are no prescribed maximum values. However reference is made to market practice and benchmarks.
- Company contributions for disability and death benefits in South Africa are based on pensionable salary, where pensionable salary is no less than 50% of guaranteed pay. The contribution rates are reviewed annually.

REMUNERATION REPORT CONTINUED

RETIREMENT FUND CONTRIBUTIONS ARE MADE TO PROVIDE COMPETITIVE POST-EMPLOYMENT INCOME TO ATTRACT AND RETAIN SUITABLY QUALIFIED AND EXPERIENCED EXECUTIVES.

OPERATION

- Executives in South Africa contribute to the Murray & Roberts Retirement Fund, which is a defined contribution pension fund.
- In Australia contributions are made, as part of guaranteed pay, to a superannuation fund structured as a defined contribution fund.

MAXIMUM OPPORTUNITY

- Maximum company contributions are set according to local retirement fund rules.

SHORT-TERM INCENTIVES DRIVE COMPANY AND TEAM FINANCIAL PERFORMANCE, AS WELL AS INDIVIDUAL PERFORMANCE FOR NON-FINANCIAL MEASURES, IN ORDER TO DELIVER SUSTAINED SHAREHOLDER VALUE. IT ALSO PROVIDES ALIGNMENT WITH SHAREHOLDERS THROUGH A DEFERRED COMPONENT.

OPERATION

- The STI scheme is designed to be self-funding. On-target bonus projections are used to ensure affordability and financial measures such as earnings before interest and tax and actual profit are used to calculate the bonus provision accrual.
- Awards are based on annual performance against a balanced scorecard of metrics as determined by the remuneration committee from time to time.
- The Group chief executive, Group financial director and business platform CEOs have a 70% weighting in favour of financial targets, while other prescribed officers have a 60% weighting. For the 70% financial target weighting for business platform CEOs, 50% is linked to their platform financial measures and 20% to Group financial targets.
- Individual performance is also assessed against suitable objectives related to leadership, relationship, operational and risk (including safety) targets.
- 70% of the award is delivered in cash and 30% in deferred forfeitable shares or conditional rights under the LTI schemes, which vests equally over three years, subject only to continued employment.
- Financial performance targets are measured against audited annual financial performance, net of bonus accruals. Individual non-financial performance targets are based on a formal performance and development evaluation conducted by the executive's direct manager and by the committee for the Group chief executive.

MAXIMUM OPPORTUNITY

- The STI disbursement is based on incentive qualification levels as a percentage of guaranteed pay, which is a function of job grade and performance against agreed financial and/or individual targets as per the individual's performance contract, and applied on a sliding scale between threshold, target and stretch performance.
- Performance below threshold attracts no STI payment for the specific component of the STI below threshold, where threshold for financial targets is 80% of target.
- The STI disbursement is capped at stretch performance or 120% of target.
- The maximum STI disbursement as a percentage of guaranteed pay is 200% for the Group chief executive, 150% for the Group financial director and between 100% and 150% for prescribed officers depending on their job grade.
- Clawback provisions, as described on page 79, apply to STI awards made from August 2015.

LONG-TERM INCENTIVES PROVIDE GENERAL ALIGNMENT BETWEEN THE EXECUTIVES AND SHAREHOLDERS OF THE GROUP. THEY ALSO MOTIVATE AND REWARD EXECUTIVES WHO HAVE CONTRIBUTED TO THE GROUP'S VALUE CREATION OVER THE LONG TERM AND SUPPORT THE RETENTION AND ATTRACTION OF EXECUTIVES.

OPERATION

- Murray & Roberts operates three LTI schemes: the FSP introduced in October 2012, the Vulindlela Trust, which was established in December 2005 as part of the Group's BBBEE shareholding structure, and the CPSP introduced in 2014 following the acquisition of the minority interests in Clough.
- Murray & Roberts has a historical option type plan, namely the Murray & Roberts Holdings Limited Share Option Scheme, which is currently under water and being phased out.

Forefeitable Share Plan

- Forfeitable Murray & Roberts shares are awarded subject to continued employment and satisfaction of challenging performance conditions measured over a three-year performance period, which are set by the remuneration committee before each grant.
- Cliff vesting occurs at the end of the three-year period.
- Settlement of the forfeitable shares can be by way of an acquisition of the required number of shares on the market, the use of shares held in treasury account, the use of shares held by the Murray & Roberts Trust, or an issue of shares. The remuneration committee has the ability to cash-settle awards, if necessary, in exceptional circumstances. There is no current intention for awards to be delivered in this way.
- In very specific circumstances, on an ad-hoc basis, where it is necessary to retain critical talent, the remuneration committee may make awards only subject to vesting conditions with no performance conditions. These awards are aimed at retention and will not form part of the annual awards.

Letsema Vulindlela Black Executive Trust

- The beneficiaries of Vulindlela are black (African, Coloured and Indian) South African citizens, who are employed on a permanent basis within the Group as top, senior and middle managers. Black prescribed officers have several outstanding allocations under Vulindela, however they have only been allocated forfeitable shares under the FSP since November 2012.

Clough Phantom Share Plan

- Clough phantom shares or conditional rights are awarded subject to continued employment and satisfaction of challenging performance conditions measured over three years, which are set by the remuneration committee before each grant.
- Cliff vesting occurs at the end of the three-year period.
- The phantom shares will be settled in cash or in Murray & Roberts shares at the date of vesting. The monetary value to which a Clough executive will become entitled as a result of the vesting of phantom shares will be the deemed market value of a Clough share on vesting date multiplied by the number of phantom shares to vest.
- The value of the phantom shares will be equal to the deemed market value of a Clough share. The value of Clough shares will be determined as at 30 June each year based on the median price-earnings multiples of selected listed Australian peer companies against the audited financial results for Clough.
- Executives will give no consideration for the award or settlement of an award.

Share Option Scheme

- The last award under the Share Option Scheme was made in July 2012 and no further awards will be made.
- Outstanding awards in terms of the Share Option Scheme will continue to vest, mostly subject to the meeting of performance conditions.

MAXIMUM OPPORTUNITY

- LTI award levels, expressed as a percentage of guaranteed pay, will be made based primarily on an employee's guaranteed pay, job grade, performance, retention and attraction requirements and market benchmarks.
- The maximum allocation limit as a percentage of guaranteed pay is 190% for the Group chief executive, 140% for the Group financial director and between 80% and 140% for prescribed officers depending on their job grade (face value of shares at grant).
- For FSP allocations from September 2015, 30% of the award vests for threshold performance, rising on a sliding scale to 100% of the award for performance at target performance.
- Under the CPSP, 80% of the award vests for threshold performance, rising on a sliding scale to 100% of the award for performance at target performance.
- Clawback provisions, as described on page 79, apply to LTI awards made from August 2015.

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

REMUNERATION REPORT CONTINUED

EXECUTIVE SHARE OWNERSHIP AIMS TO BETTER ALIGN THE INTERESTS OF EXECUTIVES WITH THOSE OF SHAREHOLDERS BY ENCOURAGING EXECUTIVES TO BUILD A MEANINGFUL SHAREHOLDING IN THE COMPANY.

OPERATION

- A first move towards this was through the introduction of part deferral of STIs into forfeitable shares, where 30% of the STIs are deferred into forfeitable shares under the FSP or conditional rights under the CPSP.
- In a bid to further encourage executives to hold more shares, the Group chief executive is encouraged to build a shareholding, in "unfettered" shares, equivalent to at least 100% of guaranteed pay, other executive directors equivalent to 75% of guaranteed pay, and prescribed officers equivalent to 50% of guaranteed pay over a period of not more than five years.
- Executives are encouraged to retain at least 50% of any vested shares retained after meeting necessary tax obligations under the LTI schemes.

Choice of performance measures

The table below shows the performance measures set for FY2016, which will again be applied for FY2017. The weightings presented below are for the executive directors. Targets are set every year following a bottom-up business planning process taking account of strategic goals and the prevailing market conditions.

STI performance measures

METRIC	WEIGHTING FOR CHIEF EXECUTIVE AND FINANCIAL DIRECTOR	RATIONALE
Financial performance measures		
EBIT	20%	A key indicator of the underlying profit performance of the Group, reflecting both revenues and costs.
Continuing Diluted HEPS	20%	A key indicator of the value add for shareholders.
Net Cash	10%	A key indicator of the Group's liquidity and ability to meet its debt requirements.
Free Cash Flow	10%	A key indicator of the Group's ability to generate cash after providing for maintaining or expanding its asset base. Free cash flow is an indication of the ability of the Group to pursue opportunities that enhance shareholder value.
ROICE	10%	A key indicator of the effective use of shareholder capital.
Individual performance measures		
Leadership	7,5%	A key indicator of the extent to which strategy implementation, transformation & diversity and leadership succession and development objectives are achieved.
Relationship	7,5%	A key indicator of the extent to which stakeholder engagement and employee relations objectives are achieved.
Operational	7,5%	A key indicator of the extent to which governance, commercial management and project performance objectives are achieved.
Risk	7,5%	A key indicator of the extent to which health, wellness and safety, risk management and environmental objectives are achieved.

LTI performance measures

FSP performance measures over three year vesting period

METRIC, WEIGHTING AND RATIONALE	VESTING
Return on Invested Capital Employed **50%** A key indicator of the effective use of shareholder capital.	For allocations prior to August 2015, 100% vesting will occur at target performance of WACC + 3%, with 80% vesting at threshold performance which is 80% of target. Linear vesting will be applied between these points. For allocations from September 2015, 30% vests for threshold performance and 100% vests for target, where threshold performance is WACC and target performance is WACC + 4%. Linear vesting will be applied between these points
Total Shareholder Return relative to a peer group of competitors **25%** TSR measures the total returns to the Group's shareholders, and provides close alignment with shareholder interests.	A peer group of South African engineering and construction companies is used to evaluate TSR. For allocations prior to August 2015, 100% vesting will occur at median peer TSR performance, with 80% vesting at threshold performance of 80% of target. Linear vesting will be applied between these points. TSR is weighted for each of the peer companies according to their market capitalisation at the beginning of the performance period. For allocations from September 2015, 30% vests for threshold performance and 100% vests for target performance against a market cap weighted index of the peer companies. Threshold is 90% of the combined peer TSR CAGR and target is the combined peer TSR CAGR plus 5%. Linear vesting will be applied between these points.
Free Cash Flow per Share **25%** A key indicator of the Group's ability to generate cash after providing for maintaining or expanding its asset base. FCFPS is an indication of the Group's ability to pursue opportunities that enhance shareholder value.	For the August 2013 allocations, 100% vesting will occur for a positive cumulative FCFPS over the three-year performance period. For the September 2014 and March 2015 allocations, 100% vesting will occur at target FCFPS for each of the three-years under review on a cumulative basis. 80% vesting occurs at threshold performance which is 80% of target. Linear vesting will be applied between these points. For allocations form September 2015, 30% vests at threshold performance and 100% vests at target, where target performance is 120% of cumulative budgeted FCFPS and threshold performance is 80% of budget. Linear vesting will be applied between these points.

Clawback of incentives

For STI and LTI awards made from August 2015, the remuneration committee introduced clawback provisions, where the committee may reduce or clawback STI and LTI awards in the following circumstances:

- The participant acting fraudulently or dishonestly or being in material breach of their obligations to the Murray & Roberts Group; or
- Where Murray & Roberts becomes aware of a material misstatement or omission in the financial statements of a Group company or the Group.

These clawback provisions apply whether or not awards are made in the form of cash or equity, and whether or not the equity has vested.

Differences in remuneration policy for executives compared to other employees

There are differences in the structure of the remuneration policy for the executive directors, prescribed officers and other salaried employees, which are necessary to reflect the different levels of responsibility and market practices. The key difference is the increased emphasis on variable performance-related pay in senior roles. Lower maximum variable incentive pay limits, as a percentage of guaranteed pay, apply for roles below executive level, driven by market benchmarks and the relative impact of the role. Only the most senior executives in the Group participate in the FSP and CPSP schemes, where these plans are targeted at those individuals who have the greatest responsibility for Group performance. As Murray & Roberts believes that all employees should be aligned with key business drivers, participation in the STI also includes middle management, junior management and general employees, subject to the meeting of individual performance targets.

REMUNERATION REPORT CONTINUED

Executive directors' and prescribed officers' employment contracts and policy on termination of employment

Executive directors and prescribed officers do not have fixed-term contracts, but are subject to notice periods of three months. The employment contracts include pay in lieu of notice provisions which may be invoked at the discretion of the Group. Normal retirement of executive directors and senior management is at age 63, however this is subject to specific legislation in the countries within which Murray & Roberts operates.

There is no material liability to the Group with respect to the termination of employment of any executive director or prescribed officer. The 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, other than as stipulated in the LTI schemes. The only provision in the contract of employment for executive directors and prescribed officers (other than the Oil & Gas business platform CEO) relating to a payment on termination of employment is 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.

Any LTI entitlements awarded to an executive director or prescribed officer under the Group's LTI schemes will be determined based on the relevant plan rules. Employees terminating employment due to resignation or dismissal on grounds of misconduct, poor performance or dishonest or fraudulent conduct or due to absconding, will forfeit all unvested LTI awards and deferred STI into LTI awards. Employees terminating employment due to death, retirement, retrenchment, ill-health, disability, injury or the sale of the Employer Company will be classified as good leavers and a portion of the LTI awards and deferred STI into LTI awards will vest on the date of termination of employment. This portion will reflect the number of months served since the award date to the date of termination of employment over the total number of months in the vesting period and the extent to which the performance conditions imposed have been met. The remainder of the awards will lapse.

No agreements have been entered into with the executive directors or prescribed officers regarding restraint of trade, other than the Oil & Gas business platform CEO who has a non-competition clause in his contract of employment.

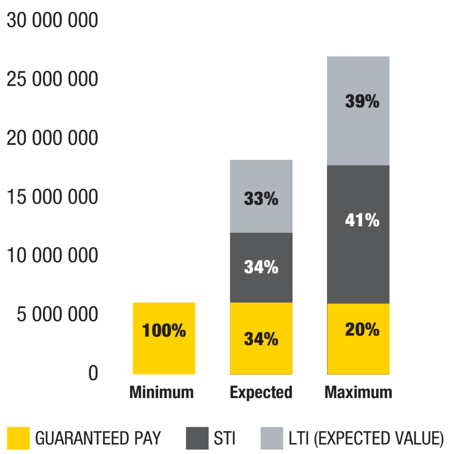
Retention schemes

Retention schemes are used on an ad-hoc basis to provide select executives with retention instruments to ensure the Group is able to attract and retain highly-skilled and experienced executives. Retention schemes may be cash settled or equity settled through the use of one of the Group's LTI schemes. Where appropriate, performance conditions are applied to retention schemes. There are currently no retention schemes in place for executive directors or prescribed officers.

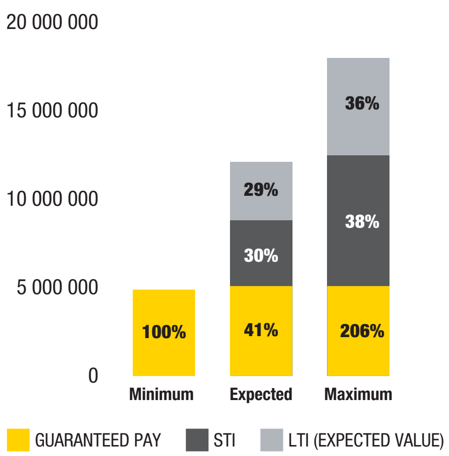
Total remuneration scenarios at different performance levels

The charts below illustrate the total potential remuneration for the executive directors.

GROUP CHIEF EXECUTIVE [1]
(R MILLION)



GROUP FINANCIAL DIRECTOR [1]
(R MILLION)



1 Assumptions:

Minimum = guaranteed pay only (salary, benefits and retirement fund contributions)

Expected = on-target STI allocation and expected value of LTI award

Maximum = stretch STI allocation and face value of LTI award

Guaranteed pay levels (on which other elements of the package are calculated) are based on those applying on 1 July 2016.

Remuneration policy for non-executive directors

Components of remuneration

Non-executive directors receive a fee for their contribution to the Board and its committees of which they are members. This fee structure reflects the skill and experience brought to the Group by each non-executive director, responsibilities undertaken, the time commitment involved and the importance of attendance at and contribution to Board and committee meetings. The fee structure is reviewed annually.

Fees are benchmarked against companies listed on the JSE which are of a similar size and nature, in terms of market capitalisation and sector. This includes companies in the construction, mining and industrial sectors. It is the Company's policy to align fees to the upper quartile of the benchmark, in alignment with the total remuneration policy for executives and in order to ensure that suitably qualified and experienced non-executive directors are attracted to the Group.

Summary of non-executive director remuneration

REMUNERATION ELEMENT AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY
Fees Director's fees are paid in order to attract and retain high-quality individuals, and to provide appropriate remuneration for the responsibility undertaken. Committee fees recognise the additional responsibilities, time and commitment required.	▪ The chairman is paid a single fee for all responsibilities and includes a director's fee, as well as committee membership fees. ▪ Non-executive directors are paid a director's fee and relevant committee membership fees. ▪ Committee chairmen are paid an additional fee to reflect their extra responsibilities. ▪ All fee levels are reviewed annually and any changes are effective from 1 October following approval by shareholders. ▪ To the extent that non-executive directors do not attend a scheduled Board or committee meeting, an amount will be deducted from their fee. ▪ Where non-executive directors are required to attend a special Board or committee meeting, they will receive an additional fee in respect of their attendance. ▪ A multi-currency director's fee structure is employed based on the place of residence of the non-executive director, which at this time only includes an Australian resident non-executive director.	▪ While there is not a maximum fee level, fees are set by reference to upper quartile market data for companies of similar size and complexity to Murray & Roberts. ▪ There is no prescribed annual increase. However, increases will normally be no more than the general level of increase in the market against which the director's fees are benchmarked. ▪ On occasions a larger increase may be awarded to align fees to the market.
Benefits are paid in order to compensate directors for expenses incurred.	▪ Non-executive directors are entitled to travelling and other expenses incurred in carrying out the business of the Group and attending Board and committee meetings. ▪ Australian resident non-executive directors receive an annual travel allowance to compensate for the time spent travelling between Australia and South Africa to attend Board and committee meetings.	▪ There are no prescribed maximum values. However guidelines are set so as to ensure consistency and to optimise the cost of travel and accommodation.
Short-term and long-term incentives	▪ Non-executive directors do not participate in the STI or any LTI scheme and they do not receive any benefits other than those disclosed.	▪ Not applicable.
Payments on early termination	▪ There are no provisions in any of the non-executive directors' appointment arrangements for compensation payable on early termination of their directorship, other than payment of accrued fees and expenses.	▪ Not applicable.

Tenure of office

The Company's Articles of Association determine that non-executive directors are elected at the annual general meeting for a period of three years. At the end of three years non-executive directors will retire and should they be available for re-election and subject to nomination by the Board, such election will take place at the annual general meeting for a further period of three years. Retirement age for non-executive directors is 70 years.

REMUNERATION REPORT CONTINUED

Fee proposal for 2017

In accordance with King III the remuneration committee reviews and recommends fee structures to the Board for approval (excluding recommendation on their own fees) before submitting recommendations for approval by shareholders at the annual general meeting.

An inflation-linked increase to the non-executive directors' fees is proposed for 2017.

The proposed fees are tabled below:

		Previous per annum	Proposed per annum
Director fees			
Chairman	Includes director and committee fees[1]	R1 350 000	R1 415 000
Resident director	Per annum[2&3]	R275 000	R288 000
Non-resident director	Per annum[2&3]	AUD100 000	AUD100 000
Committee fees			
Audit & sustainability	Chairman	R255 000	R267 000
	Resident member	R136 500	R143 000
	Non-resident member	AUD10 000	AUD10 000
Health, safety & environment	Chairman	R185 000	R194 000
	Resident member	R95 000	R99 000
	Non-resident member	AUD10 000	AUD10 000
Nomination	Member	R60 000	R63 000
Remuneration & human resources	Chairman	R185 000	R194 000
	Member	R95 000	R99 000
Risk management	Chairman	R185 000	R194 000
	Resident member	R95 000	R99 000
	Non-resident member	AUD10 000	AUD10 000
Social & ethics	Chairman	R185 000	R194 000
	Resident member	R95 000	R99 000
	Non-resident member	AUD10 000	AUD10 000
Ad hoc meetings			
Board	Resident member	R45 000	R47 000
	Non-resident member	AUD17 000	AUD17 000
Committee	Resident member	R23 000	R24 000
	Non-resident member	AUD8 900	AUD8 900

1 *Includes fees for chairing the nomination committee and attending all Board committees.*

2 *Calculated on the basis of five meetings per annum.*

3 *A deduction of R24 000 or AUD8 900 per meeting will apply for non-attendance at a scheduled Board meeting.*

4 *A deduction of R10 000 or AUD1 000 per meeting will apply for non-attendance at a scheduled committee meeting.*

5 *Australian resident non-executive directors will receive an annual travel allowance of AUD25 000 to compensate for the time spent travelling to attend meetings.*

In terms of section 66(8) of the Companies Act shareholders are referred to special resolution 1 included in the loose insert of the printed report regarding approval of the proposed non-executive director fee structure for FY2017.

ANNUAL REPORT ON REMUNERATION

This section of the remuneration report outlines the governance of remuneration and how the remuneration policy has been applied to executive directors, prescribed officers and non-executive directors.

Remuneration governance

The remuneration committee assists the Board to fulfil its corporate governance supervision responsibilities and to align the remuneration policy with the Company's business strategy. The key focus in this regard is to attract, retain, motivate and reward directors, senior executives and employees through the payment of fair, competitive and appropriately structured remuneration in the best interests of the Company and shareholders. The committee operates under terms of reference reviewed and approved annually by the Board.

Membership

Royden Vice chaired this committee and will be stepping down at the November 2016 meeting and will be replace by Ralph Havenstein. Ntombi Langa-Royds, Suresh Kana and Mahlape Sello serve as members of the committee. The Group chief executive and Group financial director attend meetings in an ex officio capacity. The executives who attend meetings in their ex officio capacity do not participate in any discussions or decisions pertaining to their own remuneration. Specialised advice is sought from time to time.

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 submitting reports and recommendations on the Group's employment framework and policies, and remuneration philosophy.

The committee is responsible for considering and approving proposals regarding guaranteed pay, benefits, short-term incentives, long-term incentives and related matters pertaining to executive directors of the Group, prescribed officers, all managing directors of the Group's businesses and other senior Group executives. It also considers and approves the remuneration and benefits paid to general staff. It has responsibility for oversight of the Group pension, provident and other benefit plans.

The functions, role and mandate of the Group chief executive are considered by the committee and his performance is assessed. Succession planning to the Group chief executive and senior executives is also considered by the committee, as well as the Group's leadership succession and development strategy and employment equity status.

The committee oversees the preparation of the remuneration report and recommends the report to the Board, ensuring that this report is accurate, complete and transparent and provides a clear explanation of how the remuneration policy has been implemented. The committee ensures that the remuneration policy is put to a non-binding advisory vote of shareholders at the annual general meeting.

Key decisions

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

- Approval of increases to the guaranteed pay component of total remuneration for the Group;
- Approval of executive director and prescribed officer guaranteed pay increases for FY2017;
- Approval of short-term incentive payments in respect of FY2016;
- Approval of long-term incentive awards and underlying performance conditions;
- Review and approval of non-executive director fees for FY2017, excluding approval of any recommendation on their own fees; and
- Review and approval of the Group's remuneration report for inclusion in the FY2016 annual integrated report.

Assessment

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

Remuneration outcomes for executive directors and prescribed officers

The remuneration policy for executive directors and prescribed officers that applied in FY2016 is the same as set out in the remuneration policy report, and the remuneration outcomes described below have therefore been provided in accordance with that same policy.

Single total figure of remuneration

The table on the next page includes the total remuneration for the reported financial year and the previous financial year. The table includes guaranteed pay, the short-term incentive paid (including the deferred short-term incentive) and the long-term incentives that will vest due to performance in the financial year.

REMUNERATION REPORT CONTINUED

Single total figure of remuneration for period to 30 June 2016

EMPLOYEE	Guaranteed pay		STI		LTI		Benefits		Total remuneration	
NAME	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**
Bennett, Peter[1]	–	**3 858 000**	–	**6 342 495**	–	**–**	–	**7 399 000**	–	**17 599 495**
Bester, Cobus	4 310 000	**4 530 000**	2 264 900	**3 808 600**	1 166 138	**1 667 904**	–	**–**	7 741 038	**10 006 504**
Fenn, Orrie	4 260 000	**4 470 000**	2 313 700	**4 120 200**	1 007 119	**1 148 112**	–	**–**	7 580 819	**9 738 312**
Gallagher, Kevin[2]	13 154 530	**8 900 000**	6 856 199	**–**	–	**–**	–	**296 000**	20 010 729	**–**
Govender, Jerome	3 400 000	**3 570 000**	1 727 600	**1 844 800**	751 725	**822 528**	–	**–**	5 879 325	**6 237 328**
Harrison, Steve[3]	2 709 000	**2 951 500**	1 000 000	**1 000 000**	481 875	**685 440**	–	**–**	4 190 875	**4 636 940**
Henstock, Ian	3 355 000	**3 519 500**	1 424 500	**2 299 400**	780 638	**1 016 736**	–	**–**	5 560 138	**6 835 636**
Laas, Henry	5 600 000	**5 900 000**	3 211 600	**6 403 800**	1 604 644	**2 376 192**	–	**–**	10 416 244	**14 679 992**
Mdluli, Thokozani	2 250 000	**2 383 536**	910 300	**1 241 600**	322 856	**685 440**	–	**–**	3 483 156	**4 310 576**
Saieva, Frank	3 116 667	**–**	–	**–**	–	**–**	1 142 224	**–**	4 258 891	**–**
Skudder, Andrew[4]	3 150 000	**3 310 000**	1 337 500	**–**	689 081	**–**	–	**–**	5 176 581	**3 310 000**

1 Peter Bennett joined the Group on 1 February 2016.

2 Kevin Gallagher resigned from the Group with effect of 31 January 2016.

3 Steve Harrison appointed on 1 September 2015.

4 Andrew Skudder resigned on 31 July 2016.

The single total figure of remuneration is calculated as set out below.

	2016	**2015**
GUARANTEED PAY	Guaranteed pay earned for the period including benefits and retirement fund contributions. The average remuneration adjustment for executive directors and prescribed officers for FY2017 (effective 1 July 2016) was 4,85% (FY16: 5,2%). The total adjustment was aligned to the average Murray & Roberts increase awarded in March 2016 for other salaried employees of 5,0%.	Guaranteed pay earned for the period including benefits and retirement fund contributions. The average remuneration adjustment for executive directors and prescribed officers for FY2016 (effective 1 July 2015) was 5,2% (FY14: 6,4%). The total adjustment was aligned to the average Murray & Roberts increase awarded in March 2015 for other salaried employees of 5,8%.
STI	STI awarded for FY2016 performance. 70% of the award is payable in cash in September 2016, and 30% deferred as an LTI award, which will vest 1/3 each year from FY2017 to FY2019. Peter Bennett's STI award was guaranteed as part of his employment contract agreement.	STI awarded for FY2015 performance. 70% of the award was payable in cash in September 2015, and 30% deferred as an LTI award, which will vest 1/3 each year from FY2016 to FY2018.
LTI	The value of LTI awards under the August 2013 FSP that vested, based on performance during the three-year period to 30 June 2016. The value of that award is based on a share price on 30 June 2016 of R11.90. 4% of the August 2013 FSP awards lapsed due to the actual ROICE which achieved only 92% of target. No LTIs vested under the CPSP for performance to 30 June 2016.	The value of LTI awards under the November 2012 FSP that vested on 28 November 2015, based on performance during the three-year period to 30 June 2015. The value of that award was based on a share price on 30 June 2015 of R12.85. 25% of the November 2012 FSP awards lapsed due to non-achievement of the TSR performance condition. The August 2011 retention Share Options Scheme allocation that vested on 31 August 2014 carried no value as at 30 June 2015 as the share price was below the strike price for this allocation. No LTIs vested under the CPSP for performance to 30 June 2015.
BENEFITS	The payment to Peter Bennett is in recognition of previous incentives foregone when joining the Group. The payment to Kevin Gallagher relates to accumulated leave following his resignation.	The payment to Frank Saieva relates to accumulated leave and three month's pay in lieu of notice, following his resignation on 29 May 2015.

FY2016 STI performance outcomes

Financial performance KPIs are measured against audited annual financial performance and are net of bonus accruals. Individual performance KPIs are based on a formal performance and development evaluation conducted by the Group chief executive for the executives and by the remuneration committee for the Group chief executive.

Performance against the FY2016 Group targets are summarised below, where the outcome represents the overall Group performance expressed as a percentage achievement against target for the specific KPI.

KPA	KPI	WEIGHTING	OUTCOME	COMMENTS
FINANCIAL	PROFITABILITY: EBIT	20%	96%	Adjusted EBIT of R947 million achieved relative to target of R986 million for continuing operations.
FINANCIAL	PROFITABILITY: DILUTED HEPS	20%	90%	HEPS (from continuing and discontinuing operations) of 153 cents achieved relative to target of 170 cents for continuing operations.
FINANCIAL	CASH FLOW: NET CASH	10%	160%	Net cash of R1,762 million achieved relative to target of R1,102 million.
FINANCIAL	CASH FLOW: FREE CASH FLOW	10%	203%	Free cash flow of R429 million relative to target of R211 million.
FINANCIAL	RETURNS	10%	75%	ROICE of 10,9% achieved relative to WACC plus 1,5% (on target) or 14,6%. Performance of less than WACC compared to target attracts no STI payment for the element.
LEADERSHIP	STRATEGY IMPLEMENTATION	7,5%	90%	Further progress made on increasing focus on international natural resource market sectors through the sale of the I&B platform.
LEADERSHIP	TRANSFORMATION & DIVERSITY			Due to a subdued business environment, transformation in South Africa has been slow, however the Group BBBEE rating met the target of Level 2.
LEADERSHIP	LEADERSHIP SUCCESSION & DEVELOPMENT			Performance management and succession planning is well established at executive level, however bench strength could be stronger. CEO succession in Clough was handled expediently and the transition has been smooth.
RELATIONSHIP	STAKEHOLDER ENGAGEMENT	7,5%	90%	Relations with most stakeholders are strong, however relationship between the South African Government and the construction industry could be improved.
RELATIONSHIP	EMPLOYEE RELATIONS			The employee relations plans to mitigate the increased level of labour unrest in South Africa are embedded in the Group companies with limited instability during the year. The South African operations retained their rating in terms of the Deloitte Best Company to Work For Survey and Cementation Canada is again rated as a Top 100 employer in Canada.

EVALUATION KEY:
PERFORMANCE BETWEEN TARGET AND STRETCH | PERFORMANCE BETWEEN THRESHOLD AND TARGET | PERFORMANCE BELOW THRESHOLD

REMUNERATION REPORT CONTINUED

KPA	KPI	WEIGHTING	OUTCOME	COMMENTS
OPERATIONAL	GOOD GOVERNANCE	7,5%	70%	The Group continues to implement good governance practices with a focus on legal compliance and King III application.
	COMMERCIAL MANAGEMENT			Good progress made on the Gautrain and Dubai International Airport claims resolution, particularly with respect to the positive Sandton Cavern award. Ongoing improvement in contract management and lessons learnt practices across most operations.
	PROJECT PERFORMANCE			It was disappointing that we incurred losses on some projects, however the quantum of these losses has steadily declined over the past few years.
RISK	HEALTH, WELLNESS & SAFETY	7,5%	70%	Regrettably two employees lost their lives through work-related incidents, and two members of public lost their lives in the Grayston temporary works collapse incident. The LTIFR (0,68) rate was better than target, with TRCR (4,1) slightly below target. Both are however industry leading performances. There is continued focus on improving lead indicators with a total of 97 763 VFLs conducted.
	RISK MANAGEMENT			Risk management practices and internal audit are well-established disciplines and no material findings were reported
	ENVIRONMENT			Environmental reporting and awareness has improved and no major environmental incidents were reported.

FY2016 LTI performance outcomes

Vesting of the 2013 FSP award

The three-year performance period for the August 2013 FSP award ended on 30 June 2016. The FY2013 FSP award comprised 1 874 853 awards as at 30 June 2016, with 706 080 awards to the executive directors and prescribed officers. Half of the award was based on ROICE performance, 25% on relative TSR performance and 25% on FCFPS. ROICE for the three year performance period was 14,6%, below the target of 15,8%, being WACC plus 3%. The Group's TSR over the performance period was disappointing at a negative compound rate of 46,4%. However this is better than the peer group weighted negative compound rate of 50,3%. Cumulative free cash flow was above the cash positive target with a positive free cash flow of 51 cents per share. As a result of this performance, 96% of the FY2013 FSP award vested. The 4% of the award that did not meet the TSR performance condition lapsed on 24 August 2016. All FSP allocations awarded to Andrew Skudder lapsed on his resignation.

Vesting and expiry of Share Option Scheme awards

The 20 April 2011 Share Option Scheme did not meet the performance condition on the fifth anniversary, being 20 April 2016. In terms of the scheme rules, the right to exercise this option was extended for a period of one year to 19 April 2017. If the performance condition is not met at this date, the 20 April 2011 Share Option Scheme will lapse.

LTI awards granted in 2016

An allocation of forfeitable shares was made in September 2016 under the FSP.

The September 2016 FSP is the annual allocation of forfeitable shares to senior executives including the executive directors and prescribed officers and will vest in 2019. A total number of 6 080 500 forfeitable shares were allocated, of which 2 385 500 forfeitable shares to the value of R33 330 800 million were allocated to the executive directors and prescribed officers. The allocation took job grade, individual performance and retention risk into consideration.

The vesting of the September 2016 FSP award is subject to meeting performance conditions for the three year performance period from 1 July 2016 to 30 June 2019 as shown in the table below.

Thirty percent of the award will vest at threshold and 100% at target, with no vesting for below-threshold performance. Linear vesting will apply between these points. The remuneration committee considers the performance targets to be stretching in the context of the Group's business strategy and the market conditions.

September 2016 FSP award performance conditions

CRITERIA	PERFORMANCE CONDITION	WEIGHTING	THRESHOLD	TARGET FOR MAXIMUM VESTING
ROICE	Average Return on Invested Capital Employed over the performance period	50%	WACC	WACC plus 4%
TSR	Relative Total Shareholder Return over the performance period	25%	Combined peer TSR CAGR x 90	Combined peer TSR CAGR + 5%
FCFPS	Free Cash Flow per Share generated over performance period	25%	80% of Budgeted FCF	120% of Budgeted FCF

Peer companies to be used for the TSR performance measure are Aveng, Group 5, WBHO, Basil Read and Stefanutti Stocks.

The September 2016 FSP award was settled through a market purchase and use of the shares that lapsed under the August 2013 FSP award, thereby not resulting in any dilution to shareholders.

The aggregate number of shares at any one time which may be allocated under the Share Option Scheme and the FSP will currently not exceed 22 236 806 shares. This represents 5,0% of the number of shares currently in issue. As at 30 June 2016 there were 3 224 040 shares allocated under the Share Option Scheme and 13 723 188 shares under the FSP, which is less than the aggregate cap. This includes FSP awards under the STI deferral. It should however be noted that these shares were not allocated by way of an issue of shares and as such are not dilutive.

The maximum number of shares allocated to any participant in respect of all unvested awards under the FSP and the Share Option Scheme, will not exceed 2 223 681 shares. This represents 0,5% of the number of shares currently in issue. As at 30 June 2016, the Group chief executive had the highest number of unvested awards at 1 449 135 awards, representing 0,33% of the shares currently in issue, less than the cap.

An allocation of Conditional Rights under the CPSP will be made on 1 October 2016, to the value of AUD2 327 984 million to 26 executives, of which AUD1 272 368 million is allocated to the Clough executive officers including the Clough CEO. The allocation took job grade, individual performance and retention risk into consideration.

The vesting of the October 2016 CPSP award is subject to meeting performance conditions for the three year performance period from 1 July 2016 to 30 June 2019 as shown in the table below.

Eighty percent of the award will vest at threshold and 100% at target, with no vesting for below threshold performance. Linear vesting will apply between these points. The remuneration committee considers the performance targets to be stretching in the context of the Oil & Gas business platform strategy and the market conditions.

Peer companies to be used for the RGNPAT performance measure are Ausenco, GR Engineering, Lycopdium, Monadelphous, WorleyParsons, Downer and UGL.

The performance conditions will be evaluated over a three-year period and will run concurrently with Clough's financial year. The phantom shares will cliff vest, subject to the above performance conditions, three years from the award date.

The phantom shares will be settled in cash at the date of vesting. The monetary value to which a Clough executive will become entitled as a result of the vesting of phantom shares will be the deemed market value of a Clough share on vesting date multiplied by the number of phantom shares to vest. The executives will give no consideration for the award or settlement of an award.

2 404 500 shares were allocated under Vulindlela in FY2017 to 174 executives. No shares under Vulindlela were allocated to executive directors and prescribed officers. The objective of Vulindlela is to provide black executives the opportunity to become shareholders in Murray & Roberts and as an attraction and retention incentive. In addition, Vulindlela aims to align the interests of black executives with those of the shareholders. The beneficiaries of Vulindlela are black (African, Coloured and Indian) South African citizens, who are employed on a permanent basis within the Group as top, senior and middle managers. Allocations are based on management band, performance and potential of the individual and the number of shares allocated was determined with reference to the face value of shares to be allocated relative to the employee's guaranteed pay. Black executives who are top or senior executives as members of operating company executive committees were allocated shares under the FSP. In terms of the Trust Deed the Trust will be terminated at the end of 2021. As a result the September 2016 allocation will be the last allocation due to the five year lock-in period.

October 2016 CPSP award performance conditions over the vesting period

CRITERIA	PERFORMANCE CONDITION	TARGET	WEIGHTING
ROICE	Clough's Average Return on Invested Capital Employed	Clough WACC + 3%	25%
ROE	Clough's Average Return on Equity	17,5% through the cycle	25%
RGNPAT	Clough's Relative Growth in Net Profit After Tax	100% relative to peers	25%
FCF	Clough's Free Cash Flow generated	Budget for performance period	25%

REMUNERATION REPORT CONTINUED

Remuneration outcomes for non-executive directors

The remuneration policy for the non-executive directors set out in the remuneration policy report applied in FY2016. The remuneration of non-executive directors for the year ended 30 June 2016 was:

Non-executive directors' remuneration

NAME	Directors' fees '000	Non-attendance '000	Special board '000	Committee fees '000	Chairman's fees '000	**Total 2016 '000**	Total 2015 '000
DD Barber	271	–	45	345	–	**661**	618
R Havenstein	271	–	45	277	–	**593**	479
NB Langa Royds	271	–	45	277	–	**593**	573
JM McMahon	271	–	45	376	–	**692**	821
SP Kana[1]	271	–	45	300	–	**616**	–
XH Mkhwanazi[2]	250	(22)	45	158	–	**431**	–
WA Nairn[3]	–	–	–	–	–		331
M Sello	–	–	–	–	1 333	**1 333**	1 253
RT Vice	271	–	–	470	–	**741**	749
Total	1 876	(22)	270	2 203	1 333	**5 660**	4 824

AUD

NAME	Directors' fees '000	Non-attendance '000	Special board '000	Committee fees '000	Chairman's fees '000	**Total 2016 '000**	Total 2015 '000
K Spence[4]	58		17	18		**93**	–

1 Appointed 1 July 2015.

2 Appointed 1 August 2015.

3 Retired 1 January 2015.

4 Appointed 25 November 2015.