REMUNERATION REPORT

The report outlines our remuneration policy, provides context for the remuneration considerations and presents an implementation report on the remuneration outcomes based on our policy. The Group's total remuneration consists of fixed (guaranteed pay) and variable (short-term and long-term incentives) components.

The remuneration committee contracted the services of PwC for independent external advice and Deloitte verified the extent to which the performance conditions of incentive schemes were met. During the year, the remuneration committee considered the following key matters:

- Approval of increases to guaranteed pay;
- Approval of executive director and prescribed officer guaranteed pay increases for FY2020;
- Performance testing and approval of short-term incentive ("STI") payments in respect of FY2019;
- Performance testing and approval of vesting of the November 2016 long-term incentive ("LTI") awards;
- Approval of September 2019 LTI awards and underlying performance conditions;
- Review and recommendation of non-executive director fees for FY2020, excluding recommendation on their own fees; and
- Review and approval of the Group's remuneration report for inclusion in the FY2019 annual integrated report.

The STI scheme is not a profit share scheme, but a scheme that incentivises performance towards achieving financial and non-financial targets set for each financial year. The financial targets set at the beginning of FY2019, were derived from the budget for the year upon conclusion of a bottom-up budgeting process, which took into account the Group's order book and prevailing market conditions. The financial targets for FY2019 were lower than that of the previous year, cognisant of the market conditions in the oil and gas and power and water sectors. The EBIT target decreased to R805 million in FY2019, from R872 million in FY2018 and the diluted HEPS for continuing operations target decreased to 94 cents, from 117 cents. The actual financial results were close to the targets for FY2019, with EBIT at 98% and diluted continuing HEPS at 107% of target, which together with performance measured against the cash and return targets, translated into the financial component for STI performance outcomes, as detailed in this report.

The financial targets for the year were stretching considering the difficult trading environment and the scheme participants performed well to achieve the financial results reported for the year. The remuneration committee furthermore considered the STI payment in the context of total reward for the year, and not in isolation. In this regard, 50% of the LTI for the performance period ended 30 June 2019 has been forfeited.

Executive directors and prescribed officers' remuneration:

- Average guaranteed pay increases of 5,6% were implemented with effect 1 July 2019, similar to the increases awarded to salaried staff across the Group, largely in line with inflation.
- A STI award equating to 58% of the maximum value possible in terms of this scheme have been awarded for FY2019. Operating profit was close to target at R791 million, measured as Earnings before Interest and Tax ("EBIT") for continuing operations. Return on Invested Capital Employed ("ROICE") at 9% was below threshold. Adjusted net cash of R757 million was much better than target, and adjusted Free Cash Flow ("FCF") of R389 million was also above target. This performance is commendable considering market conditions. This STI outcome is reflective of the Group's financial performance, relative to the financial targets and the good performance against individual non-financial targets that were set at the beginning of the year.
- The performance period for the November 2016 Forfeitable Share Plan ("FSP") LTI award ended on 30 June 2019. Based on performance over the three year performance period, 50% of the November 2016 FSP award vests on 1 November 2019. Half of the award was based on ROICE performance, 25% on relative Total Shareholder Return ("TSR") performance and 25% on FCF. The ROICE target was Weighted Average Cost of Capital ("WACC") plus 4%, or 16,9%. Actual performance of 6,4% was below threshold hence no shares vested for this performance measure. The Group's TSR over the performance period was positive 7,6%, which was better than the weighted negative compound rate of 33,9% of the peer group. Cumulative FCF was above the budgeted target with a positive FCF of 242 cents per share. As from September 2015, in terms of the revised remuneration policy adopted in that year, only 30% of the award will vest at threshold performance and 100% at target performance. Refer to the LTI performance measures in the remuneration policy overview on page 85 for more detail in this regard.

Given the changes introduced to the remuneration policy in 2015 and subsequent shareholder support for this policy, as well as the policy's general alignment with King IV™, no policy changes were introduced during the year. The Group's remuneration policy and implementation report respectively received the support of 99,8% and 99,9% of shareholders who voted at the AGM in November 2018. We believe our remuneration policy is best practise and that its application encourages a performance culture in the Group that will lead to sustained shareholder value creation.

As required by the Companies Act and King IV™, the following resolutions will be tabled for shareholder voting at the AGM on 28 November 2019, details of which can be found in the AGM notice:

- Binding vote on non-executive directors' fees;
- Advisory vote on the remuneration policy; and
- Advisory vote on the remuneration policy implementation report.

I would like to thank my fellow remuneration committee members for their contribution and support. Remuneration is a complex and controversial matter and I am satisfied that the remuneration committee discharged its obligations in a responsible and professional manner.

RALPH HAVENSTEIN
Chairman

REMUNERATION POLICY OVERVIEW

Introduction

The remuneration report has been prepared by the remuneration committee in line with the principles outlined in King IV™ and has been approved by the Board. The report covers executive director, prescribed officer and non-executive director remuneration.

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 FY2019.

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. This strategy focuses the Group on selected international natural resource market sectors, the diversification of the Group's business model, the delivery of project, commercial management and safety excellence, enhanced performance and diversity of the Group's employees.

Murray & Roberts' remuneration policy applies to all businesses in the Group to ensure consistency and fairness in remuneration. Some flexibility, however, is allowed 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:

- Total remuneration consists of fixed and variable components, with emphasis on variable pay at senior levels to encourage performance and shareholder value creation;
- 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 key talent and to attract and retain the services of high-calibre employees;
- The STI 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 LTI 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 at the 75th percentile for executives, senior management and key 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 remuneration committee considers the impact of any guaranteed pay increase on the total remuneration package.
- Paid monthly in cash net of allocations to retirement fund, insured benefits and medical aid.
- Guaranteed pay (and other elements of the remuneration package) is 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 listed on the JSE for executive directors and for prescribed officers. The Oil & Gas business platform CEO is benchmarked against an appropriate peer group of Australian companies.

Maximum opportunity

- There is no prescribed maximum annual increase. However, increases will normally be in line with 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. The contribution rates are reviewed annually.

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 Sanlam Umbrella Pension 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. Bonus projections for on-target performance are used to ensure affordability. 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 non-financial targets 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 cash 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 and board chairman 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 86, 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.

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 & 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.
- For LTCSIP allocations, 30% of the award vests for threshold performance, rising on a sliding scale to 100% of the award for performance at target performance. The performance conditions are exactly the same as for the FSP.
- Clawback provisions, as described on page 86, apply to LTI awards made from August 2015.

Operation

- Murray & Roberts operated the following LTI schemes in FY2019: the FSP introduced in October 2012, the Letsema Vulindlela Black Executives Trust ("Vulindlela"), which was established in December 2005 as part of the Group's BBBEE shareholding structure and the Clough Phantom Share Plan ("CPSP") introduced in 2014, following the acquisition of the minority interests in Clough. As reported last year, no further allocations have been made under the CPSP since 2016 and the last allocations under the CPSP will vest in October 2019. A Long Term Cash Settled Incentive Plan ("LTCSIP") was introduced in 2017 to replace the CPSP and is also used as an LTI scheme for other executives operating outside South Africa.

Forfeitable 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 or the use of shares held in treasury account 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 continued employment with no performance conditions. These awards are aimed at retention and will not form part of the annual awards.

ONLINE
A summary of the salient features of the FSP is available in the 2012 integrated report.

Long Term Cash Settled Incentive Plan

- A cash settled long term incentive is awarded to senior executives operating outside South Africa, 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. The performance conditions mirror those used under the FSP.
- Cliff vesting occurs at the end of the three-year period.
- 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 continued employment with no performance conditions. These awards are aimed at retention and will not form part of the annual awards.

Letsema Vulindlela Black Executives 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 Vulindlela and have been allocated forfeitable shares under the FSP since November 2012.

  In terms of the Trust deed, this Trust is to be terminated on 31 December 2022. As the awards are subject to a five year lock-in period a final allocation was made in November 2016. High potential middle management employees qualify for an award under the FSP.

Clough Phantom Share Plan

- Clough phantom shares or conditional rights were awarded subject to continued employment and satisfaction of challenging performance conditions measured over three years, which were set by the remuneration committee before each grant. As stated above, this plan has been replaced by the LTCSIP.

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

- Executive share ownership is encouraged through the part deferral of STIs into forfeitable shares, where 30% of the STIs are deferred into forfeitable shares under the FSP.
- 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 after meeting necessary tax obligations under the LTI schemes.

Maximum opportunity

- Not applicable.

Choice of performance measures

The table below and alongside shows the performance measures set for FY2019, which will again be applied for FY2020. 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 Group chief executive and financial director	Rationale
FINANCIAL PERFORMANCE MEASURES		
EBIT	**20%**	A key indicator of the underlying profit performance of the Group, encouraging performance in terms of 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. FCF 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 & 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 & safety, risk management and environmental objectives are achieved.

LTI performance measures

FSP performance measures over a three year vesting period

FOR AWARDS MADE UP TO SEPTEMBER 2017

METRIC AND WEIGHTING	RATIONALE	VESTING
ROICE **50%**	A key indicator of the effective use of shareholder capital.	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.
TSR relative to a peer group of companies **25%**	TSR measures the total returns to the Group's shareholders, and provides close alignment with shareholder interests.	A peer group of South African listed companies is used to evaluate TSR. TSR is weighted for each of the peer companies according to their market capitalisation at the beginning of the performance period. 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 Compound Annual Growth Rate ("CAGR") and target is the combined peer TSR CAGR plus 5%. Linear vesting will be applied between these points.
Free Cash Flow per Share ("FCFPS") **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.	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.

FSP performance measures over a three year vesting period

FOR AWARDS MADE FROM SEPTEMBER 2018

The remuneration committee considered the FSP performance metrics and decided to introduce new performance metrics as from the September 2018 FSP awards, as the relevance of TSR and ROICE has diminished.

Subsequent to the Company's divestment from its Infrastructure and Building ("I&B") business in 2017, its listing on the JSE was moved from the Heavy Construction sub-sector to the Diversified Industrial sub-sector. Murray & Roberts is now in a unique position, without true comparator companies in the market to benchmark TSR performance.

The Group's capital expenditure is also primarily project related and short term in nature, and in the context of the natural resources markets with its volatile business cycles, the relevance of ROICE as a performance measure has reduced.

After obtaining external advice, the Remuneration Committee introduced new stretching FSP performance targets, that are independently measurable and industry relevant.

METRIC AND WEIGHTING	RATIONALE	VESTING
EBIT margin (Earnings before interest and tax divided by revenue) **50%**	A key indicator of the underlying profit performance of the Group, encouraging performance in terms of both revenues and cost control.	30% vests for threshold performance and 100% vests for target performance, where threshold performance is 3% EBIT margin and target performance is 5% EBIT margin. Linear vesting will be applied between these points.
Conversion ratio of EBITDA into cash (Operating cash flow plus dividends received divided by earnings before interest, tax, depreciation and amortisation) **50%**	A key indicator of the ability of the Group to convert profits into cash, which requires good working capital management	30% vests for threshold performance and 100% vests for target performance, where threshold performance is 60% conversion ratio and target performance is 80% conversion ratio. 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, dishonestly or with malice, 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 incentives or 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 LTCSIP 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.

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.

As at 30 June 2019, there was 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 Total Fixed Cost of Employment ("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.

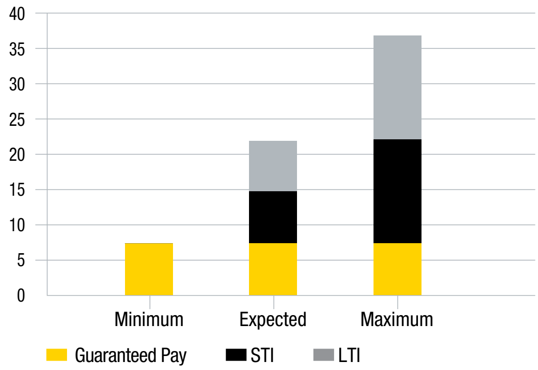
Retention schemes

There are currently no retention schemes in place for executive directors or prescribed officers.

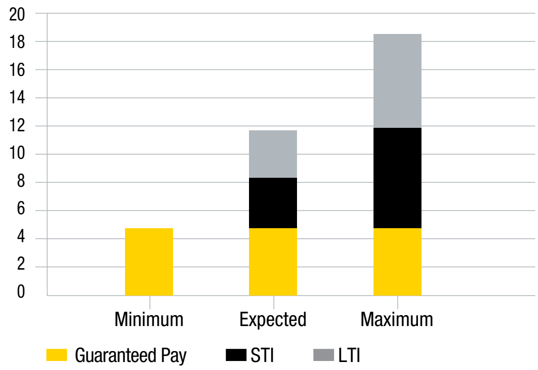
TOTAL REMUNERATION SCENARIOS AT DIFFERENT PERFORMANCE LEVELS

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

GROUP CHIEF EXECUTIVE[1] (R million)



GROUP CHIEF FINANCIAL OFFICER[1] (R million)



1 Assumptions:

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

Expected = on-target STI allocation and expected value (50%) 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 2019.

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 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.

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

Ralph Havenstein chairs this committee. Ntombi Langa-Royds, Suresh Kana and Alex Maditsi 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 an *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 employees. 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 and implementation report are put to a non-binding advisory vote of shareholders at the annual general meeting.

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.

IMPLEMENTATION REPORT

The implementation report details the outcomes of implementing the approved remuneration policy detailed in the previous section.

Single total figure of remuneration

The table below includes the total remuneration for the reported financial year and the previous financial year. The table includes guaranteed pay, the short-term incentive (excluding the 30% deferred STI) paid and the long-term incentives that will vest due to performance in the financial year (including the 30% deferred STI award).

Single total figure of remuneration for period to 30 June 2019

PAYMENT IN RAND (R'000)

EMPLOYEE	Guaranteed pay		STI		LTI		Other		Total remuneration	
NAME	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
da Costa, Mike[1]	**3 942**	–	**2 537**	–	**1 088**	–	**2 800**	–	**10 367**	–
Fenn, Orrie[2]	**407**	4 880	**–**	3 115	**–**	2 920	**8**	70	**415**	10 985
Grobler, Daniël	**4 452**	4 200	**2 887**	3 306	**2 491**	2 721	**–**	–	**9 830**	10 227
Harrison, Steve	**3 500**	3 340	**640**	1 880	**2 072**	2 093	**–**	–	**6 212**	7 313
Henstock, Ian	**4 100**	3 900	**3 139**	2 987	**2 110**	2 298	**73**	61	**9 422**	9 246
Laas, Henry	**6 996**	6 600	**6 048**	6 363	**8 700**	9 381	**101**	475	**21 845**	22 819
Mdluli, Thokozani	**3 200**	2 670	**1 317**	1 159	**1 736**	1 771	**–**	–	**6 253**	5 600

1 Mike da Costa appointed 1 August 2018.

2 Orrie Fenn retired 31 July 2018.

PAYMENT IN AU$ (AU$'000)

EMPLOYEE	Guaranteed pay		STI		LTI		Other		Total remuneration	
NAME	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Bennett, Peter	**894**	894	**363**	372	**156**	159	**–**	61	**1 413**	1 486

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

	2019	2018
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 FY2019 (effective 1 July 2019) was 5,58% (FY2018: 5,60%). The total adjustment was aligned to the average Murray & Roberts increase awarded in March 2019 for other salaried employees of 5,45%.	Guaranteed pay earned for the period including benefits and retirement fund contributions. The average remuneration adjustment for executive directors and prescribed officers for FY2018 (effective 1 July 2018) was 5,60% (FY2017: 5,91%). The total adjustment was aligned to the average Murray & Roberts increase awarded in March 2018 for other salaried employees of 5,75%.
STI	STI awarded for FY2019 performance. 70% of the award is payable in cash in September 2019, and 30% deferred as an LTI award, which will vest one third each year from FY2020 to FY2022.	STI awarded for FY2018 performance. 70% of the award was payable in cash in September 2018, and 30% deferred as an LTI award, which will vest one third each year from FY2019 to FY2021. The STI for the Group chief executive and Group financial director includes an *ex gratia* amount of R1,5 million and R1,1 million respectively in view of their contribution in respect of corporate action activity during FY2018.
LTI	The value of LTI awards under the November 2016 FSP that vest 1 November 2019, based on performance during the three-year period to 30 June 2019. The value of that award is based on a share price on 30 June 2019 of R14,50. 50% of the November 2016 FSP awards lapsed due to the actual ROICE being below threshold. TSR and FCF targets were met.	The value of LTI awards under the September 2015 FSP that vested on 15 September 2018, based on performance during the three-year period to 30 June 2018. The value of these award was based on a share price on 30 June 2018 of R17,51. 50% of the September 2015 FSP awards lapsed due to the actual ROICE being below threshold. TSR and FCF targets were met. No LTI vesting occurred for Peter Bennett under either the CPSP or LTCSIP as he only joined these plans in FY2016 and FY2017 respectively. The 30 August 2011 Share Option Scheme allocation that vested on 30 August 2017 carried no value as the performance condition was not achieved and consequently lapsed.
OTHER	The benefit to Henry Laas consists of a fringe benefit on the use of a company vehicle. The benefit to Ian Henstock and Orrie Fenn represents payment to them to secure private life cover. The payment to Mike da Costa represents a sign-on bonus of R1,3 million in September 2018 as well as R1,5 million in lieu of foregone long-term incentives at his previous employer.	The benefit to Henry Laas consists of a fringe benefit on the use of a company vehicle and accumulated leave pay-out. The benefit to Ian Henstock and Orrie Fenn represents payment to them to secure private life cover. The benefit to Peter Bennett represents payment of accumulated leave.

FY2019 STI performance outcomes

Financial performance key performance indicators ("KPIs") are measured against audited annual financial results, net of STI accruals. Non-financial 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 and Board chairman for the Group chief executive.

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.

Non-financial individual performance is assessed against suitable KPIs and is rated on a sliding scale from 1 to 5, where a score of 2 represents threshold performance, 3 on-target performance, 4 excellent performance and 5 stretch performance.

Performance against the FY2019 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	OUTCOME	COMMENTS
FINANCIAL			
Weighting 70%	**Profitability – EBIT** (Weighting 20%)	**98%**	EBIT of R791 million achieved relative to target of R805 million for continuing operations.
	Profitability – Diluted HEPS (Weighting 20%)	**107%**	Diluted HEPS from continuing operations of 101 cents achieved relative to target of 94 cents.
	Cash flow – net cash (Weighting 10%)	**735%** (capped at 120%)	Adjusted net cash of R757 million achieved relative to target of R103 million.
	Cash flow – FCF (Weighting 10%)	**240%** (capped at 120%)	Adjusted free cash flow of R389 million relative to target of R162 million.
	Returns (Weighting 10%)	**64%** (below threshold)	ROICE of 9% achieved relative to WACC plus 1,5% (on target) or 14%. Performance of less than WACC compared to target attracts no STI payment for the element.
LEADERSHIP			
Weighting 7,5%	**Strategy implementation**	**3.71** out of 5	Maintained strategic direction of the *New Strategic Future* plan. International expansion strategy gained momentum with the acquisition of Terra Nova Technologies (Underground Mining platform) and Saulsbury's EPC division (Oil & Gas platform). All projects in the Middle East are now completed and closing of businesses is progressing well.
	Transformation & diversity		In South Africa, achieved level 2 BBBEE. Diversity is an area of focus with relevant specific transformation initiatives underway in various geographic regions.
	Leadership succession & development		Performance management and succession planning is effectively applied across the Group. Leadership development and technical training is a main area of focus, with extensive development and training provided during the year.

KPA	KPI	OUTCOME	COMMENTS
RELATIONSHIPS			
Weighting 7,5%	**Stakeholder engagement** **Employee relations**	**3.71** out of 5	Maintained good relationships with all key internal external stakeholders. Public relations and investor relations were well managed against the background of the bid by ATON to acquire control of Murray & Roberts. 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. Employee experience surveys were conducted by most businesses and yielded positive results.
OPERATIONAL			
Weighting 7,5%	**Good governance** **Commercial management** **Project performance**	**3.0** out of 5	Group-wide compliance with good governance practices with adherence to policy and authority frameworks – verified by internal audit. King IV™ compliant. Commercial risk on Medupi and Kusile and all other projects well managed. Dubai Airport arbitration outcome was inconclusive in many respects and claims between parties to be finally agreed in settling the project final account. Further improvement made in contract management and lessons learnt practices across all operations, especially considering the increased level of EPC projects in order book. Significant increase in the Group's order book approaching record levels. Global portfolio of more than 100 projects with only one major loss-making project in South Africa.
RISK			
Weighting 7,5%	**Health, wellness & safety** **Risk management** **Environment**	**3.14** out of 5	No fatal incidents suffered during the year, the first in the history of the Group. LTIFR of 0.71 and TRCR of 4.01 were industry leading performances. Risk management practices and internal audit are well-established disciplines and no material findings were reported. Opportunity Management System, based on Group risk tolerance framework, was upgraded. Environmental reporting and awareness has improved. No major environmental incidents were reported.

THE STI BREAKDOWN FOR THE GROUP CHIEF EXECUTIVE FOR FY2019 IS SET OUT BELOW

	R'000
Financial (70%)	6 016 600
Diluted HEPS	1 888 960
EBIT	1 329 240
Net Cash	1 399 200
Free Cash Flow	1 399 200
Non-financial (30%)	2 623 500
Leadership	787 050
Relationships	787 050
Operational	524 700
Risk	524 700
Total STI (of which 30% is deferred into the FSP)	8 640 100

* *Total STI of R8 640 100 includes 30% which is deferred into the FSP (R2 592 000), the cash portion of the STI is R6 048 100.*

FY2019 LTI performance outcomes

Vesting of the November 2016 FSP award

The three-year performance period for the November 2016 FSP award ended on 30 June 2019. The November 2016 FSP award comprised 4 413 236 shares, with a total of 1 716 000 shares awarded to the executive directors and prescribed officers. Half of the award was subject to the ROICE performance condition, 25% to relative TSR performance and 25% to FCFPS performance. The ROICE of 6,4% for the three year performance period was below threshold – the target was 16,9%, or WACC plus 4%. The Group's TSR over the performance period was at a positive compound rate of 7,6% compared to the weighted negative compound rate of 33,9% for the peer group. Cumulative free cash flow per share was above 120% of budgeted free cash flow over the performance period at 242 cents per share. The performance in ROICE resulted in 50% of the November 2016 FSP award being forfeited and these shares lapsed on 26 August 2019. The remaining 50% of the November 2016 FSP award vests on 1 November 2019. The calculation of the vesting percentage of these awards were audited by the Company's external auditors.

LTI awards granted in 2019

An allocation of forfeitable shares was made in September 2019 under the FSP.

The September 2019 FSP is the annual allocation of forfeitable shares to senior executives including the executive directors and prescribed officers and will vest in 2022. A total number of 6 700 000 forfeitable shares were allocated, of which 2 704 000 forfeitable shares to the value of R31 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 2019 FSP award is subject to meeting performance conditions for the three year performance period from 1 July 2019 to 30 June 2022, as shown in the table below.

30% 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 2019 FSP AWARD PERFORMANCE CONDITIONS

CRITERIA	PERFORMANCE CONDITION	WEIGHTING	THRESHOLD	TARGET FOR MAXIMUM VESTING
EBIT margin	Earnings before interest and tax divided by revenue	50%	3%	**5%**
Conversion ratio of EBITDA into cash	Operating cash flow plus dividends received divided by Earnings before interest, tax, depreciation and amortisation	50%	60%	**80%**

The September 2019 FSP award was settled through the use of shares that lapsed under the November 2016 FSP, treasury shares as well as shares bought on market, thereby not resulting in any dilution to shareholders.

In terms of the scheme rules, the aggregate number of shares at any one time which may be allocated under the Share Option Scheme and the FSP may not exceed 5,0% of the number of shares in issue. This represents 22 236 806 shares. As at 30 June 2019, there were no shares allocated under the Share Option Scheme and 13 589 466 shares under the FSP, which is less than the aggregate cap. This includes FSP awards under the STI deferral. It should be noted that these shares were not allocated by way of an issue of new shares and as such are not dilutive to shareholders.

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 0,50% of the number of shares currently in issue. As at 30 June 2019, the Group chief executive had the highest number of unvested awards at 1 923 326 awards, representing 0,43% of the shares currently in issue, which is less than the cap.

This limit was set in 2012, when the share price was trading at higher levels and the subsequent reduction in the share price has led to an increase in the number of shares awarded to achieve the award value as per the remuneration policy. As the Group chief executive will reach the limit in FY2020, he has been awarded 1 072 500 forfeitable shares under the FSP, instead of 1 222 500 in terms of the policy.

The difference of 150 000 shares to the value of R1,72 million has been awarded as cash-settled conditional rights on 1 September 2019 with a mandatory share purchase. The cash-settled conditional rights will not result in a more favourable financial outcome compared to the FSP. This award, including performance conditions, will mirror the FSP award and does not cause any shareholder dilution. In terms of this award, the Group chief executive must acquire shares with the after-tax cash payment and is hence in the same share ownership position he would have been under the FSP.

Long term cash settled awards were made to executives operating outside South Africa in October 2019 under the LTCSIP.

The October 2019 LTCSIP award is the annual allocation of awards to senior executives outside South Africa, including the Oil & Gas Platform CEO, and will vest in 2022. The allocation took job grade, individual performance and retention risk into consideration.

The vesting of these awards is subject to meeting the same performance conditions as the September 2019 FSP awards, over the three year performance period from 1 July 2019 to 30 June 2022.

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 Oil & Gas Platform CEO was awarded a cash settled long term incentive to the value of AU$910 800 on 1 October 2019 (October 2018: AU$897 600).

Outstanding Long-term Incentives

FSP AWARDS AND STI DEFERRED INTO FSP AWARDS

NAME	Date awarded	Opening balance	Number of shares allocated	Value at grant date (R'000)	Number settled in the year	Number forfeited in the year	Closing balance	Settlement date	Settlement value (R'000)	Estimated value (R'000)
Fenn, O	Sep 2015	333 500	–	–	162 118	171 382	–	Sep 2018	2 592	–
	Nov 2016	366 000	–	–	106 750	259 250	–	Sep 2018	1 706	–
Grobler, D	Sep 2015	149 000	–	–	74 500	74 500	–	Sep 2018	1 202	–
	Nov 2016	173 000	–	–	–	–	173 000		–	1 254
	Sep 2017	405 000	–	–	–	–	405 000		–	2 936
	Sep 2018	–	361 000	5 848	–	–	361 000		–	2 617
	STI 2015	9 193	–	–	9 193	–	–	Sep 2018	143	–
	STI 2016	45 432	–	–	22 715	–	22 717	Sep 2018	352	329
	STI 2017	54 942	–	–	18 312	–	36 630	Sep 2018	284	531
	STI 2018	–	89 895	1 417	–	–	89 895		–	1 303
Harrison, S	Sep 2015	147 000	–	–	73 500	73 500	–		1 186	–
	Nov 2016	248 000	–	–	–	–	248 000		–	1 798
	Sep 2017	253 000	–	–	–	–	253 000		–	1 834
	Sep 2018	–	223 000	3 613	–	–	223 000		–	1 617
	STI 2015	7 661	–	–	7 661	–	–	Sep 2018	119	–
	STI 2016	18 338	–	–	9 168	–	9 170	Sep 2018	142	133
	STI 2017	35 317	–	–	11 771	–	23 546	Sep 2018	183	341
	STI 2018	–	51 133	806	–	–	51 133		–	741
Henstock, I	Sep 2015	262 500	–	–	131 250	131 250	–		2 118	–
	Nov 2016	291 000	–	–	–	–	291 000		–	2 110
Laas, H	Sep 2015	760 000	–	–	380 000	380 000	–		6 133	–
	Nov 2016	842 500	–	–	–	–	842 500		–	6 108
	Sep 2018	–	770 500	12 482	–	–	770 500		–	5 586
	STI 2015	24 600	–	–	24 600	–	–	Sep 2018	382	–
	STI 2016	117 430	–	–	58 715	–	58 715	Sep 2018	911	851
	STI 2017	117 860	–	–	39 282	–	78 578	Sep 2018	609	1 139
	STI 2018	–	173 033	2 727	–	–	173 033		–	2 509
Mdluli, T	Sep 2015	145 500	–	–	72 750	72 750	–		1 174	–
	Nov 2016	161 500	–	–	–	–	161 500		–	1 171
	Sep 2017	165 500	–	–	–	–	165 500		–	1 200
	Sep 2018	–	167 000	2 705	–	–	167 000		–	1 211
	STI 2015	6 974	–	–	6 974	–	–	Sep 2018	108	–
	STI 2016	22 768	–	–	11 384	–	11 384	Sep 2018	177	165
	STI 2017	25 735	–	–	8 577	–	17 158	Sep 2018	133	249
	STI 2018	–	31 532	497	–	–	31 532		–	457
da Costa, M	Sep 2018	–	274 000	4 439	–	–	274 000		–	1 987

CASH SETTLED CONDITIONAL RIGHTS

NAME	Date awarded	Opening balance	Number of shares allocated	Value at grant date (R'000)	Number settled in the year	Number forfeited in the year	Closing balance	Settlement date	Settlement value (R'000)	Estimated value (R'000)
Laas, H	Sep 2017	864 000	–	12 537	–	–	864 000		–	6 264

LONG TERM CASH SETTLED INCENTIVE PLAN (LTCSIP)

NAME	Date awarded	Opening balance	Number of shares allocated	Value at grant date (AU$'000)	Number settled in the year	Number forfeited in the year	Closing balance	Settlement date	Settlement value (AU$'000)	Estimated value (AU$'000)
Bennett, P	Oct 2017	880	–	–	–	–	880		–	440
	Oct 2018	–	898	898	–	–	898		–	449

Executives receive dividend payments on the FSP and Conditional Rights allocations held from the award date.

For the FSP, Conditional Rights and LTCSIP performance conditions, a vesting percentage of 50% is applied to calculate the estimated value.

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NAME	Date awarded	Number of shares allocated	Strike price	Condition	Number forfeited in the year	Closing balance	Vesting date	Estimated value
Mdluli, T	24 Aug 2010	11 500	41,02	Standard	–	11 500	31 Dec 2021	–
	20 Apr 2011	10 000	25,16	Hurdle	–	10 000	31 Dec 2021	–
	30 Aug 2011	25 500	27,70	Standard	–	25 500	31 Dec 2021	–

Remuneration outcomes for non-executive directors

The remuneration policy for the non-executive directors set out in the remuneration policy report was applied in FY2019. The remuneration of non-executive directors for the year ended 30 June 2019 was:

NON-EXECUTIVE DIRECTORS' REMUNERATION

NAME	Directors' fees R'000	Non-attendance R'000	Special board R'000	Committee fees R'000	Lead independent fee R'000	Chairman's fees R'000	**Total 2019 R'000**	Total 2018 R'000
DD Barber[1]	–	–	–	–	–	–	**–**	179
R Havenstein	–	–	362	17	1 103	–	**1 482**	1 148
SP Kana	–	–	–	–	–	1 568	**1 568**	1 424
NB Langa-Royds	318	(11)	259	519	–	–	**1 085**	844
A Maditsi	318	–	259	327	–	–	**904**	639
E Mashilwane	318	(11)	209	267	–	–	**783**	570
D Radley	318	–	362	403	–	–	**1 083**	771
XH Mkhwanazi	318	(31)	259	327	–	–	**873**	716
M Sello[2]	–	–	–	–	–	–	**–**	472
Total	1 590	(53)	1 710	1 860	1 103	1 568	**7 778**	6 763

NAME	Directors' fees AU$'000	Non-attendance AU$'000	Special board AU$'000	Committee fees AU$'000	Chairman's fees AU$'000	**Total 2019 AU$'000**	Total 2018 AU$'000
K Spence	100	(2)	102	41	–	**241**	189

1. Retired on 31 October 2017.

2. Retired on 2 November 2017.

The Chairman's fee includes attendance at committee meetings, excluding the Independent Board.

INDEPENDENT BOARD	**Committee fees 2019 R'000**	Committee fees 2018 R'000
R Havenstein	**1 008**	500
SP Kana	**958**	400
A Maditsi	**696**	400
D Radley	**699**	400
Total	**3 361**	1 700

Fee proposal for 2020

In accordance with King IV™, 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 2020.

The proposed fees (excluding Value Added Tax) are tabled below:

		Previous per annum	Proposed per annum
DIRECTOR FEES			
Chairman	Includes director and committee fees[1]	R1 590 000	R1 677 000
Lead independent director	Includes director and relevant committee fees	R1 120 000	R1 181 000
Resident director	Per annum[2&3]	R322 000	R340 000
Non-resident director	Per annum[3,4&5]	AU$100 000	AU$101 500
COMMITTEE FEES			
Audit & sustainability	Chairman	R298 000	R314 000
	Resident member	R160 000	R168 500
	Non-resident member	AU$10 000	AU$10 300
Health, safety & environment	Chairman	R216 000	R228 000
	Resident member	R110 500	R116 500
	Non-resident member	AU$10 000	AU$10 150
Nomination	Member	R70 500	R74 500
Remuneration & human resources	Chairman	R216 000	R228 000
	Member	R110 500	R116 500
Risk management	Chairman (Rand)	R216 000	R228 000
	Chairman (AU$)	AU$21 600	AU$21 950
	Resident member	R110 500	R116 500
	Non-resident member	AU$10 000	AU$10 150
Social & ethics	Chairman	R216 000	R228 000
	Resident member	R110 500	R116 500
	Non-resident member	AU$10 000	AU$10 150
AD HOC MEETINGS			
Board	Resident member	R53 000	R56 000
	Non-resident member	AU$17 000	AU$17 260
Committee	Resident member	R27 000	R28 500
	Non-resident member	AU$8 900	AU$9 040

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 R28 500 or AU$9 040 per meeting will apply for non-attendance at a scheduled Board meeting.*
4. *A deduction of R11 600 or AU$1020 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 AU$25 400 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 FY2020.