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 Bowmans Reward Advisory Services for independent external advice and PwC 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 FY2021;
- Performance testing and approval of short-term incentive ("STI") payments in respect of FY2020;
- Performance testing and approval of vesting of the 2017 long-term incentive ("LTI") awards;
- Approval of the 2020 LTI awards and underlying performance conditions;
- Review and recommendation of non-executive director fees for FY2021, excluding recommendation on their own fees; and
- Review and approval of the Group's remuneration report for inclusion in the FY2020 annual integrated report.

The STI incentivises performance against financial and non-financial targets set for each financial year. The financial targets set at the beginning of FY2020, were derived from the budget for the year upon conclusion of a comprehensive bottom-up budgeting process, which took into account the Group's order book and prevailing market conditions. The financial key performance indicators for FY2020 were similar to those of the previous year. The EBIT target increased to R906 million in FY2020, from R805 million in FY2019 and the diluted HEPS for continuing operations target increased to 97 cents, from 94 cents. The actual financial results were substantially lower than the targets for FY2020 and were severely impacted by the global COVID-19 pandemic and stringent measures implemented by governments to curtail the spread of the virus. Performance measured against the EBIT, HEPS, 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 trading environment. The COVID-19 impact not only made it impossible for the scheme participants to achieve the financial targets for the year, but the impact also extended to the LTI scheme measures.

Executive directors and prescribed officers' remuneration:

- **Average guaranteed pay**
  Increases of 4,0% were implemented with effect from 1 July 2020, similar to the increases awarded to salaried staff across the Group, which were largely in line with inflation.
- **STI Award**
  An award equating to 26,5% of the maximum value possible in terms of this scheme has been awarded for FY2020. Operating loss was R17 million, measured as Earnings before Interest and Tax ("EBIT") for continuing operations and was below threshold. Return on Invested Capital Employed ("ROICE") at 0% was also below threshold. Negative Free Cash Flow ("FCF") of R518 million was below threshold. The net negative cash position of R107 million (post IFRS 16) is commendable considering COVID-19 and

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THE FINANCIAL TARGETS FOR THE YEAR WERE STRETCHING CONSIDERING THE TRADING ENVIRONMENT. THE COVID-19 IMPACT NOT ONLY MADE IT IMPOSSIBLE FOR THE SCHEME PARTICIPANTS TO ACHIEVE THE FINANCIAL TARGETS FOR THE YEAR, BUT THE IMPACT ALSO EXTENDED TO THE LTI SCHEME.

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WE BELIEVE OUR REMUNERATION POLICY IS BEST PRACTICE AND THAT ITS APPLICATION IS NOT ONLY FAIR TO PARTICIPANTS BUT ALSO ENCOURAGES A PERFORMANCE CULTURE IN THE GROUP THAT WILL LEAD TO SUSTAINED SHAREHOLDER VALUE CREATION.

the cash position did meet threshold to attract STI for this performance measure. This STI outcome is reflective of the Group's financial performance relative to the financial targets and the performance against individual non-financial targets that were set at the beginning of the year.

PG 90
Refer to the STI performance measures in the remuneration policy overview.

- **LTI Vesting**
  The performance period for the 2017 Forfeitable Share Plan ("FSP") LTI award ended on 30 June 2020. Based on performance over the three-year performance period, 25% of the 2017 FSP award vests in 2020. 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 16,4%. Actual performance of 5,1% was below threshold, hence no shares vested for this performance measure. The Group's TSR over the performance period was negative 25% compared to the weighted negative compound rate of 17,5% of the peer group. As a result, no shares vested for this performance measure. Cumulative FCF was above the budgeted target with a positive FCF of 371 cents per share. Consequently 25% of the shares vested for this performance measure. As from September 2015, in terms of the revised remuneration policy adopted in that year for each performance measure, only 30% of the award will vest at threshold performance and 100% at target performance.

PG 91
Refer to the LTI performance measures in the remuneration policy overview.

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 89,80% and 99,92% of shareholders who voted at the AGM in November 2019. We believe our remuneration policy is best practice and that its application is not only fair to participants but also 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 26 November 2020, 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 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 FY2020.

REMUNERATION POLICY PRINCIPLES

Murray & Roberts believe that 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 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 Group 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 Group 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

- 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 Energy, Resources & Infrastructure ("ERI") 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 Group and team financial performance, as well as individual performance for non-financial measures, 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 are used to calculate the bonus provision and actual profit reported is net of bonus provisions 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, 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 92, 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 operated the following LTI schemes in FY2020: 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 have vested 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.
- In very specific circumstances, and 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 do not form part of the annual awards.

LONG TERM CASH SETTLED INCENTIVE PLAN

- A cash-settled LTI 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, and 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 do 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 Group.

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 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 FY2020, which will again be applied for FY2021.

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 and 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 Group's divestment from its Infrastructure and Building ("I&B") business in 2017, its listing on the JSE was moved from the Heavy Construction subsector to the Diversified Industrial subsector. Murray & Roberts is in a unique position, without true comparator companies listed on the JSE 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 for continuing operations divided by revenue from continuing operations) 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 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 in which Murray & Roberts operates.

At 30 June 2020, 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 Energy, Resources & Infrastructure 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 ERI platform CEO, who has a non-competition clause in his contract of employment.

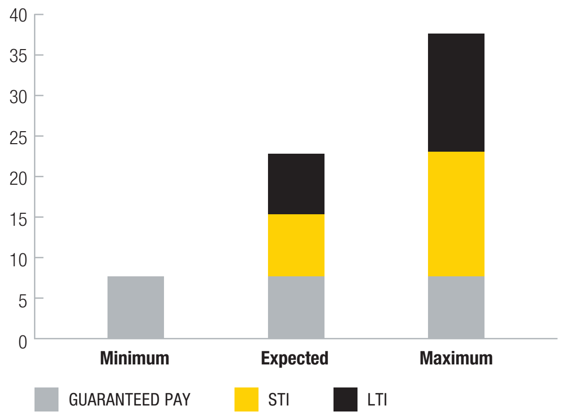
RETENTION SCHEMES

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

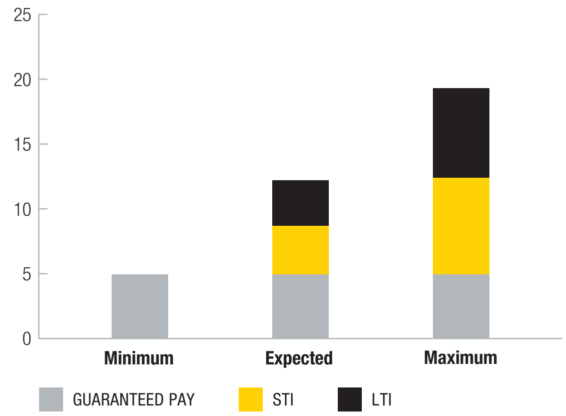
TOTAL REMUNERATION SCENARIOS AT DIFFERENT PERFORMANCE LEVELS

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

GROUP CHIEF EXECUTIVE (R MILLION)



GROUP CHIEF FINANCIAL DIRECTOR (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 2020.

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 Group'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 Group'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 Group and shareholders. The committee operates under terms of reference reviewed and approved annually by the Board.

MEMBERSHIP

Ralph Havenstein chairs the remuneration & human resources 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. Expert 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 oversees Group pension, provident and other benefit plans.

REMUNERATION REPORT *continued*

IMPLEMENTATION REPORT

The implementation report details the outcomes of 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 (following performance testing) in the financial year (including the 30% deferred STI award).

SINGLE TOTAL FIGURE OF REMUNERATION FOR PERIOD TO 30 JUNE 2020

PAYMENT IN RAND (R'000)

EMPLOYEE	Guaranteed pay		STI		LTI		Other		Total remuneration	
NAME	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
da Costa, Mike	4 530	3 942	571	2 537	245	1 088	–	2 800	5 346	10 367
Fenn, Orrie[1]	–	407	–	–	–	–	–	8	–	415
Grobler, Daniël	4 750	4 452	1 341	2 887	1 081	2 491	–	–	7 172	9 830
Harrison, Steve	3 589	3 500	–	640	316	2 072	–	–	3 905	6 212
Henstock, Ian	4 320	4 100	1 638	3 139	–	2 110	73	73	6 031	9 422
Laas, Henry	7 380	6 996	2 970	6 048	2 353	8 700	392	101	13 095	21 845
Mdluli, Thokozani	3 400	3 200	633	1 317	478	1 736	–	–	4 511	6 253

1. Orrie Fenn retired 31 July 2018.

PAYMENT IN AU$ (AU$'000)

EMPLOYEE	Guaranteed pay		STI		LTI		Other		Total remuneration	
NAME	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Bennett, Peter	955	894	–	363	242	156	–	–	1 197	1 413

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

	2020	2019
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 FY2020 (effective 1 July 2020) was 4,0% (FY2019: 5,58%). The total adjustment was aligned to the average Murray & Roberts increase awarded in March 2020 for other salaried employees of 4,09%.	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%.
STI	STI awarded for FY2020 performance. 70% of the award is payable in cash in September 2020, and 30% deferred as an LTI award, which will vest one third each year from FY2021 to FY2023.	STI awarded for FY2019 performance. 70% of the award was payable in cash in September 2019, and 30% deferred as an LTI award, which will vest one third each year from FY2020 to FY2022.
LTI	The value of LTI awards under the 2017 FSP that vest in 2020, based on performance during the three-year period to 30 June 2020. The value of that award is based on a share price on 30 June 2020 of R5,00. 75% of the 2017 FSP awards lapsed due to actual ROICE and TSR being below threshold. The FCF targets were met for which 25% of the 2017 FSP awards vested. The same performance conditions and vesting percentage apply to the Cash Settled Conditional Rights awarded to the CEO in 2017 as well as the Long Term Cash Settled Incentive award made to the ERI platform CEO in 2017.	The value of LTI awards under the November 2016 FSP that vested on 1 November 2019, based on performance during the three-year period to 30 June 2019. The value of these award was 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.
OTHER	The benefit to Henry Laas consists of a fringe benefit on the use of a company vehicle, as well as proceeds from a deferred compensation policy. The benefit to Ian Henstock represents payment to him to secure private life cover.	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.

FY2020 STI PERFORMANCE OUTCOMES

Financial performance is measured against KPIs, based on audited annual financial results, net of STI accruals. Non-financial individual performance KPIs are based on a formal performance assessment 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 a score of 5 stretch performance

Performance against the FY2020 Group targets are summarised below. The outcome represents the overall Group performance expressed as a percentage achievement against target for the specific financial KPI. Performance against non-financial KPIs is the average for executives out of a score of 5.

KPA	KPI	OUTCOME	COMMENTS
FINANCIAL			
Weighting 70%	**Profitability – EBIT** (Weighting 20%)	0%	EBIT loss of R17 million achieved relative to target of R906 million for continuing operations.
	Profitability – diluted HEPS (Weighting 20%)	0%	Negative diluted HEPS from continuing operations of 88 cents achieved relative to target of 97 cents.
	Cash flow – net cash (Weighting 10%)	156% (capped at 120%)	Net negative cash of R107 million achieved relative to target of negative R243 million.
	Cash flow – free cash flow (Weighting 10%)	0%	Negative free cash flow of R518 million relative to target of R316 million.
	Returns (Weighting 10%)	0%	ROICE of 0% achieved relative to WACC plus 1,5% (on target) or 13,5%. Performance of less than WACC compared to target attracts no STI payment for the element.
LEADERSHIP			
Weighting 7,5%	**Strategy implementation** **Transformation & diversity** **Leadership succession & development**	3.43 out of 5	Strategic direction maintained – target markets for the business platforms broadened to access new growth sectors. International expansion continued and integration of recently acquired businesses well managed. Digital readiness assessment undertaken and next steps agreed. In South Africa, achieved Level 1 BBBEE rating. Diversity an area of focus with relevant specific transformation initiatives underway in various geographic regions. Performance management and succession planning effectively applied across the Group. Leadership development and training remained 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	3.29 out of 5	Maintained good relationships with all internal and external stakeholders. Public relations and investor relations continued to be well managed. Effective Group communication maintained to all employees regarding the ATON bid process, COVID-19 and new platform names. Groupwide employee satisfaction survey conducted with good results.
OPERATIONAL			
Weighting 7,5%	Good governance Commercial management Project performance	2.86 out of 5	Groupwide compliance with good governance practices. King IV™ compliant. No pending legal action due to breach of legislation. Group and Corporate Office Business Management Systems functional and ISO accreditation retained. Initiatives supporting the progression of claims and defences on a number of projects, including Dubai Airport and power programme claims, are thorough, proactive and ongoing. Working capital management was difficult considering COVID-19, although the Group managed to end the year in a strong liquidity position. Project performance disappointed due to substantial losses on some projects.
RISK			
Weighting 7,5%	Health, wellness & safety Risk management Environment	2.86 out of 5	No fatalities suffered during the year. LTIFR and TRCR targets not achieved due to poor second and third quarter by Mining platform. Risk management practices and internal audit are well-established disciplines and no material findings were reported. Opportunity Management System, based on the Group's risk tolerance framework is working effectively and applied across all businesses. Environmental management in accordance with standards. No environmental incidents were reported. Group policy on climate change published.

THE STI BREAKDOWN FOR THE GROUP CHIEF EXECUTIVE FOR FY2020 IS SET OUT BELOW

	2020	2019
Financial	**1 476 000**	6 016 600
■ Diluted HEPS	**0**	1 188 960
■ EBIT	**0**	1 329 240
■ Net Cash	**1 476 000**	1 399 200
■ Free Cash Flow	**0**	1 399 200
■ ROICE	**0**	0
Non-financial	**2 767 500**	2 623 500
■ Leadership	**830 250**	787 050
■ Relationships	**830 250**	787 050
■ Operational	**553 500**	524 700
■ Risk	**553 500**	524 700
Total	**4 243 500**	8 640 100

FY2020 LTI PERFORMANCE OUTCOMES

Vesting of the 2017 FSP award

The three-year performance period for the 2017 FSP award ended on 30 June 2020. The 2017 FSP award comprised 3 508 640 shares, with a total of 823 500 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 5,1% for the three-year performance period was below threshold – the target was 16,4%, or WACC plus 4%. The Group's TSR over the performance period was at a negative compound rate of 25% compared to the weighted negative compound rate of 17,5% for the peer group. Cumulative free cash flow per share was above 120% of budgeted free cash flow over the performance period at 371 cents per share.

The below threshold performance in ROICE and TSR resulted in 75% of the 2017 FSP award being forfeited and these shares lapsed on 24 August 2020. The remaining 25% of the 2017 FSP award vested. The Group chief executive was awarded 864 000 shares as cash-settled conditional rights in September 2017. These conditional rights are subject to the same performance period, performance conditions and vesting percentages set out above. The calculation of the vesting percentage of these awards were audited by the external auditors.

FSP award 2020

An allocation of forfeitable shares was made on 1 October 2020 under the FSP. The 2020 FSP is the annual allocation of forfeitable shares to senior executives including the executive directors and prescribed officers and will vest in 2023. A total number of 9 946 000 forfeitable shares were allocated, of which 2 697 000 forfeitable shares to the value of R14,9 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 2020 FSP award is subject to meeting performance conditions for the three-year performance period from 1 July 2020 to 30 June 2023, as shown in the table below.

30% of the performance related 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.

The 2020 FSP award was settled through the use of shares that lapsed under the 2017 FSP 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 2020, there were no shares allocated under the Share Option Scheme and 14 798 380 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 2020, the Group chief executive had the highest number of unvested awards at 2 207 387 awards, representing 0,49% 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 has reached the limit, he has not been awarded forfeitable shares under the FSP.

The Group chief executive has been awarded 2 103 500 shares as cash-settled conditional rights on 1 October 2020 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 2020 under the LTCSIP. The October 2020 LTCSIP award is the annual allocation of awards to senior executives outside South Africa, including the Energy, Resources & Infrastructure Platform CEO, and will vest in 2023. 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 2020 FSP awards, over the three-year performance period from 1 July 2020 to 30 June 2023.

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 Energy, Resources & Infrastructure Platform CEO was awarded a cash settled long term incentive to the value of AU$910 800 on 1 October 2020 (October 2019: AU$910 800).

SEPTEMBER 2020 FSP AWARD PERFORMANCE CONDITIONS

CRITERIA	PERFORMANCE CONDITION	WEIGHTING	THRESHOLD	TARGET FOR MAXIMUM VESTING
EBIT margin	Earnings before interest and tax for continuing operations divided by revenue from continuing operations	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%**

REMUNERATION REPORT *continued*

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)
Grobler, D	Nov 2016	173 000	–	–	86 500	86 500	–	Nov 2019	941	–
	Sep 2017	405 000	–	–	–	–	405 000		–	506
	Sep 2018	361 000	–	–	–	–	361 000		–	451
	Sep 2019	–	580 000	6 653	–	–	580 000		–	725
	STI 2016	22 717	–	–	22 717	–	–	Sep 2019	284	–
	STI 2017	36 630	–	–	18 312	–	18 318	Sep 2019	229	92
	STI 2018	89 895	–	–	29 965	–	59 930	Sep 2019	375	300
	STI 2019	–	100 098	1 237	–	–	100 098		–	500
Harrison, S	Nov 2016	248 000	–	–	124 000	124 000	–	Nov 2019	1 349	–
	Sep 2017	253 000	–	–	–	–	253 000		–	316
	Sep 2018	223 000	–	–	–	–	223 000		–	279
	Sep 2019	–	350 000	4 015	–	–	350 000		–	438
	STI 2016	9 170	–	–	9 170	–	–	Sep 2019	115	–
	STI 2017	23 546	–	–	11 771	–	11 775	Sep 2019	147	–
	STI 2018	51 133	–	–	17 044	–	34 089	Sep 2019	213	–
	STI 2019	–	22 178	274	–	–	22 178		–	111
Henstock, I	Nov 2016	291 000	–	–	145 500	145 500	–	Nov 2019	1 583	–
Laas, H	Nov 2016	842 500	–	–	421 250	421 250	–	Nov 2019	4 583	–
	Sep 2018	770 500	–	–	–	–	770 500		–	963
	Sep 2019	–	1 072 500	12 302	–	–	1 072 500		–	1 341
	STI 2016	58 715	–	–	58 715	–	–	Sep 2019	734	–
	STI 2017	78 578	–	–	39 282	–	39 296	Sep 2019	491	–
	STI 2018	173 033	–	–	57 677	–	115 356	Sep 2019	721	–
	STI 2019	–	209 735	2 592	–	–	209 735		–	1 049
Mdluli, T	Nov 2016	161 500	–	–	80 750	80 750	–	Nov 2019	879	–
	Sep 2017	165 500	–	–	–	–	165 500		–	207
	Sep 2018	167 000	–	–	–	–	167 000		–	209
	Sep 2019	–	267 000	3 062	–	–	267 000		–	334
	STI 2016	11 384	–	–	11 384	–	–	Sep 2019	142	–
	STI 2017	17 158	–	–	8 577	–	8 581	Sep 2019	107	–
	STI 2018	31 532	–	–	10 510	–	21 022	Sep 2019	131	–
	STI 2019	–	45 675	564	–	–	45 675		–	228
da Costa, M	Sep 2018	274 000	–	–	–	–	274 000		–	343
	Sep 2019	–	434 500	4 984	–	–	434 500		–	543
	STI 2019	–	87 993	1 087	–	–	87 993		–	440

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	–	–	–	–	864 000		–	1 080
	Sep 2019	–	150 000	1 720	–	–	150 000		–	188

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		–	220
	Oct 2018	898	–	–	–	–	898		–	225
	Oct 2019	911	–	911	–	–	911		–	228

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

For the FSP, Conditional Rights and the LTCSIP performance conditions, a vesting percentage of 25% 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
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 FY2020. The remuneration of non-executive directors for the year ended 30 June 2020 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 2020 R'000**	Total 2019 R'000
J Boggenpoel[1]	85	–	168	71	–	–	**324**	–
R Havenstein	–	–	386	86	1 166	–	**1 638**	1 482
SP Kana	–	–	–	86	–	1 655	**1 741**	1 568
NB Langa-Royds	335	–	333	611	–	–	**1 279**	1 085
AK Maditsi	335	(11)	386	345	–	–	**1 055**	904
TE Mashilwane[2]	226	–	162	190	–	–	**578**	783
B Mawasha[3]	85	–	112	58	–	–	**255**	–
XH Mkhwanazi[4]	171	(63)	53	175	–	–	**336**	873
DC Radley	335	–	386	425	–	–	**1 146**	1 083
C Raphiri[5]	85	–	168	99	–	–	**352**	–
Total	1 657	(74)	2 154	2 146	1 166	1 655	**8 704**	7 778

NAME	Directors' fees AU$'000	Non-attendance AU$'000	Special board AU$'000	Committee fees AU$'000	Lead independent fee AU$'000	Chairman's fees AU$'000	**Total 2020 AU$'000**	Total 2019 AU$'000
KW Spence[6]	68	(2)	69	29	–	–	**164**	241

1. Appointed on 1 April 2020.
2. Resigned on 5 March 2020.
3. Appointed on 5 March 2020.
4. Deceased on 4 January 2020.
5. Appointed on 5 March 2020.
6. Resigned on 5 March 2020.

The remuneration of non-executive directors is submitted to shareholders at the annual general meeting for approval in advance of such payment being made.

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

INDEPENDENT BOARD	**Committee fees 2020 R'000**	Committee fees 2019 R'000
R Havenstein	**159**	1 008
SP Kana	**159**	958
AK Maditsi	**78**	696
DC Radley	**78**	699
Total	**474**	3 361

FEE PROPOSAL FOR 2021

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 2021.

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

		Previous per annum	Proposed % increase	Proposed per annum
DIRECTOR FEES				
Chairman	Including director and committee fees[1]	R1 677 000	4,00%	R1 744 000
Lead independent director	Including director and relevant committee fees	R1 181 000	3,98%	R1 228 000
Director	Per annum[2,3 & 4]	R340 000	4,12%	R354 000
COMMITTEE FEES				
Audit & sustainability	Chairman	R314 000	3,98%	R326 500
	Member	R168 500	3,86%	R175 000
Health, safety & environment	Chairman	R228 000	3,95%	R237 000
	Member	R116 500	3,86%	R121 000
Nomination	Member	R74 500	4,03%	R77 500
Remuneration & human resources	Chairman	R228 000	3,95%	R237 000
	Member	R116 500	3,86%	R121 000
Risk management	Chairman	R228 000	3,95%	R237 000
	Member	R116 500	3,86%	R121 000
Social & ethics	Chairman	R228 000	3,95%	R237 000
	Member	R116 500	3,86%	R121 000
AD HOC MEETINGS				
Board	Member	R56 000	3,57%	R58 000
Committee	Member	R28 500	3,51%	R29 500

1. *Includes fees for chairing the nomination committee and attending all Board committees.*
2. *Calculated on the basis of five meetings per annum.*
3. *It is proposed that an adjustment deduction of R30 000 (2019: R28 500) per meeting be applied for non-attendance at a scheduled Board meeting.*
4. *It is also proposed that an adjustment deduction of R12 000 (2019: R11 600) per meeting be applied for non-attendance at a scheduled Committee meeting.*

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 FY2021.


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