

Corporate governance

Statement of compliance

The Board of Murray & Roberts (Board) is committed to the principles embodied in the Code of Corporate Practices and Conduct (Code) included in the King Report on Corporate Governance for South Africa 2002 (King Report). In supporting the Code, the Board recognises the need to conduct the business of the Group with openness, integrity and accountability. A corporate governance framework has been in operation in the Group for many years and is reviewed from time to time and updated where appropriate. The Board is of the opinion that Murray & Roberts substantially complies with the Code.

Board of directors

Murray & Roberts has a unitary Board with fifteen directors, ten of whom are independent non-executive directors and five are executive directors. In line with best practice, the roles of chairman and chief executive are separated.

The Board is responsible for the strategic direction of the Group and is governed by a charter that sets out the framework of its accountability, responsibility and duty to the company.

The Board conducts its business in the best interest of the Group and ensures that the Group performs in the best interests of its broader stakeholder group, including present and future investors in the Group and in its products and services, its business partners and employees and the societies in which it operates. In order to address its accountability and responsibility, the Board:

- monitors that the Group complies with all relevant laws, regulations and codes of business practice and that it communicates with all relevant stakeholders (internal and external) openly and promptly and with substance prevailing over form
- defines levels of materiality, reserving specific powers to itself and delegating other matters by written authority to executive management
- gives direction to the Group in all matters and approves the strategic plan developed by management in the context of the Board charter
- monitors implementation of the strategic plan by management
- monitors performance through the various board committees established to assist in the discharge of its duties

- monitors the key risk areas and key performance areas of the Group and identifies the non-financial aspects relevant to the Group and its business
- considers its size, diversity and demographic make-up
- determines the policy and processes to ensure the integrity of:
 - risk management and internal controls
 - executive and general remuneration
 - external and internal communications
 - director selection, orientation and evaluation

The Board undertakes an annual review of its charter and is committed to corporate governance best practice above the minimum requirements set by the King Report.

Board meetings

The Board meets at least five times a year in formal meetings. In addition, the directors meet informally ahead of the meeting at which the Group's budget and business plan are examined in the context of the approved strategy. At this meeting, senior executives in the Group engage with the directors in a broad conversation on implementation of the Group's strategy. All directors are kept informed between meetings of major developments affecting the Group.

The record of attendance by each director at the five board meetings and four special board meetings held during the year under review is reflected in the tables on page 52 of this report.

Chairman and group chief executive

The chairman and group chief executive operate under separate mandates issued by the Board that clearly differentiate the division of responsibilities within the company,

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

The Board appoints the group chief executive and ensures that succession is planned through the remuneration & human resources committee.

Board committees

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

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

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

Each committee operates according to terms of reference approved by the Board which are reviewed annually. With the exception of the executive committee, all other committees are chaired by independent non-executive directors of the Board. The independent non-executive directors complement the executive directors through the diverse range of skills and experience they bring from their involvement in other businesses and sectors. They bring independent perspectives on corporate governance and general strategy to the Board as a whole.

The record of attendance by each member of the respective committees for the year under review is reflected in the tables on page 53 of this report.

International advisory board

In line with its strategy Globalising Murray & Roberts and given the complexity of the international environment, the Board has established an international advisory board to assist with its oversight responsibilities in respect of the development of the international activities of the Group. The international advisory board has no statutory or delegated powers to bind the company. It serves as a forum for executive and non-executive directors to interact with selected prominent individuals who have proven experience in the engineering and construction industry and international markets.

The terms of reference of the international advisory board are reviewed annually within a broad mandate to advise the Board in the following areas relating to the international business environment:

- regional, geo-political and legislative dynamics
- industry specific dynamics
- business partnerships
- finance and banking
- competitive and competitor dynamics

The international advisory board met once during the period under review.

Selection of directors

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

Independent advice

All directors are entitled to seek professional independent advice at the Group's expense.

Board effectiveness

A board evaluation was conducted between July and September 2004 by an outside consultant to assess the strengths and weaknesses of the directors and the Board and to make recommendations in areas which may require improvement. The next board evaluation which will be internal, is scheduled to be conducted in 2006.

Orientation programme

While it has been the practice to ensure that non-executive directors appointed to the Board engage in a comprehensive induction process to familiarise themselves with the Group, the Board recognises that a more formal induction programme is required. The process includes visits to key operations in the company of group executives and extensive discussions with group leadership. A continuing education programme has been instituted under the direction of the chairman and implemented by the company secretary.

Company secretary

All directors have access to the advice and services of the company secretary who is responsible for the proper administration of board and corporate governance procedures. The company secretary provides guidance to the directors on their responsibilities within the prevailing regulatory and statutory environment and the manner in which such responsibilities should be discharged.

Executive committee

The directors of Murray & Roberts Limited serve as the executive committee of the Board which is chaired by the group chief executive. It supports the group chief executive in his responsibility to:

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

Risk management, internal control and internal audit

The Board promotes the rational engagement of risk in return for commensurate reward and is responsible for ensuring that risk management including related systems of internal control are formalised throughout the Group. These systems of risk management, internal control and internal auditing aim to ensure the effective and efficient management of operations, protection of the Group's assets, legislative compliance, business continuity, reliable reporting and the interests of all stakeholders. Details of the Group's risk management status are set out on pages 50 and 51 of this report.

Share dealings

The Group has an insider trading policy that requires directors and officers who could be expected to have access to price sensitive information to be precluded from dealing in the Group's shares as well as the shares of any listed associate company for a period of approximately two months prior to the release of the Group's interim results and a period of three months prior to the release of the annual results.

To ensure that dealings are not carried out at a time when other price sensitive information may be known, directors and officers must at all times obtain permission from the chairman or group chief executive before dealing in the shares of the Group. Approved dealings in the Group's shares by directors are disclosed to the JSE and published on the Stock Exchange News Service (SENS). All approved dealings are reported in arrears to the regular meetings of the Board.