

Health, safety & environment committee



Michael McMahon, *chairman*

The health, safety & environment (HSE) committee assists the Board to fulfil its corporate governance and supervision responsibilities relating to the integration of sound HSE management in all aspects of our business activity.

The committee evaluates global best practice in HSE management, the actions taken and the appropriateness and adequacy of policies and procedures. It reviews statistical information issued to stakeholders and guides the Board relating to HSE policy, strategy, leadership and the management of HSE risks.

The committee consists of three non-executive directors and the group chief executive and is chaired by JM McMahon, an independent director. Other independent members of the committee are SE Funde and NM Magau. The group operations directors and the executives responsible for corporate services, human capital and HSE management, attend meetings by invitation. The committee met formally four times during the year.

Terms of reference

The committee responsibilities include:

- reviewing and monitoring the framework, strategy, policies and standards for HSE management
- monitoring substantive national and international regulatory and technical development and practice in HSE management
- reviewing compliance by the company, its contractors and associates with policy, guidelines and appropriate local and international standards and relevant local laws in HSE matters
- monitoring effective risk assessment processes, medical surveillance requirements and accident investigation systems
- reviewing and recommending to the Board for approval an HSE management system consistent with international best practice

The committee terms of reference are reviewed annually. They were initially approved by the Board on 25 August 2004, reviewed on 13 April 2005 and revised on 29 June 2005 by removal of corporate social involvement from the responsibility of the committee.

Safety

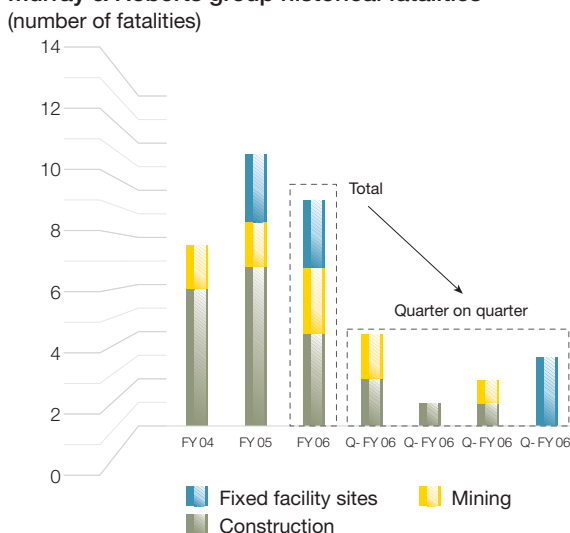
Fatal accidents

The committee regrets to advise that 10 fatal accidents were recorded across the Group during the year ending 30 June 2006, and extends its sympathies to the bereaved. While the total was lower than the twelve deaths in the previous year the overall picture is still cause for concern.

The chart below indicates the fatalities that have occurred in the last three years, and while there was an improvement this year, it is clear that much remains to be done to get, in the first instance, to international benchmarks and in the second instance to our declared target of zero fatalities.

The 10 fatalities all occurred on South African sites, five of them Murray & Roberts employees and five subcontractors, labour brokers or suppliers.

Murray & Roberts group historical fatalities



The above consolidated figures include all fatal accidents at Murray & Roberts worksites involving employees, subcontractors, labour broker employees or suppliers

Group reporting of HSE performance has been divided into sectors of the business which are seen as comparable in nature and risk, being:

- Construction (above ground)
- Mining (below ground)
- Fixed facility sites

Performance and trends in both fatal and other accidents by the labour intensive mining operations with their inherently high risk environment are encouraging, while those of our fixed facility sites are more worrisome and are receiving attention.

In addition to the 'at work' fatalities, 58 people lost their lives in the Bahrain dhow tragedy, which is covered in more detail within the chairman and the chief executive reports.

The broader safety picture

During this financial year, the Murray & Roberts consolidated lost time injury frequency rate (LTIFR) was 4,6. This is unchanged from the previous year, but there was an overall improvement in the last two quarters, with a downward trend towards the short term target of 3,0. Only the construction operating environment bettered the short term target for all quarters in the financial year. This environment is nearing the long term objective of 1,0. Additional work is necessary in the mining and fixed facility sites environments to meet target commitments.

The table below illustrates the consolidated LTIFR performance of the Group for this financial year compared with the previous year, as well as the quarterly contributions in respect of the identified operating environments.

Developments

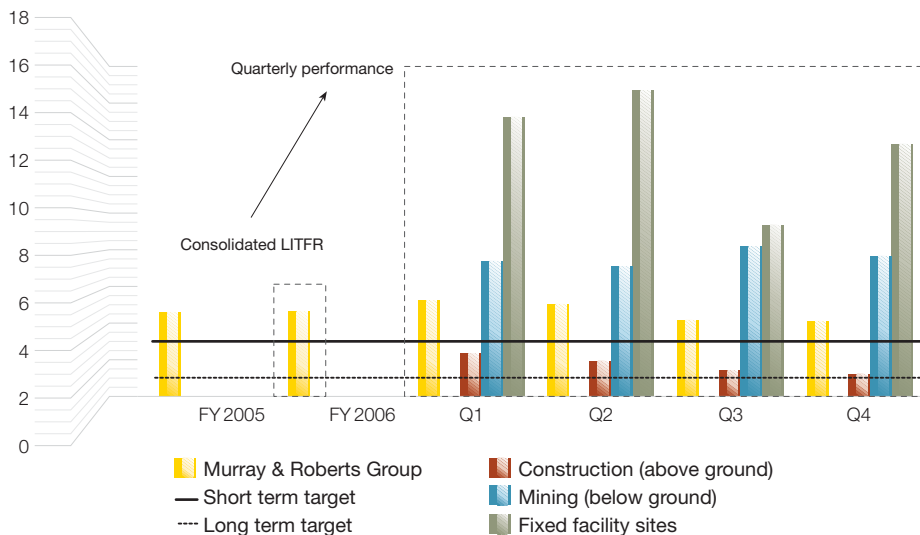
To provide greater assurance regarding HSE issues facing the Group, a fundamental review of current processes has been undertaken. It was recognised that it takes more than a reactionary approach and a concentration on 'lag indicators' to drive performance improvements. While an integrated approach following OHSAS18001 is in development, a group-wide awareness campaign under the banner Stop.Think has been implemented. This intervention promotes achievement of the following HSE targets, set at the beginning of this financial year:

- aspire to zero harm consequences from our activities, on our company, our clients, our people and the environment
- benchmark fatalities and permanent disablement at zero
- target LTIFR below a benchmark of 3,0 with a long term objective of 1,0
- prepare for comprehensive incident reporting

The Stop.Think initiative is in the process of engaging all employees by means of industrial theatre and communication based on a sporting theme, with "players" in the field aligned to the common goal of "collectively striving for zero harm".

The concept and themes of Stop.Think have been developed in parallel to existing systems, but seek to address the behaviour and culture of the Group towards health and safety. To date, over 7 500 South African employees have been exposed to the industrial theatre. The campaign will run over three years, with follow up campaigns in 2007 and 2008.

Murray & Roberts Group LTIFR 2006 financial year



The above consolidated LTIFR includes all incidents at Murray & Roberts worksites involving employees, subcontractors, labour broker employees and suppliers

A group wide safety policy, supported by a statement of standards was developed during the year and is in the process of being rolled out across the Group.

An important outcome of these initiatives has been the development of an employees' Bill of Rights in terms of safety at work.

Achievements

Despite the disappointments, there have been some significant safety achievements this year (based on major efforts at operational level), including:

- Murray & Roberts Middle East achieved 12 million lost time injury free man hours on the Dubai airport contract
- Murray & Roberts MEI achieved three million lost time injury free man hours across all contracts
- Murray & Roberts Cementation recorded two million fatal free shifts
- RUC Mining Australia maintained its exemplary safety record with another lost time injury free year
- the Group implemented the Stop.Think campaign

Health

Occupational health

Policies and supporting standards were developed during the year and are in the process of being put in place. These are reflected in risk based models, in accordance with the group risk framework, and are based on international standards (Occupation Health and Safety Assessment Series - OHSAS 18001). The models promote the proactive management of health and safety risks in numerous key performance areas. Currently 25% of the operations have attained accreditation, or are in the process of gaining accreditation.

This process is producing greater focus on occupational health issues and the risk models now require each business unit to improve its reporting discipline. This process is in its early stages.

Occupational health risks include airborne pollution, sanitation issues and noise induced hearing loss. The latter is the identified key occupational health risk for all operating environments (construction, mining, and fixed facility sites) and there were 277 cases reported during the year.

Societal health

Societal health issues are prevalent within our operating companies, with over 400 reported incidents (HIV/Aids, TB, alcohol abuse) reported for the fixed facility environment alone. The contraction of malaria remains a significant threat for a number of companies operating beyond the South African border (Zambia, Mozambique, etc).

Since our employees in Southern Africa are scattered across 120 sites and locations it is reasonable to assume that our exposure to HIV/Aids approximates national norms. It is obvious that, although HIV/Aids is not strictly an occupational health issue, it can and does impact work performance and safety and it should be actively addressed. In the new reporting year the Group will formulate its own HIV/Aids policy which will be implemented by individual operations.

Environment

Murray & Roberts has extended the principle of zero harm to all aspects of its business, including the natural environment in which we work. A risk based approach has been adopted, guided by international standards (ISO14001 Environmental Management System), whereby the management of environmental issues is governed by a philosophy of continual improvement, and by ensuring there is no conflict with the recognised standard. Currently, 21% of the operating entities have certification, or are in the process of attaining certification to this standard. The ambition is to roll this process out across the whole Group.

Key performance areas and indicators are being instituted against which environmental issues can be measured and managed down to acceptable levels. These risk tolerance levels adopt a best available practice environmental management plan approach.

The environmental performance of the Group was satisfactory during the year, with very few incidents reported, and a small number that required remediation. Better reporting in terms of the new key performance measures is necessary to give a complete picture and to achieve committed targets. The three operating environments have uniquely different environmental aspects and impacts. This diversity is mirrored in a newly generated set of environmental policies and standards.

Air and effluent emissions remain the greatest risk to fixed facility sites, whilst dust and environmental noise pollution pose significant exposure for the construction environment. Mining operations face environmental risk for soil and groundwater contamination. Other than at its fixed industrial sites, group environmental practice and performance is commonly integrated into our client's own environmental management objectives.

The Group's environmental aspiration is to exceed all minimum requirements and to institute environmental initiatives in accordance with group policy and established best practice.

Michael McMahon
Chairman