

Sustainability report



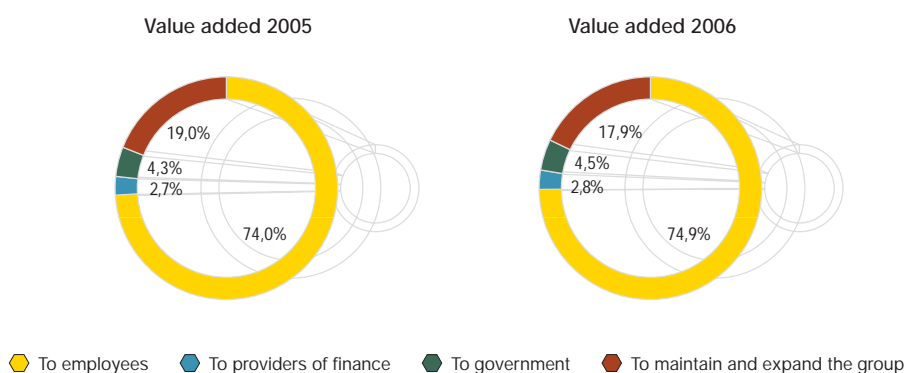
The Stop.Think campaign has been implemented in all South African operations to improve safety awareness and strive for zero harm.

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Murray & Roberts has made a non-negotiable commitment to sustainable earnings growth and value creation.



This commitment drives strategy and decision making in the Group, recognising its responsibility to current stakeholders and future generations.

Murray & Roberts has adopted the Global Reporting Initiative (GRI) reporting guidelines to measure performance against economic, environmental and social parameters.

Statement of value created

Value added is the measure of wealth the Group creates through its operations by adding value to the cost of raw materials, products and services purchased. The diagram above summarises the total wealth created and how it was shared by our stakeholders who contributed to its creation. Also shown is the amount retained and reinvested in the Group for the replacement of assets and further development of operations. The detailed statement of value created is published on page 80 of the financial statements.

Shareholders

Shareholders benefited from a share price appreciation of 81.4% over the year to 30 June 2006 and a 33% increase in dividend. This contributed to a market capitalisation increase of almost 900% over the past six years Rebuilding Murray & Roberts.

General communication with shareholders is facilitated through:

- the Group's annual and interim reports
- Murray & Roberts website (www.murrob.com)
- the annual general meeting
- media releases
- the JSE news service (SENS)
- operational news

Financial results presentations are held in March and September. Additional information is provided to the investment community through:

- one-on-one meetings with the group chief executive and group financial director
- roadshow and investor conferences
- subject-specific presentations

Feedback from the market is obtained through:

- broker reports
- one-on-one contact
- the CE forum on the public website

Customers

The Group's customer base ranges from corporate institutions, governments, parastatals, mining houses and large business, to other contractors and private individuals. Our stated objective is to gain preferred status by delivering world class projects, products and services that meet customer requirements. Specific initiatives to enhance our customer/client relationships include:

- identification of customer/client needs
- staff training programmes
- strategic alliances
- market engagement
- innovation and education
- focus on measurables – quality, cost and delivery

Mechanisms are in place to monitor customer/client satisfaction. These include questionnaires and bi-annual customer surveys, with key account and project managers maintaining regular contact with customers/clients. Certain operations have call centres which field enquiries and undertake to resolve complaints within a certain period of time. A group ClientService centre assists in bridging the knowledge gap between the Group and its people, potential clients, existing clients and the general public.

Contract terms and conditions typically provide the mechanism for managing contractual disputes. These may be adjudication by a third party, arbitration or litigation. Disputes are managed at the appropriate level under the guidance of responsible executives and where necessary, are escalated to director level.

Suppliers

There are policies and procedures in our operations for the selection of suppliers. The following performance deliverables are important:

- pricing
- quality
- reliability

The creditworthiness, safety and environmental records of joint venture partners and subcontractors are considered.

The performance of our suppliers is monitored on a regular basis and supplier audits are conducted from time to time.

In the past 18 months, a number of our group operations have implemented affirmative procurement policies to support black empowered enterprises in South Africa.

Human capital

Human capital development is a cornerstone of Murray & Roberts sustainability. Our world class delivery of projects, products and services is a reflection of the capability of our diverse but experienced and competent work force.

We have a human capital strategic framework that benchmarks the global practices of high performing employers of choice. The strategic framework focuses on issues that enable our human capital to achieve the strategic objectives of our Group. Due to the diverse nature of Murray & Roberts, individual business entities are encouraged to tailor their human resource plans to their specific needs, but they are required to align their plans within the strategic framework.

We endorse employee rights as contained within the South African Constitution, including the right to freedom of association. Our policies and procedures are aligned with the Constitution and the laws of South Africa and other countries in which we operate.

Human resource policies and procedures, including procedures for the management of grievances, disputes and disciplinary measures, are in place in all group operations.

Diversity and employment equity

Murray & Roberts embraces diversity and is committed to transformation. Our employment equity approach provides for equal opportunity and fair treatment in employment. While the strategic framework enables compliance with South African employment equity legislation, we emphasise diversity to maximise our talent pool, strengthen the Group's capacity and increase innovation by introducing different ways of thinking.

Murray & Roberts has in recent years attracted a number of historically disadvantaged executives who see in the company a long term career rather than a short term opportunity, but the skills shortage has created challenges in the identification, attraction and retention of experienced black executives, engineers and other built environment professionals. Our main Board composition reflects the transformation of South African society. Four of our directors are from historically disadvantaged backgrounds, two of whom are women. Nine percent of our

Consolidated summary of the Murray & Roberts employment equity profile

Occupational levels	Male				Female				Total*
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	4	2	4	53	0	0	0	3	66
Senior management	7	5	9	147	3	1	1	13	186
Middle management	44	33	28	443	14	2	6	38	608
Junior management	628	167	75	1 325	47	19	14	133	2 408
Semi-skilled	10 072	131	69	365	453	43	53	194	11 380
Unskilled	1493	11	2	9	405	5	0	0	1 925
Total permanent	12 248	349	187	2 342	922	70	74	381	16 573

* Includes only permanent contracted employees

South African based employees are female and 84% are black. Approximately 34% of all levels designated as management in the domestic market are black and 9% female.

Each of our South African business operations is required to compile employment equity plans and reports for the Department of Labour. Employment equity forums, representing employees, contribute to the pursuit of employment equity targets and objectives.

An analysis of the employment equity profile indicates that more work is required if we are to make appropriate progress towards our group targets. The Black Executives Share Trust should assist with the attraction and retention of black executives and managers, although it is understood that effective attraction and retention requires an holistic approach.

Capacity development

A global benchmark study conducted by the Group in 2002 revealed that human capital is an important characteristic of best-in-class engineering and construction companies. Building world class leadership, as well as individual and organisational capacity, is crucial to Globalising Murray & Roberts. We comply with prevailing skills development legislation and provide a range of training, learning and career development opportunities for our people. In 2006, we increased our spending on formal employee training and development to approximately R27 million.

Murray & Roberts actively attracts and develops young talent to fulfil its human capital and transformation needs. The Group has established an integrated "graduate pipeline" to supplement the learnerships and traineeships offered by its operations. This pipeline is made up of a tertiary education bursary scheme, a graduate development programme and a campus engagement initiative. A graduate development steering committee has been convened to oversee the graduate pipeline.

Our bursary scheme provides financial assistance to full-time students, enabling them to qualify for a degree or national diploma at a recognised South African University or University of Technology, and to contribute to the Group's medium and long term needs for qualified staff. The scheme is aimed primarily at engineering and built environment fields of study. The number of bursaries awarded annually depends on the Group's needs. A special top up of 65 bursaries has recently been offered by our South African operations to meet growing demand for capacity development. Murray & Roberts currently has a total of 113 bursars, 67% of whom are black students and 26% female.

The graduate development programme (GDP) is part of the strategic framework to address human capacity and transformation issues and aims to provide a steady pipeline of future leaders. A pilot GDP was launched in 2005 with an intake of 12 graduates. The 2006 intake increased to 38 and this

number is expected to at least double in 2007. Currently, 76% of the graduates are black and 16% female.

The Group and its operations offer skills development programmes from adult basic education, to learnerships and leadership programmes. The Group had 140 (2005:103) people undertaking learnerships at 30 June 2006, 86% of whom are black.

To build world class capacity, we extend our recruitment to international markets, using appropriate processes and partners to achieve our objectives.

Remuneration philosophy

The Group's remuneration philosophy is aligned with its business strategy to attract, retain, motivate and reward directors, senior executives and staff by the payment of fair, competitive and appropriately structured remuneration. In a competitive and dynamic business environment, we believe that recognition and reward are crucial to motivating and retaining existing talent and gaining preferred employer status.

Aligning pay and business strategy is a framework that sets the parameters for executive and general staff remuneration relative to financial statement performance, using benchmarks such as total payroll as a percentage of revenue, total fixed costs of employment (TFCE) and total incentive remuneration relative to EBIT. Our framework also outlines the relationship between fixed and incentive remuneration based on market standards and Unitary Murray & Roberts principles.

The approach to TFCE differs in each country of operation because of differing regional practices, but this concept forms the basic foundation of our staff remuneration structure. TFCE is based on total guaranteed remuneration including a cash portion, car benefit if appropriate and company contributions to retirement and risk benefits. Market survey data and relative performance are used in determining levels of guaranteed remuneration. Guaranteed packages are reviewed annually.

The Group's incentive or additional remuneration principle is that leadership executives and general staff are rewarded relative to their contribution to the strategic and operational performance of the Group. Incentive remuneration payments are determined annually. Incentive remuneration for group executive leadership is also referenced to attributable earnings and influenced by key performance areas (KPA's) which provide

a mechanism for adjustment relative to an executive's alignment with the strategic objectives of the company and contribution to energising business performance.

Senior and specialist executives are considered for participation in the group share incentive scheme. This scheme is intended to promote an alignment of interests with those of shareholders and provide a longer term capital incentive as part of the remuneration structure.

Occupational health

All South African operations comply with the requirements of the Occupational Health & Safety Act and, where necessary, the Mines Health & Safety Act.

Several manufacturing and project sites have onsite clinics where full time nursing is deployed. Other operations offer staff access to nursing or medical assistance on a part time basis. A number of operations conduct pre-employment and exit medicals and, in some instances, baseline medicals are conducted annually.

While the top five health risks in our diverse operations vary, noise and dust are considered high occupational risk for the majority of our employees.

Health and safety audits are conducted regularly with a number of operations accredited with OSHAS18000.

HIV/Aids

Policies are in place in our operations to instil an environment of non-discrimination, empathy and awareness. Voluntary testing is conducted at certain operations. The families of employees in many operations participate in awareness programmes which include industrial theatre performances organised in co-operation with the local Department of Health.

Corporate social involvement (CSI)

Our business activities have an impact on the communities in which we operate and we are committed to managing this impact responsibly. We focus our CSI programme on development projects aligned with our business strategy, supporting mathematics, science and technology education, numerical education in early childhood development and environmental education.

The Group spent R10 million (2005: R10 million) on CSI projects, including funding for the Maths, Science and Technology in

Engineering project developed by the Maths Centre for Primary School Teachers; the National Business Initiative's Education Quality Improvement Partnership schools programme; and the Endangered Wildlife Trust's Biodiversity Environmental Education Project. We continue to support the Murray & Roberts Chair of Environmental Education at Rhodes University and the Chair of Applied Mechanics at the University of the Witwatersrand.

We make a number of awards each year to recognise and reward initiatives that contribute to the enhancement of our society. These include the Jack Cheetham Memorial Award for development in sport, the Des Baker Award for students of architecture and the JD Roberts Award for environmentally sustainable solutions to human dilemmas.

Black economic empowerment

Murray & Roberts, as a corporate citizen and leader in the construction economy, is committed to contributing to a sustainable future for South Africa and endorses the Broad Based Black Economic Empowerment Act and the principles embodied in the draft of Good Practice Codes.

Additional information on our black economic empowerment strategy and practices is available on pages 8 and 9 of the annual report.

Environment

Environmental policies and guidelines are in place at each operation and a number of the operations have ISO14001 accreditation. Where ISO14001 accreditation has not yet been obtained, work is in progress to achieve this. Certain of our manufacturing plants monitor emissions in line with legislative requirements and R25 million has been spent over the past three years on dust filtration, emission control and upgrading of processes.

In our projects and contracting businesses, environmental impact assessments ("EIAs") are the responsibility of the client but, in many instances, we assist the client with this process as well as making use of the client's EIAs to develop our environmental management plan for the project concerned.

Oconbrick Manufacturing, the Group's brick manufacturer, conducts opencast mining operations to source its primary raw material. This business works closely with the Department of Mineral & Energy Affairs to ensure that mining operations are in line with legislative compliance and biodiversity issues are

properly managed. For instance, at Oconbrick's mining facility in Meyerton, archaeological artefacts and other important historical finds have been discovered. These have been appropriately cordoned off and the regulatory authorities informed. Oconbrick has an obligation to return its mining site back to its original state once mining operations are completed at the end of the mine's life.

Water and energy is monitored on a quarterly basis and capital expenditure has taken place to reduce energy usage.

At operations where hazardous materials are used, appropriate policies and procedures are in place and we work with local municipalities and appoint outside third parties to ensure safe disposal.

Our Group occupies an estimated 532 hectares of land, the greater portion of which is used for industrial purposes (manufacturing operations), and the balance for office buildings.

Corporate governance

Statement of compliance

The Board of Murray & Roberts (Board) is committed to the principles of the Code of Corporate Practices and Conduct (Code) as set out in the King Report on Corporate Governance for South Africa 2002 (King II). 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 15 directors, 10 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 company 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 Code.

During the past year, the non-executive directors were paid an annual retainer of R30 000 plus an attendance fee of R10 000 per meeting. Five meetings were held during the year which equated to a total annual fee of R80 000. At the annual general meeting convened for Wednesday 25 October 2006 it has been proposed that shareholders approve a revised remuneration structure where non-executive directors are paid a fixed annual fee of R100 000. They will be penalised to the extent of R10 000 per meeting for non-attendance.

It is also proposed that an *ad hoc* fee of R20 000 per meeting be paid for any special board meetings convened.

The revised payment basis is proposed in view of additional workload, increasing responsibility of directors and the increased complexity of the Group in the business environment within which it operates.

The proposal is based on a minimum of five meetings a year and takes into account additional committee workload.

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 held during the year under review is reflected in the tables on page 58 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 the responsibility of 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 committees are:

- executive
- audit
- risk
- remuneration & human resources
- nomination
- health, safety and 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 chairman of each committee is included in this report.

Each committee operates according to terms of reference approved by the Board and reviewed annually. With the exception of the executive committee, all other committees are chaired by independent non-executive directors of the Board.

The independent and 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 59 of this report.

International advisory board

In line with its strategy Globalising Murray & Roberts and given the complexity of the Group's international activities, the Board established an international advisory board (IAB) in 2005 to assist with its oversight responsibilities in respect of the development of the international business of the Group.

The IAB has no statutory or delegated powers to bind the company. It serves as a forum for executive and certain 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 IAB are reviewed annually within a broad mandate to advise the Board on 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

External members of the IAB are Sir Alan Cockshaw, retired executive chairman of AMEC with extensive experience in the engineering and contracting industries, Dr Reuel Khoza, chairman of South Africa's NEPAD business group, former chairman of Eskom and chairman of Nedcor and Mr Campbell Anderson, independent director of Clough.

The IAB met twice during the period under review in Johannesburg and Dubai.

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 in November 2005.

Orientation programme

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 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 ensuring 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 promote the effective efficiency 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 page 57 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 its 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 Services (SENS). All approved dealings are reported in arrears to the regular meetings of the Board.

Audit committee



Martin Shaw, *chairman*

The audit committee assists the Board to fulfil its corporate governance supervision responsibilities relating to accurate financial reporting and adequate financial systems and controls. It does so by evaluating the findings of external audits, the actions taken and the appropriateness and adequacy of the systems of internal financial and operational control.

The committee reviews accounting policies and financial information issued to stakeholders and recommends the appointment of external auditors and their remuneration.

The Board is provided with regular reports on the committee's activities. The external auditors have unrestricted access to the chairperson of the committee. The independence of the external auditors is regularly reviewed and all non-audit related services are reported upon in terms of an agreed policy.

Membership

MJ Shaw served as chairman of the committee and IN Mkhize and AA Routledge as members during the year under review.

All of the committee members are independent non-executive directors and are financially literate. The chairman, group chief executive, group financial director, group corporate services executive and the external auditors, attend meetings by invitation.

The committee met twice during the year under review.

Terms of reference

The committee's activities include:

- monitoring the Group's accounting policies and making recommendations to the Board to ensure compliance with International Financial Reporting Standards
- discussing and agreeing on the scope, nature and priority of the audit
- reviewing the external auditors' reports for the interim review and full year audit
- reviewing the Group's annual financial statements and the Group's results and making recommendations to the Board for publication in the interim and preliminary report and the annual report

The committee's terms of reference are reviewed annually at the April board meeting.

Audit and administration

Financial management within Murray & Roberts continues to be strengthened with the appointment of a number of senior financial executives.

During the year the Group decided to establish a separate risk committee. A separate report on the risk committee is published on page 57 of the annual report.

The audit firm responsible for the audit of the Group's main Middle East business was changed during the year to Deloitte & Touche. On the 80% acquisition of the Group's clay brick manufacturing business the auditor was also changed to Deloitte & Touche.

International Financial Reporting Standards (IFRS)

The Group has adopted IFRS for the first time for the year ended 30 June 2006, with a date of transition of 1 July 2004. Previously the consolidated results were prepared in accordance with South African Generally Accepted Accounting Practice.

Martin Shaw
Chairman

Risk committee



Royden Vice, *chairman*

During the year under review, the function of audit and risk were separated and a risk committee was established in February 2006. The first meeting was held in May.

The risk committee assists the Board with oversight of the development and implementation of the group risk framework.

Membership

Membership of the committee comprises three independent non-executive directors, IN Mkhize, MJ Shaw and RT Vice, the chairman. The group chief executive, group financial director and group corporate services executive attend meetings by invitation.

Group risk framework

The group risk framework was approved by the Board on 28 February 2005 and deals with:

- decision making in the context of new business development and work procurement opportunities
- management of risk at group, operational and project levels
- the group risk appetite
- the review of group level risk exposure, including performance bonding and disputes and litigation
- corporate and operational risk management capacity, including the Murray & Roberts risk committee, group risk, operational risk co-ordinators and dedicated risk managers
- risk financing, which includes the group insurance programme and alternative risk transfer
- risk based auditing
- forensic investigation

The group risk framework seeks to control the entry of risk into Murray & Roberts and systematically manage threats, while exploiting opportunities to contribute towards performance. The executive committee is responsible for implementing the group risk framework, supported by designated operational staff.

The risk management committee, a committee of the Murray & Roberts Limited Board, was formed during the year to act as custodian of the group risk appetite, review group level risk and interrogate key decisions prior to Murray & Roberts Limited board and Murray & Roberts Holdings Limited approval. The committee met six times during the year under review.

Group insurance

Murray & Roberts has a group insurance programme covering RSA-based asset and liability risks. For risks outside South

Africa there is a difference in cover provision within the programme, which is dependent on legislative requirements and availability of cover in the particular territory.

Group risk appetite and opportunity management

Procurement of work is the primary medium through which risk enters the Group. The group risk appetite sets the operational environment for risk. Prospects are filtered against criteria such as value, country, legal system and scope, reflecting their status as green, amber or red and indicating the level of authorisation required.

The opportunity management system, based on the group risk appetite, has been developed in-house to support the evaluation and approval of project opportunities, introducing a process of discipline ahead of the issue of performance bonds and guarantees.

Risk management

Risk assessments are conducted as part of business planning and bid preparation. Risk management entails assigning ownership, developing mitigation plans, resource allocation, implementation, periodic review and formal communication. The software application, KnowRisk, is being implemented to support the risk management process and the management of operational, project and HSE risk knowledge bases.

Engineering & Construction Risk Institute

Murray & Roberts is a founding member of the Engineering & Construction Risk Institute, an association of global engineering and construction companies, formed by the World Economic Forum, which aims to institutionalise sound risk management practice in the Industry.

Royden Vice
Chairman

Nomination committee



Roy Andersen, *chairman*

The nomination committee ensures that the structure, size, composition and effectiveness of the board and board committees are maintained at levels that are appropriate in the context of the Group's complexity and strategy. It does so by regularly evaluating the board's performance, undertaking performance appraisals of the chairman and directors, evaluating the effectiveness of board committees and making recommendations to the board.

The committee comprises the chairman of the Board and two other independent non-executive directors. The chairman of the committee is appointed by the Board.

RC Andersen served as chairman of the committee and SE Funde and JJM van Zyl continued as members during the year. The committee met once during the period under review.

A review of the effectiveness of the Board, the directors and the chairman was completed in November 2005. The outcome of the review was positive.

Specific matters that received the attention of the committee during the year included consideration of the outcome of the

board review and recommendations to the Board to establish a separate risk committee instead of combining this important function together with the responsibilities of the audit committee.

Succession planning, taking into account the strategy of the Group and future retirements from the Board, was also addressed.

Roy Andersen
Chairman

Record of attendance at director's meetings for the 2006 financial year

Name of director	Category of director	31 August 2005	28 November 2005	2 March 2006	19 April 2006	28 June 2006
RC Andersen	Independent chairman	✓	✓	✓	✓	✓
BC Bruce	Chief executive	✓	✓	✓	✓	✓
SJ Flanagan	Executive	✓	✓	✓	✓	✓
SE Funde	Independent	✗	✗	✓	✓	✓
N Jorek	Executive	✓	✓	✓	✓	✓
SJ Macozoma	Independent	✓	✓	✓	✓	✓
NM Magau	Independent	✓	✓	✓	✓	✓
JM McMahon	Independent	✓	✓	✓	✓	✓
IN Mkhize	Independent	✗	✓	✓	✓	✓
RW Rees	Executive	✓	✓	✓	✓	✓
AA Routledge	Independent	✓	✓	✓	✓	✗
MJ Shaw	Independent	✓	✓	✓	✓	✓
KE Smith	Executive	✓	✓	✓	✓	✓
JJM van Zyl	Independent	✓	✓	✓	✓	✓
RT Vice	Independent	✓	✓	✓	✓	✓

Record of attendance

Record of attendance at board committee meetings for the 2006 financial year

Audit committee

Name of member	30 August 2005	27 February 2006
MJ Shaw (Chairman)	✓	✓
IN Mkhize	✓	✓
AA Routledge	✓	✓

Risk committee

Name of member	2 May 2006
RT Vice (Chairman)	✓
IN Mkhize	✓
MJ Shaw	✓

Remuneration & human resources committee

Name of member	30 August 2005	28 February 2006	18 April 2006	26 June 2006
JJM van Zyl (Chairman)	✓	✓	✓	✓
NM Magau	✓	✓	✓	✓
SJ Macozoma	✓	✗	✓	✓
AA Routledge	✓	✓	✓	✗

Nomination committee

Name of member	28 February 2006
RC Andersen (Chairman)	✓
SE Funde	✓
JJM van Zyl	✓

Health, safety & environment committee

Name of member	29 August 2005	24 November 2005	27 February 2006	27 June 2006
JM McMahon (Chairman)	✓	✓	✓	✓
BC Bruce	✓	✓	✓	✓
SE Funde	✓	✓	✓	✓
NM Magau	✓	✗	✓	✓

Note: Various executive directors and corporate executives attend committee meetings by invitation.

Remuneration & human resources committee



Boetie van Zyl, *chairman*

The Group's remuneration philosophy is aligned with its business strategy to attract, retain, motivate and reward directors, senior executives and staff by the payment of fair, competitive and appropriately structured remuneration. The remuneration & human resources committee met four times during the year to monitor the achievement of these objectives.

Membership

The committee comprises the chairman and five other independent non-executive directors. The group chief executive, group financial director and group human capital executive attend meetings in an *ex officio* capacity. JJM van Zyl served as chairman of the committee during the year, RT Vice was appointed a member on 16 November 2005 and RC Andersen, SJ Macozoma, NM Magau and AA Routledge served as members.

Terms of reference

The terms of reference of the committee were reviewed and approved by the Board on 19 April 2006.

The committee assists the Board by regularly submitting reports and recommendations regarding the Murray & Roberts remuneration framework and policies. The committee is responsible for considering and approving proposals regarding the remuneration, benefits, share options and related matters of executive directors of the Group, including the group chief executive, all managing directors of the Group's operating entities and senior corporate executives. The functions, role and mandate of the group chief executive are considered by the committee and his performance is assessed. Succession planning is also considered.

An independent advisor has been appointed to review the Group's remuneration policies and practices.

Director and executive remuneration

The Group employs the services of an independent consultant to advise on the profiling and appropriate remuneration levels of executive directors and senior executives and reviews the Group's remuneration policies and practices.

The remuneration packages of executive directors and senior executives include performance-related remuneration, which is determined in terms of incentive schemes operated at Group and operating entity level. These schemes have been designed and implemented with assistance from independent remuneration consultants, to competitively reward those directors and executives who have contributed to the Group's sustainable earnings growth and value creation. The remuneration of

executive directors for the year ended 30 June 2006 is set out in note 46 to the consolidated financial statements.

Directors do not have fixed-term contracts, but executive directors are subject to notice periods of between one and twelve months. Normal retirement of executive directors is at age 63, while non-executive directors are required to retire at age 70.

Non-executive directors receive a fee for their contribution to the Board and the board committees of which they are members. The level of fees for service as directors, additional fees for service on board committees, fees paid to the members of the international advisory board and the chairman's fee are reviewed annually. The committee recommends fee structures to the Board following research into market trends in directors' remuneration for ultimate approval by shareholders.

Remuneration details of non-executive directors for the year ended 30 June 2006 are set out in note 46 to the consolidated statements and the background to a proposed fee increase is included on pages 53 and 54.

Retirement and other benefit plans

A number of defined contribution retirement funds operate within the Group in South Africa. These are registered as pension or provident funds and are accordingly governed by the Pension Funds Act. Although these funds are privately administered, the majority of funds are incorporated in outsourced umbrella schemes.

The assets of the funds are independently controlled by boards of trustees which include representatives elected by the members. Further details on retirement and other benefit plans are provided in note 45 to the consolidated financial statements.

In terms of the Pension Fund Surplus Appointment regulations, the Registrar of Pension Funds has formally recorded a nil surplus scheme submission for both the Murray & Roberts Retirement Fund and Murray & Roberts Provident Fund.

Boetie van Zyl
Chairman

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

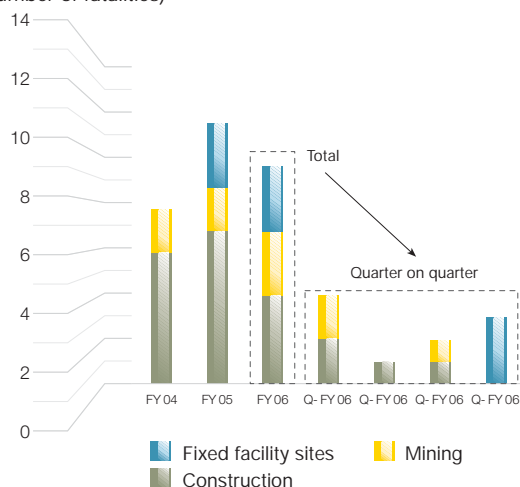
Fatal accidents

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
(number of 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.

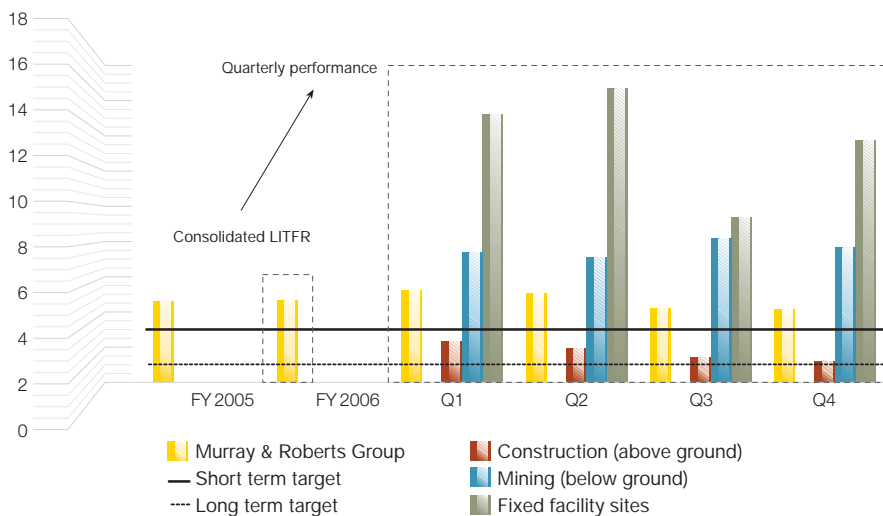
In addition to the 'at work' fatalities, 58 people lost their lives in the Bahrain dhow tragedy, which is covered in more detail within the chairman and the chief executive reports.

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.

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

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.

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