

Chairman's message

At the end of Terra's 2020 financial year, we were all left with a sense of relief and of recognition – the relief that there has not been a more significant negative impact locally on human health from the Covid-19 pandemic, and recognition that the swift and effective measures the Mauritian Government had implemented at the outset had successfully contained the spread of the virus.

Our national policy in handling the pandemic since March 2020 has been very effective and should, this year and in 2022, enable the Mauritian population and the Mauritian economy to bounce back fairly quickly. The gradual reopening of the borders this year and the positive impact of the vaccine rollout worldwide and in particular in the countries of our traditional economic partners should gradually accelerate the recovery of the Mauritian economy.

2020 was a very challenging year for Terra, with some issues specific to the Group (such as the expiry of vital contracts) and an economic and social environment significantly affected by the ravaging effects of a pandemic of global proportions, which no one saw coming in its scale and impact. The effects of the virus extended beyond human health considerations to fundamentally impact our local economy, as well as those of our main trading partners. The unfortunate loss of life of millions across the world has been as devastating as the crippling effects that government-imposed lockdown measures have had on world economies. The pandemic stole lives and livelihoods. Mental health has also become a major concern in many countries. The fear factor is not just the fear of catching the virus, but also fear of what tomorrow brings in terms of job security and way of life. There have been significant worries about joblessness and the negative impact on society as a whole, including an increase in inequality.

At the outset of the pandemic, our main concern was to protect our workforce and their families. Terra's own Covid-19 protocol was developed to ensure that no employee was in danger of catching the virus at work. Management took decisive and immediate protective measures wherever necessary, more specifically when providing various essential services which, by their very nature, needed to continue operating for the national good. Terragen remained in operation 24 hours a day 7 days a week, to continue to supply electricity to the grid. We responded with determination and calm to protect our employees and our companies, and to adjust our strategies to face these unprecedented challenges. I wish to convey a very special thank you to all our employees, and in particular those involved in providing such essential services for their commitment, dedication and motivation during these challenging moments.

Unfortunately, our country and its economy have not, and will not be immune to the significant impact and fallout of a very deep global recession in 2020 which is the most widespread and material economic downturn that I have witnessed in my lifetime.

Despite the best efforts of the Government to prevent the massive negative economic impact through stimulus and social protection measures, such as the wage assistance scheme, one cannot replace a market economy by Government funding alone, and certainly not overnight. The Mauritian economy has contracted by some 14% in 2020 and the respective lockdowns in Europe, our key markets, will continue to impact us. The pace of recovery of Mauritius will be highly dependent on the success of the Covid-19 vaccine worldwide roll-out and the recovery in our traditional markets.

Our diversification enabled us to remain resilient

This is the fifth consecutive year in which Terra has been executing its strategy of optimising value from the Group's core assets across the sugar value-chain, and delivering value through its four clusters: Cane, Power, Brands, and Property and Leisure. The onset of the pandemic and lockdown measures had a more marked negative financial impact on our Brands and Property and Leisure clusters, while other sectors of the Group showed resilience. Our diversified operations have enabled us to withstand the economic shocks, with improved financial results generated in the Cane cluster and, overall, operations have remained profitable in all of our four clusters.

While activities in the **Cane** cluster were impacted by workers not being able to be working our fields for more than a month, and the subsequent late start to harvest, the more significant impact was the lower volume of sugar cane produced linked to the ongoing drought. Nonetheless, our reduced operating costs, improved sugar prices and our strategy to produce specialty sugars that continue to receive a price premium have meant that this cluster was one of the least affected by the pandemic. The recent announcement by the Mauritius Government of *bagasse* remuneration is a welcome step to create conditions for a sustainable local sugar industry. We also await Government announcements on the conclusions of the World Bank report on the future of the sugar industry and are hopeful that they will lead to the implementation of necessary policy and regulatory changes that would allow the local sugar industry to compete on equal terms with its global competitors.

In the **Power** cluster, the extension of our contract in June 2020 with the Central Electricity Board (CEB) for the next five years is testimony to Terragen's efficient and reliable energy supply to the grid. Terragen also remains one of the most price competitive suppliers to the CEB. The shorter contract period, however, presents a missed opportunity to export greener energy to the grid, as transforming our existing plant into a one-of-a-kind hybrid power production facility requires significant investments and consequently longer-term certainty. We will continue constructive discussions with CEB and the Government to embrace this energy transition.

Our **Brands** cluster was directly affected by the fallout of the pandemic, with the hospitality sector closed for nine months of the year. In response to lower levels of demand for our products from this sector, we placed more emphasis on traditional trade (boutiques), which proved successful. Our brands have done well given the circumstances, and the cluster will continue to adjust and align to the demands of the market. We were exceptionally pleased to see the Grays Inc. rum brand, New Grove Emotion 1969, winning the best rum in the world award "Canne d'or" for 2020.

The **Property and Leisure** cluster has also been severely affected by the lockdown and closing of borders, with Mauritian buyers also showing caution during the year and foreign buyers unable to visit the island. With delays experienced in construction activities, the opening of our retail centre, Mahogany Shopping Promenade was postponed to June 2021. The exceptionally beautiful development around our lake at Beau Plan and its array of attractive and varied shops have already established the Mahogany shopping Promenade as a very popular shopping centre. Towards the end of the year, we witnessed a resurgence in property purchases nationally, indicating a resilient local clientele, and this has given us confidence to continue our investments in our Beau Plan Smart City development. We still anticipate Beau Plan to be a growingly important economic hub on the island, providing an appealing commercial, residential, education and leisure environment, and a significant source of long-term value growth for the Group.

Some of the Group's **Associates** had improved performances in 2020, as in the case of Sucrivoire, our associate in Côte d'Ivoire, which returned to profitability during the year, thanks to the crucial technical support from Terra's pool of expertise. Our investment in the Swan Group has also been very resilient with the insurance sector performing very well nationally. We unfortunately also suffered significant unrealised impairments from our other investments, in particular in those investees which were directly exposed to the tourism and hospitality sector, as well as our across-border investments.

Overall and in particular because of the excellence of the operations we control, Terra Group has proven to be quite resilient. We expect a much improved overall financial performance in 2021.

We continue to care for our fellow Mauritians, while still pursuing our growth areas. Terra Foundation celebrated its 10th year anniversary in 2020 and has positively impacted the lives of some 33,220 children and youth, and 60,131 adults, directly and indirectly, over this period. During 2020, we helped our NGO partners as much as we could to remain resilient, and their work has become even more critical since the impact of the virus. I was particularly impressed with Terra's rapid response to the MV Wakashio oil spill mid-2020, which leaked tonnes of oil into the ocean. Terra actively assisted in organising a community response to the crisis, using the Foundation's stakeholder network, making the Creative Park of the Beau Plan Smart City fully available as the base of operations, and donating 32 tonnes of cane straw to manufacture floating booms to help contain the oil spill.

Another key achievement this year was an important restructuring of our balance sheet, securing long-term finance needs at competitive rates for long-term projects. This will put us on a very solid financial footing to achieve our growth targets.

Chairman's message (cont'd)

Maintaining oversight through a diverse Board

Despite the lockdown and the challenges faced, there have been many achievements at Board level in our 2020 financial year. We reviewed our Board Charter to bring it further in line with the National Code of Corporate Governance (2016). The Code provides useful guidance and we have come closer to meeting it in its entirety.

Our main responsibility as a Board is to ensure that our executive team fulfils its fiduciary and societal responsibilities, while maintaining the highest levels of corporate governance. In fulfilling this task, we are fortunate to have a Board that brings valuable diversity in skills, experience and perspective.

Our Board evaluation, which takes place every two years, showed very positive results in 2020, where we moved from a performance level of 82% to 85%. Our external consultants, Ernst and Young, commended us on our performance and commitment, and for our efficiency in the way we run the Board.

With the retirement of Maurice de Marassé Enouf, as non-executive Director, effective from 01 January 2021, we have taken this opportunity to increase the number of women on our Board.

Appreciation

One of the notable highlights of 2020 was how well our executive and management teams managed the unprecedented challenges of operating in the context of Covid-19 fallouts. We progressed through the stages of our purposely designed protocol measures exceptionally well, working hard to ensure our employees felt safe at all times. On behalf of the Board, I wish to send my warmest thanks to our Managing Director, Nicolas Maigrot, and his management team for their endless resilience during a very challenging 2020. They have managed with great efficiency the operations with a sense of calm and composure during such uncertain times, supported and helped our subsidiaries who had challenges of their own, and, above all, shown compassion for our employees going through difficult times in their lives.

Terra's employees have, once again, continued to make an invaluable contribution to the Group's performance under sometimes very difficult conditions. Many stepped up to help voluntarily on certain initiatives, and on behalf of the Board I would like to convey our sincere appreciation for their loyalty, devotion, commitment and dedication.

I wish to thank all members of the Board of Directors for their continuous support over 2020, their availability and reactivity in decision-making since the Covid-19 outbreak. I wish to give a special thank you (both personally and on behalf of Terra) to Maurice de Marassé Enouf, who has made a huge Board contribution over the last 10 years and has retired at the end of 2020. His wisdom, experience, expertise and passion will be sorely missed.

We are glad and extend a special welcome to Anna Mallac-Sim who has joined our Board of Directors as from April 2021. Anna has brought a new set of skills, passionate dedication and competence and a youthful perspective on the Board.

I also wish to extend my deep appreciation to all Terra's business partners and stakeholders, including especially those within the Government of Mauritius, for their collaboration throughout the year.

With our diversified clusters and experienced team, I have no doubt that the Group has the right strategy, systems and talent to deliver substantial value into the future. We will nonetheless need to continually adjust our strategies to uphold the new challenges facing all the economic sectors we are operating in. At Terra, we are more than ever willing to work with the Government and other stakeholders, both locally and abroad, to carve out a sustainable future.



Alain Rey
Chairman of the Board
13 September 2021

