



Operational Review

OPERATIONAL REVIEW

Cane

Terra has been growing sugar cane and producing sugar since 1838, when the Harel brothers acquired the Belle Vue sugar estate in the north of Mauritius.

Today we have around 6,000 hectares of agricultural land, and we operate one of the most modern sugar producing factories on the island. We also jointly manage two sugar estates and factories in Côte d'Ivoire.

Our purpose is to be a global player in growing cane and manufacturing sugar, with a particular focus on specialty sugars.

CANE BUSINESS MODEL

VALUE DRIVERS

REVENUE DRIVER (PRICE)

Market demand and pricing

Commodity business shaped by supply and demand dynamics in the global sugar market, as well as local pricing determined by the Mauritius Sugar Syndicate (MSS).

Securing a price premium through distinct offering of specialty sugars.

COST DRIVER (PRICE)

Material cost efficiencies

Efficiency gains in our growing and milling activities.

CONTEXT AND OUTLOOK

- With volatile global sugar prices below profitability levels, an adjustment of the supply and demand dynamics through Government policy support is vital for industry survival; Mauritius as a relatively small global producer continues to face a number of market obstacles with little structural reform.
- The sugar price has levelled out with slight recovery, yet still remains a risk of not reaching break-even point; the Government in Mauritius has shown positive signs of engagement with the industry and has announced a better remuneration for *bagasse*. We await the outcomes of the other aspects of the World Bank report.
- Mauritius has specialised in the manufacture of a wide range of specialty sugars, appealing to discerning customers and many agro-industrial ventures as healthier ingredients for finished food products; products are all marketed by the MSS which has become a reference for these unrefined specialty sugars. With the renewed focus by the MSS in targeting households and chefs as potential buyers for our specialty sugars, we have a more direct and active engagement with buyers.

- We have adopted a predominantly defensive strategy aimed at driving operational efficiencies in both our Belle Vue and Côte d'Ivoire operations.
- We benefit from our state-of-the-art technology and skills in the mechanisation of cane growing and harvesting. Digital farming enables us to increase efficiencies in the face of a reduced workforce.
- Our most significant costs relate to labour, followed by repairs and maintenance, fuel and fertilisers; activity-based costing exercises undertaken in our fields, mills and garage enable further optimisation.
- We foresee significant cost increases with the newly introduced Workers' Rights Act 2019 in Mauritius.
- We continue to review possible growth opportunities internationally that harness our recognised technological and process skills.

Cane (cont'd)

RESIDUAL RISKS

The main residual risks for the Cane cluster as at 31 December 2020 are summarised in the list below.

RISK	CONTRIBUTING FACTORS	RISK MITIGATING ACTIVITIES	YEAR ON YEAR TREND
R1 Not securing an adequate price for <i>bagasse</i> , leading to a drop in cane supply.	<ul style="list-style-type: none"> A drop in sugar cane supply is detrimental to the milling activities. Knock-on effect on the supply of <i>bagasse</i>, impacting our ability to shift to renewable energy sources for power generation. 	<ul style="list-style-type: none"> Terra participated in an industry initiative to submit proposals for reform of the sector, driven by the MSS and Business Mauritius. The Government established a committee to work on the subject, involving the relevant Ministries. 	Unchanged
R2 Volatile global sugar price, below the break-even point for Mauritius.	<ul style="list-style-type: none"> Impact of the pandemic on demand and production of beet sugar in our principal markets in Europe. Impact of the pandemic on supply of sugars from competing countries such as Brazil and India. 	<ul style="list-style-type: none"> Shifting towards specialty sugars that command a superior margin. Working with the MSS to market the Mauritian brand, our specialty sugars, and gain access to new markets. 	Unchanged
R3 Continued decrease in the supply of cane combined with high costs of production resulting in reductions in productivity.	<ul style="list-style-type: none"> Drop in cane supply is accelerated by the following: <ul style="list-style-type: none"> Current low price of <i>bagasse</i>. Decline in number of small and medium planters. Drop in area available for cultivation as a result of real estate developments by planters. Urbanisation resulting in challenges to cultivate next to residential areas. 	<ul style="list-style-type: none"> Supporting small planters: <ul style="list-style-type: none"> Taking initiatives to motivate the next generation of farmers. Advising small farmers on harvesting, weeding and transporting the cane. Optimising efficiency: <ul style="list-style-type: none"> Adopting new technologies for digital farming. Adopting lean management principles. Investing in automation of processes. 	Unchanged
R4 Changing climatic conditions adversely impacting cane yield, resulting in losses.	<ul style="list-style-type: none"> Increasing demand for water from other users in the water-scarce North of Mauritius. Certain competing countries are inherently more conducive to sugar cultivation in terms of soil structure, climate and water availability. 	<ul style="list-style-type: none"> Optimising water consumption and improving use of effluents for irrigation. Securing insurance cover (through the Sugar Insurance Fund Board). Adopting more resistant and higher yielding strains of cane. Working with local authorities to increase the capacity of Nicolière dam. 	Unchanged
R5 Plant and equipment failure, resulting in disruption to operations.	<ul style="list-style-type: none"> Breakdown of major equipment within the mill. Breakdown at Terragen operations impacting the supply of electricity and steam. Impact of pandemic on timely supply of imported parts, and ability of specialist consultants to travel to Mauritius to perform maintenance and repairs. 	<ul style="list-style-type: none"> Investing in modern plant and equipment and replacing old items as and when needed. Performing regular preventive maintenance and inspection of plant and equipment by specialist consultants. Maintaining a stock of critical spares on site. Coordination and planning of operations with Terragen. 	Unchanged

CAPITAL

PEOPLE



MATERIAL INPUTS (2020)

TERRA MILLING EMPLOYEES
105 permanent and 234 temporary

TERRAGRI EMPLOYEES
201 permanent and 60 temporary

ACTIVITIES TO SUSTAIN VALUE

- Appointed a dedicated Health and Safety Officer at Terra Milling and made good progress in implementing the ISO 45001 health and safety management system. Certification is targeted for 2021.
- Installed safety modifications to the Over-Head Travelling Crane (OHTC) platform, set-up a gas-metering system for working safely in confined spaces, and conducted eye check-ups for all workshop employees.
- Fire in fields remained a key safety risk at Terragri (Agriculture) and we reaffirmed efforts to train employees and develop a safe system for firefighting.
- Defensive driving training was conducted with all drivers and operators to refresh safety practices, and a safety checklist was introduced for Bell Loaders. Electrical safety in the workshop was also upgraded.
- Safety measures and procedures in place in response to Covid-19.
- Executive and leadership development coaching programmes ongoing.

MATERIAL OUTCOMES (2020)

TOTAL RECORDABLE INJURY RATE (TRIR)
19.5 (-53%)

LOST TIME INCIDENT RATE (LTIR)
17.1 (-59%)

SEVERITY RATE
32.7 (-42%)

MANUFACTURED



Agricultural and milling equipment

- Annual maintenance and critical spares kept in stock.
- Regular inspection by consultants and monitoring of equipment during operation through computerised system (SCADA).
- Fire safety and protection procedures in place.
- User access rights on operator terminals and regular server backups; access to USB ports disabled to enhance cyber-security.

NATURAL



LAND UNDER CANE CULTIVATION (INCLUDING AREA BEING PREPARED FOR PLANTATION)
5,340 Ha (+3%)

WATER CONSUMED
1,622,443 M m³ (-68%)

LIQUID MINERAL FERTILISERS
2,082 T (+35%)

DIESEL
898 m³ (-17%)

SUGAR CANE MILLED
704,629 T (-23%)

ORGANIC FERTILISERS
18,738 T (+34%)

SOLID FERTILISERS
365 T (-20%)

STEAM FROM TERRAGEN
838,519 Gj (-10%)

- Small planter advisors in place to motivate small-scale farmers in implementing efficiency measures and assisting with their harvesting and transport.
- Measures to optimise water consumption and better utilisation of effluents for irrigation.
- Organic cane production trial started.

OWN CANE HARVESTED
302,291 T (-22%)

SPECIALTY SUGAR PRODUCED
74,541 T (-16%)

ORGANIC CANE AREA PLANTED
50 Ha

OIL USED
15.3 m³ (+13%)

VEHICLE TYRES USED
8.3 T (-55%)

Cane (cont'd)

CAPITAL	MATERIAL INPUTS (2020)	ACTIVITIES TO SUSTAIN VALUE	MATERIAL OUTCOMES (2020)
SOCIAL AND RELATIONSHIP 	Quality relationships with key stakeholders including: MCIA, MSS, Terragen, planters, employees and trade union representatives, and service providers.	<ul style="list-style-type: none"> Embedded our Culture and Engagement Journey for employees creating a culture of care and learning. Workers' council meets twice a year. For Terra Milling Ltd 85% of workers remain unionized, while for Terragri Ltd 81% within its agricultural unit and 68% within the non-agricultural unit are unionised. Clear communication and collaboration with Terragen to maintain electricity and steam supply; vertical integration enables stability and growth. Active chairing of the MSS by the Managing Director of Terra; active engagement with Government stakeholders and assisting MSS to strengthen the branding and marketing of Mauritius' premium specialty sugars and exploring new market opportunities. 	EMPLOYEE TURNOVER RATE 12% (2019: 24%) DAYS LOST TO STRIKE ACTION 0 PAYMENT IN TAXES MUR 3.0 M
INTELLECTUAL 	<ul style="list-style-type: none"> International certifications, including BRC, GMP, Halal and C-TPAT. Application of HACCP Codex Alimentarius. A registered SEDEX B member and subject to annual third-party audit on local and international labour laws; health, safety and environmental regulations; and business ethics. 	<ul style="list-style-type: none"> Renewal of certificates and customer second party audits to ensure safety of product and system, social and environmental compliance. Improving efficiencies across our growing and milling operations. New technologies and software (CanePro) adopted for precision farming. Embedding 'lean management' principles and continuing with KAIZEN process. 	Continuous improvement in farming and manufacturing techniques. PRODUCTION COST (AGRICULTURE) MUR 14,000/T (-2%) PRODUCTION COST (MILLING) MUR 6,900/T (+30%) CANE PROCESSING 281 T/hr (-8%)
FINANCIAL 	CANE CLUSTER TOTAL EQUITY (JAN 2020) MUR 6,688.3 M TOTAL BORROWINGS MUR 743.7 M CAPITAL EXPENDITURE MUR 116.0 M	<ul style="list-style-type: none"> Actively managed the financial performance through weekly executive meetings, monthly management meetings and regular Board meetings. 	TURNOVER MUR 1,086.6 M (+6%) PROFIT MUR 40.3 M (+120%) CANE CLUSTER TOTAL EQUITY (DEC 2020) MUR 6,778.2 M

THE OPERATING CONTEXT

MATERIAL ISSUE IMPACTING VALUE CREATION

Sustaining supply from small-scale cane producers – Around 42% of our cane is produced by Terragri, the remaining is produced by large (38%) and small (20%) growers, thus making us reliant on a regular supply of cane from independent small-scale cane producers. With the price of sugar remaining low and the difficulty in securing labour, some farmers are leaving the sector and there is generally low interest in the younger generation to work in the fields. This year, the volume of cane secured from planters was 406,000 tonnes compared to 531,000 tonnes last year.

Water availability – 60% of our fields are directly dependent on local rainfall, and thus susceptible to the uncertainties of changing weather and climate. In 2020 we faced below-average rainfall due to the ongoing national drought, which impacted on cane yields Mauritius-wide. In terms of irrigation for the remaining 40% of our fields, we face increasing competition from other users as the economy grows in the water-scarce north of Mauritius.

Continuing volatility in global sugar prices – In 2020 the price of sugar remained low despite a slight recovery, continuing to negatively impact on global sugar producers outside tariff-protected countries. In Mauritius, the price of sugar ex-MSS increased from MUR 11,383 per tonne in 2019 to MUR 14,000 per tonne in 2020. This remains considerably lower than the price of MUR17,000 per tonne required to sustain operations.

Challenging sugar trade dynamics – The global sugar market was profoundly affected by the European Union's abolition of sugar quotas in October 2017, which contributed to a global supply surplus and resulting lower sugar prices. The global sugar market is also impacted by strong protectionist measures in many sugar-producing countries, such as in Europe and India where producers are given subsidies, and the fact that Brazil, historically the largest sugar producer, mainly produces for its own internal use and for the production of ethanol for energy, with surplus being sold onto the global market. This results in very different pricing competitors to Mauritius.

Structural challenges in the Mauritian sugar sector – The Mauritian sugar sector has some unique features, including a highly-regulated labour environment and a centralised organisation, the MSS, responsible for the marketing and sale of all locally-produced sugar. With revenue being centrally controlled, we can only focus on new products and reducing our cost of production. Given that it is very difficult to mechanise on mountain flanks or on small fields, our industry remains very labour intensive. In the context of a sector that has already comparatively high labour costs, the Worker's Rights Act, which came into force in Mauritius in October 2019, further negatively impacts the sector's global competitiveness. We foresee significant costs increases in relation to the remuneration orders. The World Bank report, commissioned by Government in 2019 to make recommendations for the sustainability of the sugar cane industry, has been completed and we await propositions from the Government based on the report findings.

OUR RESPONSE

To ensure a regular flow of cane to our mill, we are placing a strong focus on reviving the interest of existing and prospective independent cane planters. We have a team that works with and advises small farmers on harvesting, weeding and transporting the cane. We continue to work with authorities to identify opportunities to appropriately motivate the next generation of planters. Long-term we will need to mechanise; digital farming is an important part of this transition.

We continue to implement measures to optimise our water consumption and ensure better utilisation of effluents for irrigation.

Discussions are continuing between growers, millers, the MSS and Government; the outcome of these negotiations remains to be seen. With low sugar prices anticipated at least for the short term, we have maintained a strong focus on enhancing efficiencies across our growing and milling operations and have made significant progress in reducing the cost of production.

With high competition for specialty sugars in European markets, greater focus will be placed on emerging markets such as China and India. The Mauritian government has signed an agreement with China to start exporting sugar there in 2021. We are working actively with the MSS to assist them in strengthening the branding and marketing of Mauritian sugar, and to identify new market opportunities, particularly in our distinctive specialty sugars. Significant progress was made in 2020 with the targeting of households and chefs, which helped to ensure high demand, even during lockdown periods. We believe that the longer-term fundamentals for sugar remain strong, particularly given growing consumer demand in emerging markets and for healthier, unrefined sugars that command a price premium.

Given the cross-roads that the industry finds itself at – with the challenging trade and price dynamics in the global sugar market, and with the substantial contribution of sugar to the Mauritian economy – the industry has submitted a proposal for structural reform, driven by the MSS and Business Mauritius. Suggested measures to enhance local competitiveness include: reviewing the current regulatory context for labour; providing better reward for the sector's renewable energy sources (*bagasse*); and ensuring that millers receive fair return from the Sugar Insurance Fund Board (SIFB). In terms of *bagasse*, the Government has, in the last Budget, announced the remuneration of *bagasse* at the rate of MUR3,300 per tonne of sugar. This will add up value to the cane producers as sugar is sold today at MUR 14,750 per tonne.

Cane (cont'd)

OUR 2020 PERFORMANCE

The Cane cluster was classified as an essential service during the Covid-19 outbreak in the country and business ran largely as usual.

Aside from the delay to the start of our harvest season due to the lockdown, the major impact on operations in 2020 was the ongoing national drought in Mauritius. The below-average rainfall this year impacted on cane yields across the country, and we lost 23% of cane volume and 16% in sugar volume. While we were expecting this year to produce 85,000 tonnes of specialty sugar to meet demand, we were only able to produce 74,541 tonnes. Fortunately, due to our previous cost cutting efforts, we faced a smaller loss locally this year. In the context of low sugar prices, we saw some improvements in 2020, helped by the depreciation of the MUR. The Cane cluster therefore posted profits of MUR 40.3 million, compared to restated losses of MUR 203.9 million in 2019.

We incurred losses only in our Mauritian operations (MUR 6.1 million) this year. Our associate company in Côte d'Ivoire, Sucrivoire, in which Terra holds a 25.5% stake, posted profit in 2020. The contribution of Sucrivoire to the cluster, excluding fees received for our management services, amounted to MUR 6.4 million (against restated losses of MUR 63.1 million in 2019).

For the 2020 crop, Terra Milling processed 704,629 tonnes of cane, impacted by the reduced throughput. This resulted in 44,114 tonnes of sugar accruing to the Group (2019: 52,563), with 16,762 tonnes attributable to milling operations (2019: 20,586) and 27,352 tonnes to growing operations (2019: 31,977). Terra Milling produced 78,978 tonnes *tel quel* of raw sugar (2019: 94,711), and therefrom 74,541 tonnes of specialty sugars (2019: 88,095). The average sucrose content stood at 13.16% (2019: 11.85%). On the growing operations side, the extraction rate improved to 11.43% (2019: 10.43%) with an average yield of 7.45 tonnes of sugar per hectare (2019: 8.37 tonnes).

Mauritius: Driving efficiency and innovation

Our investments in digitalisation, automation, and lean management structures continue to help the cluster to become more efficient and, as far as possible, to reduce our break-even cost. We made further advancements towards digital / precision agriculture with the support of our comprehensive operation management software, CanePro, and digital tools such as mobile phones and tablets. Together, these enable precise application of chemicals, testing the fertility of soils, and yield monitoring in real time. Our cost reductions through these field innovations and the application of more efficient machinery remain in place, and we are on track to reaching our 2021 target to save up to 10% in fertilisation volume.

In 2020, we invested a further MUR 15.0 million in automation projects (as part of an investment plan of MUR 60.0 million to 2022), and this has yielded further positive changes in the mill performance and improvement in efficiencies. Given that we operate a volumes business with 80% of our costs being fixed, the reduction in cane volume by 25% this year resulted in an increase in cost per tonne. In 2020, the mill operated on average 18.7 hours per day and crushed an average of 5,258 tonnes of cane (2019: 19.4 hours and 5,929 tonnes). The extraction rate of the mill was 96.73 (2019: 97.41), while the milling rate was 280.9 tonnes per hour (2019: 305.8). Through our efficiency initiatives, our cost of production at the mill for the 2020 crop amounted to MUR 6,900 tonne (2019: MUR 5,300 per tonne), a 30% increase due to the significant drop in cane volume. On the growing side, we had targeted MUR 13,100 per tonne of sugar, and achieved MUR 14,000 per tonne.

This was the first year of our organic sugar trials, in which we produced 50 hectares of organic cane using non-chemical herbicides in the field and chemical substitutes in the factory cooking process. Results have shown a 35% drop in yield, as expected. We will increase organic production to 70 hectares in 2021; it remains a three-to-five-year project to achieve certification. Organic sugar will, in the medium-term, remain a percentage of our overall production, only reaching an industrial scale of production in the long-term. This testing phase is in line with the Mauritius Chamber of Agriculture's vision for 1,500 hectares of land to be converted to organic.

The undervaluation of *bagasse*, the main by-product left after cane has been processed for sugar and used to produce renewable energy in Mauritius, was a major challenge for us. The World Bank report, commissioned by Government in 2019 to make recommendations for the sustainability of the sugar cane industry, has been completed and Government announced the remuneration of *bagasse* at the rate of MUR 3,300 per tonne of sugar. This will greatly help to reverse the downward trend in sugar revenue from cane, an urgent challenge facing the sustainability of the industry.

Vegetable production remained a small portion of our business and we will be reducing the scope even further, as this remained loss-making in 2020. This was essentially a side-business to grow potatoes, onions, and carrots, but ultimately needs to break-even to be viable.

We suffered a record number of 175 accidental fires in our fields in 2020, with more than 1,000 hectares, close to 25% of our cane land surface, being burnt. Aside from the human risk of stopping these fires, and the downwind impacts on households, the major impact is the need to harvest immature canes. With no rainfall, the roots tend to die and the cane does not grow back, affecting the following year's harvest.

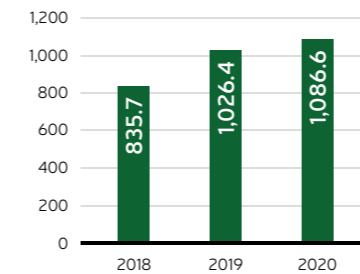
On a more positive note, we have seen significant benefits from our Culture and Engagement Journey, which we started towards the end of 2019 and continued across the Cane cluster into 2020. We embedded the values defined in the previous year, and we continued to co-create the desired working culture. For Terragri (Agriculture) this has meant moving from a purely results and efficiency focused culture with traditional approaches to agriculture, towards becoming a more caring and learning organisation. We have seen improvements in interactions between colleagues from Terragri (Agriculture) and Terra Milling, as well as more meaningful conversations during the employee performance appraisal process.

Côte d'Ivoire: Good turnaround and profitable in 2020

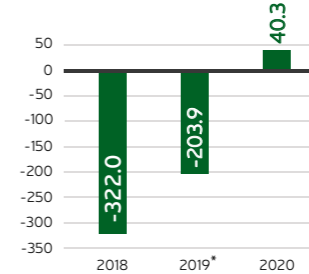
This has been a pleasing year for the two sugar estates and factories in Côte d'Ivoire that we manage together with SIFCA, our Ivorian partner. We have seen a good turnaround at Sucrivoire, with the appointment of four permanent Mauritian staff including a factory manager, field manager, chief operating manager and mechanical harvest manager. Terra has been the technical advisor to the operation and with these new appointments, some of which were previously Terra employees, this had resulted in improved yields and production. Sucrivoire sold 124,014 tonnes of sugar (comprising 104,348 tonnes of own production and 19,666 tonnes imported), compared to 110,190 tonnes in 2019. This year, production from our factories in Borotou and Zuenoula, which collectively supply half of the sugar consumed in the country, amounted to 102,902 tonnes, up from 84,110 tonnes in 2019. The revenue for 2020 was up 11.8% compared to 2019.

To satisfy local demand, the focus has been on increasing production capacity. Knowing that consumption is increasing year-after-year in Côte d'Ivoire, this increase in production will help to reduce our cost of production in the country. We will do this through upscaling the factories, targeting to produce 97,000 tonnes in 2021, increasing to 120,000 tonnes by 2024 and 160,000 tonnes by 2030. Our 2020 results show that we are on track to achieving this.

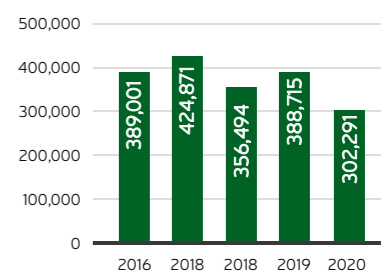
Turnover (MUR' M)



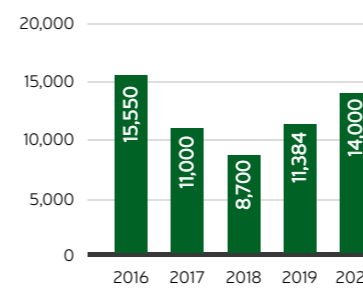
Profit/Loss after tax (MUR' M)



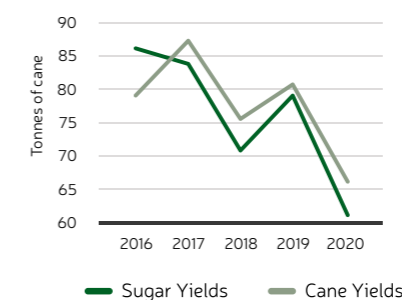
Cane Harvested by Terragri (Tonnes)



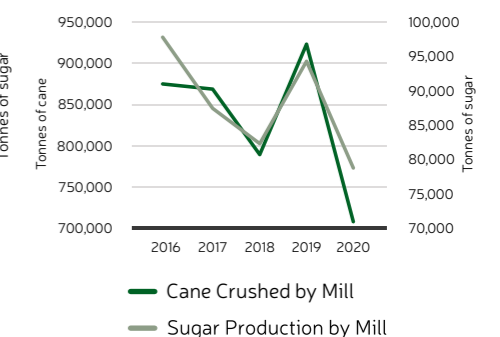
Sugar price (MUR/Tonne)



Yields per Hectare



Milling - Cane crushed and Sugar production



*The 2019 figures have been restated.

Cane (cont'd)

OUR STRATEGIC OUTLOOK

Our 2022 Vision for the cluster aims to ensure our continued resilience and growth in the current challenging environment. Our 2021 OKRs (objectives and key results) will be more people-oriented, maintaining a strong culture of engagement with our staff, while we continue to focus on improving efficiencies and further optimising production.

We have prioritised the following areas:

- Maintaining a strong focus on embedding a change of culture across the operation and building staff morale through being a caring, learning, and trusted organisation;
- Implementing a new performance management system and platform, renumeration staff on performance in more modern and innovative ways;
- Completing collective bargaining agreement negotiations with the various trade unions, which takes place every three years;
- Further developing our health and safety culture, introducing reporting at the Board level, and instilling a health and safety culture among contractors through education and monitoring;
- Further embedding our decentralised risk management framework through ownership and reporting;
- Driving further efficiency and productivity gains across our operations and workforce;
- Optimising the production of our specialty sugars, and continuing to collaborate with MSS to enhance the global marketing, pricing and volumes of Mauritian specialty sugars;
- Working with small-scale farmers through our small planter advisors in implementing efficiency measures and assisting with their harvesting and transport;
- Further improving our water consumption and ensuring better utilisation of effluents for irrigation; and
- Investing in organic sugar production on a further 70 hectares of land.

On the back of these initiatives, we are confident that we will become more competitive, hopefully also supported by Government policy changes that will assist the local sugar sector to be able to play in a more level playing field. We will continue to engage with the Government through the MSS and Business Mauritius.

Labour availability will remain a major challenge. With an aging labour force and no interest amongst the youth to work in the fields, our only option is to mechanise and our emphasis on digital farming will remain a key focus. By the end of 2020, we received a compulsory request, now allowed with the revised Employment Relations Act 2019, to start anew collective bargaining processes. Negotiations with relevant trade unions began in February 2021.

We will continue to be more directly involved in our Côte d'Ivoire's operations and take the steps needed to improve our competitiveness and efficiency.

Our outlook for 2021 remains cautiously positive. Because of the impact of the drought and a second lockdown, we do not expect good yields and we will be unable to meet the demand for specialty sugar. The impact of the fires in 2020 will also likely result in a lower harvest for the year ahead.

IMPACT OF COVID-19

- During the initial two months of lockdown, we were not able to irrigate the fields and apply herbicide for weed control. Access to supplier spare parts to complete the maintenance of the mill and the harvesting equipment was also delayed. This resulted in a delay to the start of the harvest season (mid-July instead of end of June).
- As technical managers for our associate company in Côte d'Ivoire, Sucrivoire, this requires monthly visits to the operation; with the onset of Covid-19, we have not been on site in over a year.
- We saw positive impacts on the demand side, with our brand partners in the UK, such as Silver Spoon, running excellent social media campaigns for promoting sugar in baking. Despite the lockdowns in our respective markets, we managed to sell directly to households and chefs through the MSS, who are placing more emphasis on direct and active engagement with buyers.
- We learnt how to be innovative in ways of working, relying on new technologies for office-based staff to work remotely. Resilience was a big part of our focus.



Power

Terragen is a power producer that supplies electricity to the Central Electricity Board (CEB), as well as electricity and steam to Terra's sugar mill, through two 35 MW thermal power plants.

Operating in a joint venture partnership with French company Albioma, we generate electricity and steam by burning *bagasse* and cane straw during the crop season (from July to December), and imported coal, mainly from South Africa, during the intercrop season.

Our purpose is to supply reliable and low-cost electricity to the country, be available on the CEB grid, and consolidate our position as a major player in the production of renewable energy.

POWER BUSINESS MODEL

VALUE DRIVERS

REVENUE DRIVER (VOLUME)

Regular and reliable supply of electricity

Energy available on demand, responding quickly and efficiently to calls for production and maintaining a reliable supply by avoiding breakdown incidents.

COST DRIVER (PRICE)

Raw material cost

Increasing the renewable energy portion of electricity production to meet Government's decarbonisation plan, while maintaining cost competitiveness.

Material cost efficiencies

Efficiency gains and safe and clean production processes.

CONTEXT AND OUTLOOK

- Supply to one major client, CEB, and also to Terra's sugar mill.
- With the 20th anniversary of our Power Purchase Agreement (PPA) with the CEB in June 2020, we signed an agreement for the extension of our PPA, as amended, for five more years.
- Terragen runs an efficient and reliable plant and produces power for the country at a very competitive rate.

- The current energy mix in Mauritius is 76% fossil fuel and 24% renewable energy and we produce around 12% of the country's renewable energy supply. We are continually looking for opportunities to increase energy efficiency and substitute coal with *bagasse*, cane straw and other renewable energy sources, such as wood biomass and solar, while recognising that the costs of production will be slightly higher. With the increase in the price of coal, stress on raw material supply chains during pandemic periods such as the Covid-19 crisis, and the move toward energy autonomy in Mauritius, we foresee more opportunities for local biomass.
- We remain fully aligned with Government's roadmap to a greener Mauritius and its commitment to reduce its carbon emissions, while maintaining our competitive rate. A biomass / renewable energy framework is pending agreement by authorities. This will determine which of our projects get delivered.




- We remain the most efficient, reliable and cost-effective operator in Mauritius, with a strong focus on safety and health; continually identify opportunities to improve our environmental management, particularly water consumption and ash management.

Power (cont'd)




RESIDUAL RISKS

The main residual risks for the Power cluster as at 31 December 2020 are summarised in the list below.

RISK	CONTRIBUTING FACTORS	RISK MITIGATING ACTIVITIES	YEAR ON YEAR TREND
R1 Disruption in the supply of raw materials and/or spare parts.	<ul style="list-style-type: none"> Labour strikes in coal producing countries. Disruption to the sugar mill activities leading to non-availability of <i>bagasse</i> or cane straw for power generation. Pandemic disrupts supply and availability of spare parts and foreign consultants for timely completion of plant maintenance. 	<ul style="list-style-type: none"> Terragen has a buffer stock of 12,000 tonnes of coal on site, corresponding to 15 days of production. The Coal Terminal (Management) Co Ltd sources coal from several suppliers who can in turn source their needs in other countries. Using local biomass (cane trash) as alternative sources of fuel to <i>bagasse</i>. Ongoing discussions with authorities to secure a sustainable biomass price for producers. 	Increased
R2 Unplanned and prolonged disruption to production of electricity.	<ul style="list-style-type: none"> Unexpected breakdown of a critical item of equipment. A fire outbreak due to the presence of important amounts of combustible material. 	<ul style="list-style-type: none"> Performing regular preventive maintenance and inspection of plant and equipment by specialist consultants. Experience and expertise of Albioma (shareholder and operator of Terragen) in managing numerous power plants around the world. Investing in plant upgrades and the procurement of critical equipment items. 	Unchanged
Changes to the terms of the Power Purchase Agreement (PPA) resulting in difficult operating and financial conditions.	<ul style="list-style-type: none"> Lack of visibility on the terms that will apply to the next PPA (July 2025). Reduction or stoppage of coal importation, resulting in the power plant not operating at full capacity. 	<ul style="list-style-type: none"> Engaging closely with the authorities and the CEB. A new energy business model has been presented to the Government and the CEB that incorporates a higher share of renewable energy. Continue to be a reliable and very competitive supplier of electricity to CEB. 	Unchanged
R4 Severe climatic conditions adversely impacting power production.	<ul style="list-style-type: none"> Located in a tropical cyclone prone region. A thunderstorm strike leading to the destruction of electrical and automation systems. Severe and prolonged drought resulting in interruptions in water supply. 	<ul style="list-style-type: none"> The power plant is designed to withstand cyclonic gusts of 260 km/h. Protocols are in place to cater for emergency situations like cyclones. Terragen can store 900 m³ of spare water, and measures are taken to optimise water consumption. The Central Water Authority prioritizes water supply to the power plant as electricity production is essential to the country. 	Unchanged

CAPITAL	MATERIAL INPUTS (2020)	ACTIVITIES TO SUSTAIN VALUE	MATERIAL OUTCOMES (2020)								
PEOPLE 	EMPLOYEES WITH THE APPROPRIATE TECHNICAL SKILLS AND MOTIVATION 48	<ul style="list-style-type: none"> Safety risk assessments and site visits conducted with the management team on a weekly basis. Refresher training conducted throughout the year to reinforce health and safety practices. Near-miss reporting rolled out. Key safety protections installed for roads, the perimeter walkway and <i>bagasse</i> conveyer-belt. The health and safety management system successfully transitioned from ILO OSH 2001 to ISO 45001. We conducted psychology stress tests to ensure employees were not close to burnout. 	TOTAL RECORDABLE INJURY RATE (TRIR) 19.9 (-101%) LOST TIME INCIDENT RATE (LTIR) 19.9 (+101%) SEVERITY RATE 55.6 (-101%) TRAINING HOURS 58 / Person / Year (24 in 2019)								
MANUFACTURED 	One generation plant of 450 GWh capacity. Two units of 35MW operating on three types of fuel: Coal, <i>bagasse</i> , cane straw.	<ul style="list-style-type: none"> Safety measures and procedures in place in response to Covid-19. Annual shut-down for maintenance despite Covid-19 constraints. 	ENERGY PRODUCED 376 GWh SHARE OF NATIONAL ENERGY MIX 12%								
NATURAL 	<table border="0"> <tr> <td>COAL</td> <td>180,883 T (-4%)</td> <td>SUGAR CANE STRAW</td> <td>4,171 T (-57%)</td> </tr> <tr> <td>BAGASSE</td> <td>259,850 T (-17%)</td> <td>WATER</td> <td>1,494,788 m³ (-2%)</td> </tr> </table>	COAL	180,883 T (-4%)	SUGAR CANE STRAW	4,171 T (-57%)	BAGASSE	259,850 T (-17%)	WATER	1,494,788 m³ (-2%)	<ul style="list-style-type: none"> Implemented better controls on water leakages. Usage of alternative water-treatment chemicals. Maintained high recycling rate of coal fly ash. 	CO₂ (COAL) 421,714 T (-3%) BIOGENIC CO₂ (BAGASSE) 218,575 T (-17%) BIOGENIC CO₂ (CANE STRAW) 6,274 T (-56%) ENVIRONMENTAL EMERGENCY SITUATIONS 0
COAL	180,883 T (-4%)	SUGAR CANE STRAW	4,171 T (-57%)								
BAGASSE	259,850 T (-17%)	WATER	1,494,788 m³ (-2%)								

Power (cont'd)

CAPITAL	MATERIAL INPUTS (2020)	ACTIVITIES TO SUSTAIN VALUE	MATERIAL OUTCOMES (2020)
SOCIAL AND RELATIONSHIP 	Our business model depends on maintaining quality relationships with key stakeholders including: CEB, Terra Milling, regulatory authorities, small-scale planters, suppliers and employees.	<ul style="list-style-type: none"> Partnership with Terragri for the plantation of eucalyptus on marginal land. Renewal of our Power Purchase Agreement with the CEB. Outlined an energy transition strategy, introduced it to CEB and involved various ministries. 	EMPLOYEE TURNOVER RATE 0% (2019: 13%) PAYMENT IN TAXES MUR 34.5 M CSR CONTRIBUTION MUR 4.4 M
INTELLECTUAL 	First Mauritian firm to be granted in 2014 an AFNOR certified integrated management system certificate based on ISO 9001, ISO 14001 and ISO 45001.	<ul style="list-style-type: none"> External Quality, Health and Safety, and Environment (QSE) audit successfully performed without any non-conformities. 	AVAILABILITY ON CEB NETWORK 93% RELIABILITY 4 plant trips SPECIFIC COAL CONSUMPTION 612g/kWh
FINANCIAL 	TERRAGEN TOTAL EQUITY (JAN 2020) MUR 1,440.8 M TOTAL BORROWINGS Nil CAPITAL EXPENDITURE MUR 43.3 M	<ul style="list-style-type: none"> Actively managed the financial performance through weekly executive meetings, monthly management meetings and regular Board meetings. 	TURNOVER MUR 1,131.2 M (-13%) PROFIT MUR 35.8 M (-78%) TERRAGEN TOTAL EQUITY (DEC 2020) MUR 1,335.6 M

THE OPERATING CONTEXT

MATERIAL ISSUE IMPACTING VALUE CREATION

Dependency on a primary client – Being heavily dependent on a single client, it is critical to maintain a strong relationship based on mutually beneficial outcomes.

Potential regulatory changes – Changes in environmental regulation could require significant investment in new equipment and possible changes to current processes.

Unplanned disruption to generation or transmission activities – Unplanned outages, associated for example with a fire, mechanical breakdown, cyclone occurrence or disruption in the coal and biomass supply chain, could impact the ability to deliver energy.

OUR RESPONSE

We continue to invest in maintaining our ability to provide a regular and reliable supply of energy. This has been another pleasing year, with exemplary availability levels and competitive pricing contributing to a sustained positive client relationship.

We engage regularly with authorities to keep abreast of potential regulatory changes and ensure that appropriate measures are taken. We are identifying opportunities to minimise our emissions, increase our energy efficiency and reduce the use of coal by increasing the use of cane straw, *bagasse* and other biomass sources in the energy mix. Our energy transition strategy sets out our plan to increase the share of renewable energy in our production while maintaining a competitive price per kWh, including energy efficiency improvement and solar energy as a possible investment.

We have a preventative maintenance programme and clear risk management processes and response measures in place. We have a safety bulk storage of coal onsite and have diversified to two coal suppliers. The power plant is designed to withstand cyclonic gusts of up to 260 km/h and we have a cyclone emergency plan in place.

OUR 2020 PERFORMANCE

This year we generated 376 GWh of electricity, at 93.3% availability, contributing to profitability of MUR 35.3 million, down from MUR 160.4 million as restated in 2019.

Terragen was considered an essential service at the start of the Covid-19 pandemic and we ensured continuity of production throughout the lockdown period. Due to the reduction in the electricity demand in Mauritius for approximately six months of the year, we reduced production from our plant by 30%. We had one major incident during the year where half of the power plant had to be shut down for the month of December due to a problem with a steam turbine. This had a significant impact on our production during the sugar cane harvest. On identifying a solution to produce steam with a boiler only, we were able to ensure continuity of steam supply for the sugar milling operation, but electricity production for the CEB was reduced by 50% during this period. Despite this breakdown, our overall availability improved from the year before, due to a reduced annual maintenance period, with a works programme mitigation plan in place taking into account the Covid-19 restrictions. This was essential given the borders of the country remained closed, excluding foreign experts for major works.

included a significant increase in the renewable energy share in our production, this would ultimately require a higher tariff. To switch our current plant to a state-of-the-art hybrid power plant using several types of renewable energy sources, including *bagasse*, cane straw, and solar, requires substantial investment. We have certainly seen interest from the authorities, on our energy transition strategy and we remain committed to meeting the Government's roadmap towards a greener Mauritius and to reducing its carbon emissions. The ability to do so is contingent on ensuring a competitive cost and price structure, and on maintaining the sustainability of the cane industry, including the effective participation of small planters. We will continue discussions with the CEB and Government stakeholders on our energy transition strategy, which sets out our plan to increase as a first step the share of renewable energy in our production from 27% to 40%, with a competitive price per kWh. The Government has shown some initial positive signs to support the cane sector and remains committed to the development of cleaner and more sustainable energy sources.

Our Power Purchase Agreement with the CEB

We signed an agreement to extend our Power Purchase Agreement (PPA) with the CEB for five years, with revised conditions, including an official integration of our cane straw energy and a slight reduction in tariff. While our original proposal to the CEB

Power (cont'd)

OUR 2020 PERFORMANCE (CONT'D)

Increasing our production of renewable energy

We have maintained a strong focus on delivering on our commitment to decarbonise our energy mix by shifting from coal to renewable sources, in particular biomass, with continued emphasis on further increasing the use of *bagasse*, cane straw and other renewable energy technologies. With the reduced crop season in the North due to drought conditions this year, the combustion of *bagasse* declined to 259,850 tonnes (311,544 in 2019), producing 79.6 GWh for export on the grid. We also had a reduction in our cane straw electricity production, mainly due to major breakdowns with our balers, which are used to collect cane straw in Terragri's fields, and also to the decrease of cane yields and the marked increase in the sugar cane fire outbreaks. As a result, we generated 4.1 GWh using 4,171 tonnes of cane straw, down from 9,639 tonnes in 2019. This was partially offset, however, by lower overall energy demand locally.

We progressed with our exploration on growing and burning eucalyptus as an additional source of biomass, in partnership with Terragri, and planted 7.5 hectares of eucalyptus on marginal land. Our drive to increase the use of *bagasse*, cane straw and other biomass provides a valuable opportunity to enhance the 'greening' of energy generation in Mauritius, and to reduce the island's coal imports. This became a critical concern during the lockdown in Mauritius, with disturbances to the import of coal from South Africa. Utilising local biomass enhances energy security and also helps to develop the local economy, but this requires a fair value for *bagasse* and other biomass sources. A biomass renewable energy framework, officially presented to the Government in July 2020, is pending agreement by the authorities and this will determine which of our projects get delivered.

We achieved similar performance in our carbon burn-out (CBO) project this year, a joint venture between Terragen and Omnicane aimed at collecting ash, a by-product of coal combustion, and passing this through a re-burning process that transforms it into raw material for the production of cement. This year, 62.81% of our coal fly ash (7,140 tonnes) was sent to the CBO plant, a slight improvement from the previous year (6,241 tonnes). Through this process, we can reduce the carbon content from around 20% to less than 5% and reuse the energy released to produce electricity.

Reinforcing the health and safety culture and environmental performance

During the year we updated our integrated management policy on Quality, Health and Safety, and Environment (QSE) and conducted a management review of our integrated management system. While our strong culture on safety has resulted in a high level of awareness and low injury rate over the last three years, we had to reinforce our safety action plan this year. We unfortunately had three employee accidents and minor injuries during 2020, including back pain from an employee lifting a 40kg can of sulphuric acid and an employee falling from a fixed ladder causing injuries to the knee. We took steps to continue to drive improved safety performance, reinforcing our safety culture at all levels. This involved safety risk assessments and site visits with the management team on a weekly basis, as well as refresher training, near-miss reporting being rolled out, and key safety protections installed. Following an external audit in December 2020, the health and safety management system has successfully transitioned from ILO OSH 2001 to ISO 45001. We also conducted psychology stress tests in our cluster this year to ensure employees were not close to burnout.

On the environmental front, during 2020, Terragen maintained high performance in terms of water quality discharges into the environment, despite five cases of non-compliance with legal requirements. Management is investigating the non-conformities in accordance with the Group's QSE policy, with action and surveillance in progress.

Terragen demonstrated satisfactory performance on air emissions with respect to the national air emission standards. Previous projects, such as the installation of a dust suppression system and covering the *bagasse* conveyor belts, have considerably reduced the dust emission levels. No exceedances were noted in 2020. The PM₁₀ for Terragen was at its lowest compared to previous years and there were also no exceedances in parameters such as NO_x, CO and SO₂ in stack emissions for both units.

OUR STRATEGIC OUTLOOK

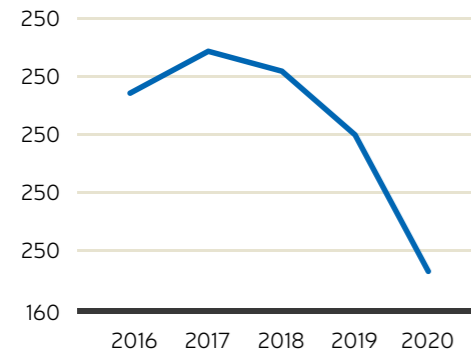
Our strategic focus is to maintain our high levels of availability, reliability and cost effectiveness. In line with this focus, we will continue discussions with the CEB and Government stakeholders to extend the share of renewable energy in Terragen's production mix from 27% to 40%, with a competitive price per kWh. We will make improvements to the cane straw supply chain at the field level, ensuring baler reliability, and plant a further 15-20 hectares of eucalyptus in 2021, as an alternative source of renewable biomass, which will be ready for harvesting in 2023. We also plan a trial on wood chip production from local wood waste. Planned initiatives in safety and health include continuing to strengthen the safety culture in the company and enhancing reporting to return accident rates to zero. Planned initiatives in environmental performance include continuing the optimisation of our water consumption, reduction of chemical treatment costs and improvements in our water discharge quality.

IMPACT OF COVID-19

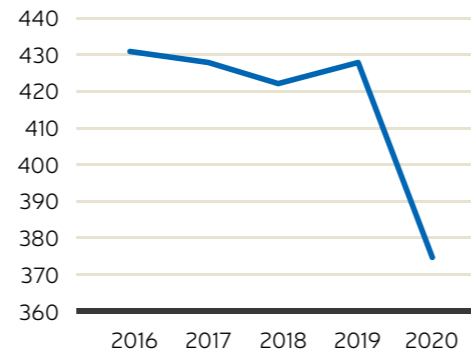
- We defined procedures very quickly to ensure a safe working environment to protect our employees and reorganised our teams to reduce employees on site.
- Our annual maintenance shutdown was reduced from 1.5 months to 15 days due to Covid-19, which led to a better availability rate of 93.3%.
- While we had planned to plant 30 hectares of eucalyptus in 2020, given that these can only be planted during the rainy season (Nov – May) which was during the lockdown period, we could only plant 7.5 hectares.
- We had disturbances in the supply of coal from South Africa during the lockdown. With the increase in the price of coal and stress on raw material supply chains during pandemic periods such as the Covid-19 crisis, we foresee more opportunities for biomass going forward.
- We also saw disruptions in our maintenance work as experts from Europe and South Africa could not travel. We are reintegrating parts of previously sub-contracted work internally, while we had to postpone scheduled major overhaul works to the time when borders will be reopened.

Power (cont'd)

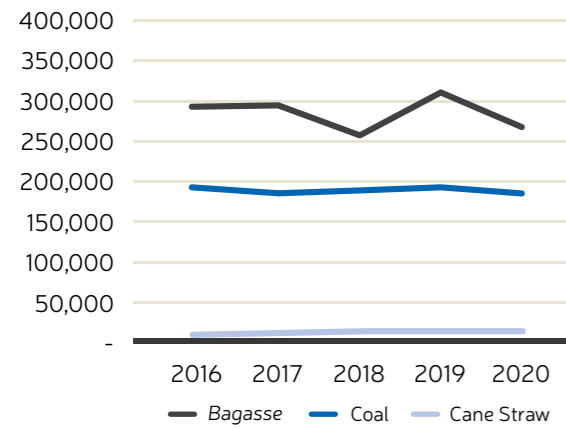
Profit/Loss after tax (MUR' M)



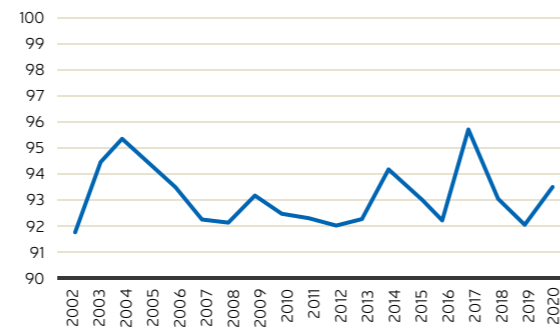
Energy Produced (GWh)



Fuel consumption (Tonnes)



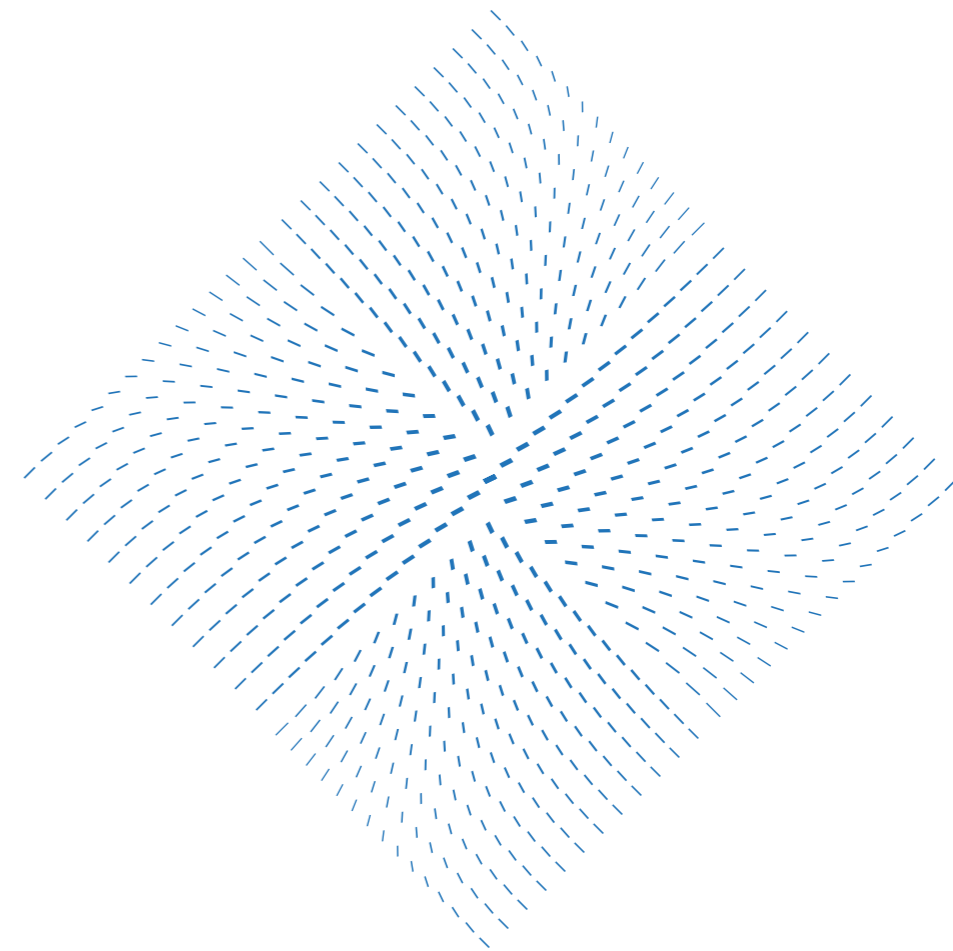
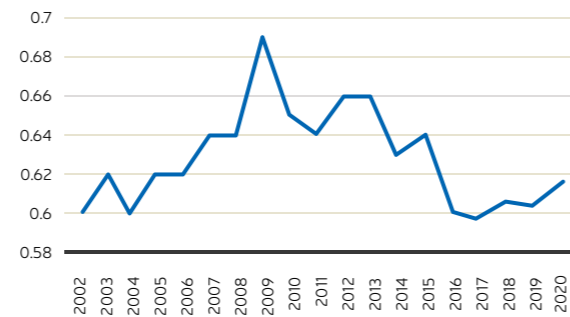
Availability (%)



Reliability (Number of Plant Trips)



Efficiency - Coal Ratio (Kg/kWh)



Brands

Terra Brands Ltd, the holding company of the Grays cluster, is one of the pioneers in the Mauritian distillation sector.

Terra Brands Ltd is the leading Mauritian producer of premium alcoholic drinks derived from sugar cane, and a top importer and distributor of quality spirits and wines. Established in 1931, we have diversified our activities to include the distribution and sale of personal and homecare products, pharmaceuticals, snacks and non-alcoholic beverages.

Our purpose is to be the most trusted and sustainable Brand Builder.

BRANDS BUSINESS MODEL

VALUE DRIVERS

CONTEXT AND OUTLOOK

REVENUE DRIVER (PRICE)

Creating brand equity

Managing our own brands

Adding value to third party brands

Distribution services

COST DRIVER (PRICE)

Material cost efficiencies

Integrated and sustainable production

Supply chain

- Our value proposition focuses on our strong brands and our ability to drive efficiencies through a structured route to market, with an emphasis on local products.
- Our core competencies lie in brand building, spirit production, distribution and premium retail.
- In addition to our well-recognised brand offering in dark spirits (aged, spiced and flavoured rums and Scotch whisky) and white spirits (cane spirit, white rum, vodka, gin and others), we offer global third-party brands in wine, whisky, personal and homecare, pharmaceuticals and food.
- We market our brands through all retailers and hotels, and premium wines and spirits through our own 20/Vin outlets, across Mauritius.
- We bring synergy to the Group's sugar operations by transforming by-products of the sugar production process into value-added spirits; we invest in energy- saving equipment to optimise production.
- Distillation effluents are evaporated and turned into renewable bio fertiliser used on Terra's and third-party cane fields.
- As a vertically integrated cluster we manage all stages of production onsite, from refining to bottling and packaging, ensuring guaranteed quality for the finished product; we export our expertise through premium rums and bulk spirits to deliver further value from this vertical integration.
- Activity based costing enables us to derive more profits from our key brands rather than losing focus in being too diversified.
- We place particular emphasis on nurturing strong relationships with our employees, and on maintaining our position as a recognised employer of choice in the north of Mauritius.
- Given the labour-intensive nature of our production and distribution activities, we are currently reviewing internal processes to become a leaner cluster. Digitalisation is at every step of our operations and services.
- Expanding our portfolio with third-party brands and management of an import supply chain provides Grays with scope, expertise and volume.

Brands (cont'd)

RESIDUAL RISKS

The main residual risks for the Power cluster as at 31 December 2020 are summarised in the list below.

RISK	CONTRIBUTING FACTORS	RISK MITIGATING ACTIVITIES	YEAR ON YEAR TREND	
R1	Borders remain closed due to the pandemic, resulting in loss of revenue from tourism and related activities.	<ul style="list-style-type: none"> Erosion of purchasing power of local buyers. Lack of visibility over timing and speed of recovery from pandemic. Disruption in the supply of imported items. Loss of sales from the depressed tourism sector. 	Offering online customer and home delivery services.	New
R2	The scarcity of molasses disrupts the distillery operations leading to loss of profit and failure to meet client needs.	The supply of molasses will follow the downward trend in the overall supply of cane.	The Mauritius Cane Industry Authority ensures an equitable sharing of molasses produced amongst the distilling companies on the island.	Unchanged
R3	The representation of brands is lost due to mergers and/or acquisitions.	None	<ul style="list-style-type: none"> Of the 20 best performing brands, eight are developed in-house. Grays is constantly looking for new product opportunities. 	Unchanged

CAPITAL

PEOPLE



EMPLOYEES
573

OUTSIDE MAURITIUS (INCLUDED IN ABOVE)
40

ACTIVITIES TO SUSTAIN VALUE

- Training sessions on first aid, emergency procedures, boiler operation, firefighting protocols, manual handling, chemical safety, food handling, road safety, and hearing protection.
- A system for proper maintenance of First-Aid kits established.
- Fire safety maintained through the renewal of fire certificates, maintenance of firefighting equipment and installation of new signage.
- Safety measures and procedures in place in response to Covid-19.
- Executive and leadership development coaching programmes ongoing.

MATERIAL OUTCOMES (2020)

TOTAL RECORDABLE INJURY RATE (TRIR)
21.8 (-16%)

LOST TIME INCIDENT RATE (LTIR)
29 (-8%)

SEVERITY RATE
22.2 (-23%)

MANUFACTURED



DISTILLERY
1

EXISTING RETAIL STORES (20/VIN)
10

BOTTLING PLANT
1

WAREHOUSE SPACE
8,500 m³

DEDICATED AGEING CELLARS
1,600 m³

- Energy saving equipment and new, more efficient boiler.
- Molasses storage tank.

NATURAL



MOLASSES
24,412 T (+1%)

WATER
6,730 m³ (-10%)

ALCOHOL (100%)
61m³ (-90%)


- 75% of distilling effluents transformed into renewable fertiliser.
- Converted burner in bottling plant to run on non-potable alcohol (a by-product of the distillation process).
- Extending the range of spirits bottles for recycling.

ALCOHOL
5.4 ML

GLASS BOTTLES RECOVERED AND REUSED
1.6 M units (-5%)

PLASTIC WASTE RECYCLED
5.7 T (+21%)

Brands (cont'd)

CAPITAL	MATERIAL INPUTS (2020)	ACTIVITIES TO SUSTAIN VALUE	MATERIAL OUTCOMES (2020)
SOCIAL AND RELATIONSHIP 	Our business model depends on quality relationships in particular with employees, MRA, Government, brand owners, suppliers and customers.	<ul style="list-style-type: none"> Dedicated teams working from home and regular engagement with the workforce. 	EMPLOYEE TURNOVER RATE 18% (2019: 21%) Recognised as employer of choice. PAYMENT IN TAXES (MAURITIUS) MUR 659 M CSR CONTRIBUTION MUR 1.1 M
INTELLECTUAL 	OWN BRANDS 24 Integrated management system underway (ISO 9001, ISO 14001 and ISO 45001)	<ul style="list-style-type: none"> Transitioned ERP to the cloud and further digitalised our services. Further consolidated brand offerings, while actively seeking new opportunities to sustain growth in revenue, with a particular emphasis on locally produced products. 	Progress in securing QSE certification; Fairtrade and Kosher capability.
FINANCIAL 	TERRA BRANDS TOTAL EQUITY (JAN 2020) MUR 726.1 M TOTAL BORROWINGS MUR 352.8 M CAPITAL EXPENDITURE (SUBSIDIARIES) MUR 52.8 M	<ul style="list-style-type: none"> Actively managed the financial performance through weekly executive meetings, monthly management meetings and regular Board meetings. 	TURNOVER MUR 2,109 M (-8%) PROFIT MUR 102.2 M (-25%) TERRA BRANDS TOTAL EQUITY (DEC 2020) MUR 712.1 M

THE OPERATING CONTEXT

MATERIAL ISSUE IMPACTING VALUE CREATION

OUR RESPONSE

Covid-19 – Our wines category was the main sector hampered by the closed borders and the resulting drop in tourism, as we were unable to sell to the hotel industry for nine months of the year. We also faced significant supply chain issues in our ports, causing our service level to drop to 94%. The depreciation of the MUR against main currencies also led to increases in supply chain costs.

With the lockdown and limited mobility, we focused on the largest orders, cash sales and traditional trade in our Brands sector, which paid off, given cane spirit volumes sold. This helped to compensate partially for lost revenues in wine and cosmetics. Within a period of one week, we started a limited portfolio online delivery service for 20/Vin club and VIP members, while we re-developed our ecommerce website: www.grayshomedeliveries.com. We are placing more emphasis on locally manufactured products and encouraging consumers to buy 'made in Mauritius'. Having moved to a cloud-based ERP system in early 2019, our processes are fully digitalised, which proved essential during the lockdown. Our teams worked exceptionally hard to maintain smooth supplies. In our distillery operations, 80% of alcohol produced is exported, and with the depreciation of the MUR this bodes well for pricing.

Changing regulations and excise taxes – Increases in the already significant excise duty on alcoholic drinks reduce the affordability of products locally. Although there was no increase in excise duty in 2020, this remains a material issue. Stricter regulations on the consumption and advertising of alcohol can also impact demand.

To mitigate these risks, which affect the Mauritian market for alcoholic beverages, we have diversified our product offerings to include both luxurious and more affordable alcoholic beverages, as well as expanding into non-alcoholic wines, ciders and beers, foods and personal care products.

Increasing health consciousness and regulations – The growing awareness of health-related issues among consumers and regulators, presents both risks and opportunities for our business.

We continually monitor changing consumer tastes and behaviour and strive to refine our product portfolio accordingly. Through our diversification strategy we have identified new opportunities for revenue growth, including specifically in the healthy foods, non-alcoholic drinks and personal care products sectors. We have increased our non-alcoholic offering including non-alcoholic cider and extended our range of alcohol-free wines. We are also placing more emphasis on organic and biodynamic wines.

Global mergers and acquisitions – Mergers and acquisitions among global brand owners can potentially impact the availability of our existing offerings.

We have complemented our offering with our own brands, which make up eight of our 20 best performing brands, building long term equity. Our strategy going forward is to place more emphasis on 'made in Mauritius' and local products.

OUR 2020 PERFORMANCE

Performance in our Brands sector was substantially impacted this year by the closure of borders, resulting in reduced local consumption.

The distillery however continued to show good performance, and the Brands' revenue for the year ended at MUR 2,109.6 million, down 7.8% on MUR 2,288.5 million in 2019. Profit after tax was MUR 102.2 million, down on MUR 135.7 million in 2019. The drop in profit reflects the reduced sales to hotels, as well as the indirect impacts of a reduced tourism industry in Mauritius.

Production: The distillery continued to have a normal year

We saw excellent performance in the distilling operation this year, boosted by the strong demand for alcohol; with 80% of what we

produce being exported, the depreciation of the MUR bodes well for pricing. Unfortunately, the lower alcohol yields from molasses and bacterial contamination meant we had some fall back from the previous year. We achieved yields of 230 litres of alcohol per tonne of molasses, down 4% on 2019, but overall performance has been good. Our distillery produced 5.4 million litres of rum and spirit, down by 9% year-on-year. While investments in new equipment in our fermentation section of the distillery were delayed by six months, this should be fully operational by June 2021. This new section will be automated to improve efficiency and work safety, completing the upscaling work of the distillery over the past three years.

Brands (cont'd)

OUR 2020 PERFORMANCE (CONT'D)

We continue to sell alcohol from Fairtrade raw material sources and await confirmed orders from customers to get the certification processes started. We achieved Kosher certification in 2020 and have seen uptake. We are continuing to work on securing QSE certification of our distillery and brand activities. Water scarcity and potable water supply remain key concerns for Mauritius and we implemented measures to optimise the use of water in processes and reduce the volume of wastewater discharged. We managed to dispose 75% of our distilling effluents in 2020, which were converted into 17,000 tonnes of renewable fertiliser for use on Terragri (Agriculture) and third-party cane fields.

The Competition Commission has instructed New Goodwill Investment, our partner in Grays Distilling, to disinvest following their intention to acquire a majority stake in Medine Distillery. We intend to become the sole shareholder of Grays Distilling and the timing of the transaction will depend on the actual date of the acquisition.

Brands: Sales hampered by closed borders and associated economic contraction

Despite fairly poor performance given the Covid-19 challenges in 2020, we were still able to generate profit, which was comforting. With the closure of the tourism industry in Mauritius from March 2020, we redeployed a number of employees into traditional trade (corner stores), alongside the appointment of four new (self-employed) staff to work exclusively in this trade, improving route to market. We also took bold steps in our cane spirits business and these new strategies, complemented by the great commitment from our team, paid off. We had a 9% growth in sales in our cane spirit brands (Seven Seas and De Luxe) and 6% growth in our snacking business (Lays and Doritos). Following a few years of declined volumes in cane spirits, this was very encouraging. This growth in volumes compensated partially for lost revenues in wine and cosmetics, hampered by closed borders and associated economic contraction. We confronted a 25% loss in sales revenue from tourism, comprising mainly of sales to hotels, as well as from perfumes and cosmetics stores targeting primarily Chinese tourists, and sales of products in supermarkets geared for tourism and duty free. This resulted in a drop of profitability from MUR 59 million to MUR 15 million, with only a 9% drop in turnover, which, given the circumstances, was quite encouraging.

We saw significant volume growth in our whisky brands, Cambridge and Grants, as well as with all of our health-related brands, such as Dettol. We launched two coffee brands in 2020, L'OR (which is very popular in Europe) and Jacobs. We also started packaging 4th Street wine, the fastest growing sweet wine brand in the world, for export into Africa, and we launched a sweet wine brand for the local market, Big 5, which was well received and shows potential. We withdrew from the typical price wars and volume promotions, which tend to erode brand value in the long term, and this was one of the reasons for our growth in volumes in 2020.

Our rum brand, New Grove, recently won the best rum in the world award 'Canne d'or', the highest distinction at the International Sugarcane Spirits (ISS) Awards, with its New Grove Emotion 1969. Given that this is an international competition amongst traditional producers, this achievement puts the island, the category and Grays on the world map as being a premium producer and we will use this award to boost our sales globally.

Having moved to a cloud-based Enterprise Resource Planning (ERP) system in early 2019, our processes are fully digitalised, which proved to be essential during the lockdown. All operations that did not need physical human intervention were managed remotely. In terms of reducing our environmental impact, further investments in the boiler in our bottling plant enabled a shift away from heavy fuel oil to using non-potable alcohol obtained as a by-product of the distillation process. We continue to address the full lifecycle of the spirit bottle and recycle all plastic crates, cardboard boxes and aluminium caps.

International operations: Fair performance and a profitable year in Seychelles

Our subsidiary company in the Seychelles, which focuses on wines and spirits, showed fair performance, with products mostly aimed at the local Seychelles market, and we had a profitable year. We also received some financial assistance from the Government to cover part of salaries. With the appointment of a new CEO in March 2021 and a Financial Controller late in 2020, we believe that there is valuable growth potential in the retail business and luxury hospitality sector, but prospects for 2021 will be dependent on the impact of Covid-19.

OUR STRATEGIC OUTLOOK

We would not have achieved such good performance in 2020, had it not been for the hard work of the team. Our employees worked long hours with a high level of collaboration between departments, showing great resilience and a strong sense of belonging in what was a really tough year. They remained extremely supportive and engaged and we are grateful to every single one of them.

Long-term growth has been hindered by the step back in 2020 and markets will likely not reach 2019-levels again until 2025. Looking to the year ahead, visibility remains a problem as we do not know precisely when the borders will open. The actual scenario suggests October 2021. As a country, we will need to vaccinate at least 60% of the population before borders are reopened and we do not foresee significant growth coming back before then. We had a significant Excise Duty increase (10%) on alcoholic drinks in 2021, which, coupled with erosion of disposable income, will put heavy strain on consumption in general.

The latest Public Health Act Regulations, promulgated on 06 July 2021, are overwhelmingly restrictive, and we are seeking clarifications from authorities with regards to corporate and BtoB communication, which are seemingly banned. The new regulations will hamper competition and lead to consumption of cheaper products, categories in which we do not compete, and will not affect overall market volumes.

Our long-term plans, however, remain valid and we are working on achieving them. We have merged three departments (accounts, sales and stores) to offer a better service to our clientele, and with this improvement team in place, we aim to reach a 95% service level in 2021. We are also aiming to make our distribution more efficient, serving more clients with less people.

Margin erosion due to the decline of the MUR will need close monitoring and we foresee significant increases in supply chain costs for consumers in 2021, resulting in lost sales. We will continue devoting energies to build efficiencies at all levels of the business. We are putting emphasis on 'made in Mauritius' and the importance of buying locally manufactured products, almost a duty in such challenging times. Our best rum in the world award helps illustrate that we are a premium producer and we will work through organisations, such as Made in Moris (Mauritius), to encourage this.

The key today is digitalisation. We were fairly well digitalised prior to Covid-19, but we identified a number of gaps in processes and we are in the process of improving on this. Covid-19 has served to demystify conference calls; having more of these with our suppliers in Mauritius has enhanced our efficiency, and we strongly encourage staff to continue to work from home.

Following a strategic business decision, PepsiCo has decided to consolidate all its business with one distributor in Mauritius. As a result, they have signified their intention not to renew our Distribution Agreement, namely for Lays, Doritos and Quaker, with no sales post 15 October 2021. Snacks was one of the few business units which grew during Covid and accounts for 12% of our sales in the first semester 2021. The real impact of this decision will be felt in 2022 and we have substitute products already lined up for replacement.

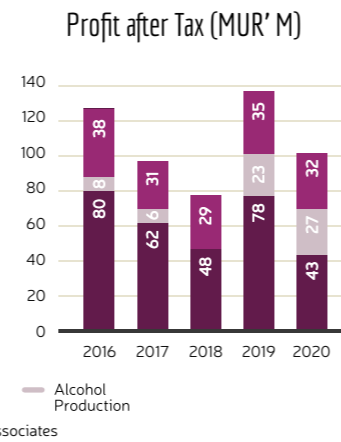
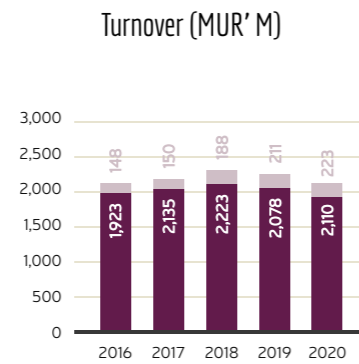
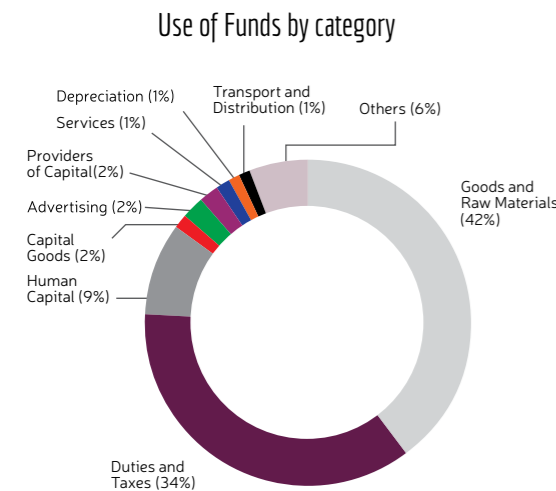
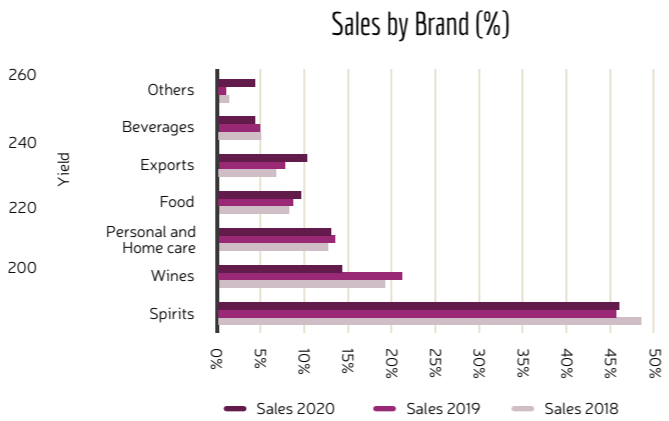
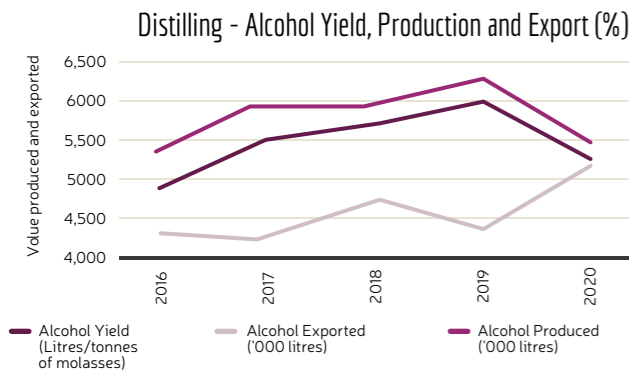
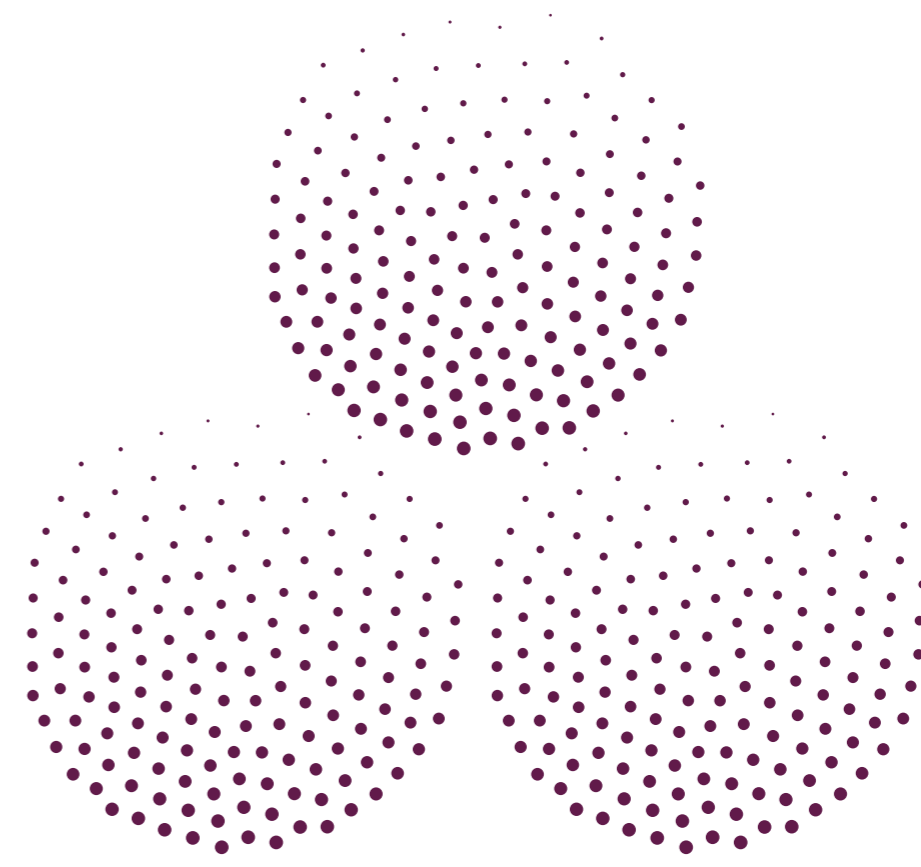
The challenge in 2021 will be to reach 2019 performance in the Brands sector, while the distillery will face extended shortages of molasses directly impacting its profitability. Our investments in 2020 in the total automation of the fermentation section should bring savings and we will continue running tests on continuous fermentation, with a view for improving performance. Given the very short sugar cane crop in 2020 because of the drought, with 25% less sugar and 25% less molasses, this will constrain the distillery from producing at full capacity and affect 2021 performance. We are investigating alternative sources, but we have yet to identify a feasible solution. Our outlook for 2021 remains very cautious.

The crux in the year ahead will be to stay agile. The health and safety of our staff remains a priority and we have appointed a dedicated manager to support us on this going forward.

Brands (cont'd)

IMPACT OF COVID-19

- Being a distributor of pharmaceuticals, we received a first batch of work access permits (WAPs) on 23 March 2020. Our permits for food distribution came on 02 April and slowly we built back distribution. On 04 May we received another batch of WAPs, enabling 50% of our employees onsite and operations resumed almost back to normal. Alcohol was declared "essential" late April, which helped us start our production units for hydro-alcoholic gels.
- Our major challenge was to have security measures in place and adhered to by workers. One "in-house" contamination would have led to two weeks of total shut down, a situation which we avoided, putting safety first.
- All our health-related brands did well because of the prevailing circumstances, and we produced hand sanitizers that were mostly given to institutions and people in the area. We continued to provide an acceptable level of services to our clients, delivering only pharmaceuticals, detergents and food during the lockdown.
- We had heavy disruptions in our supply chain with ships skipping Mauritius and issues at source, but our team worked hard to maintain smooth supplies.
- Investments in new equipment in our fermentation section of the distillery were delayed by six months, but are now operational.
- Our subsidiary company in the Seychelles was disrupted by two Covid-19 cases, but this did not impact our performance and we are working on getting all staff vaccinated.



Property and Leisure

Established in January 2016, our Property and Leisure business (Novaterra) focuses on utilising Terra's land assets to establish an innovative property-development cluster in the north of Mauritius.

The cornerstones of this development will be the Beau Plan Smart City and the Balaclava Golf and Lifestyle Estate, both of which aim to positively transform the region.

Our purpose is to create and unlock the value of the Group's land holdings for all its stakeholders.

PROPERTY AND LEISURE MODEL

VALUE DRIVERS

REVENUE DRIVER (RENTAL AND SALE)

Property development cluster

Long-term value from the Group's existing land ownership in the north of Mauritius.

Beau Plan Smart City project, a mixed activities development covering 228 hectares in the Pamplemousses region, one of the most populated districts in the North.

CONTEXT AND OUTLOOK

- Targeted sale of 'non-strategic' land generates cash flow for investment.
- Development of a mix of real estate projects over a five-year cycle sets the base to grow the portfolio of yielding assets.

- Two priority zones for development include the Beau Plan Smart City development (already started and major projects well under way) and the neighbouring Balaclava Golf and Lifestyle Estate (development rights granted), enhancing the value of the broader property portfolio.

- A key differentiator to other business destinations in the north of Mauritius is that we are offering a mixed activities development within an exceptional urban design framework. Substantial investment has been made in the infrastructure of the area, including new roads to improve accessibility to our projects and enhance access to public transport services. The Beau Plan Smart City will be inclusive of the adjoining villages of Pamplemousses and Bois Rouge, sites already recognised as a rural regeneration zone in the Government's National Development Strategy.

- The Smart City will be an important economic hub, providing an appealing commercial, residential, education and leisure environment; the Mahogany Shopping promenade, amongst others, will be a key employer to the surrounding villages.

COST DRIVER (MANAGING ASSETS)

Property management

Tenant relationships

- We have significantly improved the performance of our existing yielding assets, and currently own 284 properties rented out. Our costs are well under control to manage these assets. During 2020, additional measures were taken to rationalise costs for the long term.

- A key challenge is to ensure a minimum vacancy period once a tenant has left. Ensuring quality tenant relationships will be critical to our success and we are committed to maintaining customer satisfaction.

Integrated and sustainable development

- We have integrated green design principles by working with professionals that have sustainability expertise; we have also invested substantially in the stormwater drainage network to mitigate potential effects of flash floods.

- The Smart City will integrate multiple digital connectivity solutions, encouraging the uptake of renewable energy sources and facilitating a healthier lifestyle through the provision of quality recreational spaces and non-motorised transport infrastructure.

Property and Leisure (cont'd)

DELIVERING BROADER SOCIETAL VALUE

The Beau Plan Smart City development is anticipated to create at least 8,400 new and direct jobs in the Smart City itself, with an additional 500 construction jobs during the initial construction phase, and another 5,000 indirect jobs for the suppliers of associated goods and services. We will be providing training to develop the skills of people in the region, including small business management, organic farming and ICT. In addition to boosting job creation opportunities, our development will have a positive impact on the value of Terragri's existing land, as well as on the property of our neighbours, contributing positively to the general enhancement of the region.

RESIDUAL RISKS

The main residual risks for the Power cluster as at 31 December 2020 are summarised in the list below.

RISK	CONTRIBUTING FACTORS	RISK MITIGATING ACTIVITIES	YEAR ON YEAR TREND
R1	<p>The activities are exposed to the consequences of an economic downturn and decline in consumer spending.</p> <ul style="list-style-type: none"> Loss of tenants due to the impact of the recession. Increased construction costs. Delayed re-opening of <i>L'Aventure du Sucre</i>. Impact of economic recession reduces the purchasing power of local buyers and the propensity of foreigners to invest in Mauritius. 	<ul style="list-style-type: none"> Containing capital investment and operational expenses to what is essential. Containing annual rental increases on a case-to-case basis. 	New
R2	<p>Oversupply of properties on the market resulting in loss of revenue.</p> <ul style="list-style-type: none"> Demand for property may drop due to the pandemic. Cane planters and millers are switching into property as a result of the drop in sugar prices and the supply of cane. 	<ul style="list-style-type: none"> Renewed emphasis on strong marketing and communication. Property projects are attractively located (in close proximity to sought after locations in the North). The commitment of some anchor tenants has been secured. Timely implementation of a mix of facilities to entice entrepreneurs to relocate. 	Increased

CAPITAL

PEOPLE



MATERIAL INPUTS (2020)

EMPLOYEES (NOVATERRA)
73

EMPLOYEES (L'AVENTURE DU SUCRE)
65

ACTIVITIES TO SUSTAIN VALUE

- Work at height and fire safety remained the key health and safety risks, mitigated through training and supervision.
- Both Novaterra and Sugarworld have strengthened their fire prevention and protection readiness, obtained fire certificates and ensured compliance with the Fire and Rescue Service Act (2018).
- Safety measures and procedures in place in response to Covid-19.
- Executive and leadership development coaching programmes are ongoing.

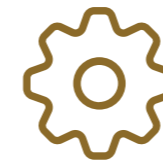
MATERIAL OUTCOMES (2020)

TOTAL RECORDABLE INJURY RATE (TRIR)
6.4% (-65%)

LOST TIME INCIDENT RATE (LTIR)
6.5% (-65%)

SEVERITY RATE
15.6 (-13%)

MANUFACTURED



AVAILABLE SPACE FOR RENT

INDUSTRIAL AND COMMERCIAL	OFFICE
33,959 m ²	8,617 m ²
RESIDENTIAL	
24,978 m ²	

- Substantial drainage works to mitigate the impact of flash floods, including safety barriers installed during the construction of stormwater drains.
- The traffic circle in Beau Plan has been redesigned to better ensure driver safety.

OCCUPANCY RATE
88.5% (-5%)

NATURAL



LAND AVAILABLE FOR DEVELOPMENT AND REGENERATION
714 Ha

- Waste segregation.
- Optimising energy use.
- Sewerage treatment plant constructed within the Smart City.
- Greencoast International School and the African Leadership Campus designed and constructed with no air-conditioning.
- Pedestrian access to Beau Plan enabled through non-motorised transport, including walking, cycling, and electric scooters.
- Internet of Things (IoT), intelligent sensors, and cloud-based software applications are being considered to monitor and manage natural resource impacts.
- Discussions ongoing with the CEB to construct a 1.6 MW photovoltaic solar farm to supply renewable energy power to the Smart City.

Property and Leisure (cont'd)

CAPITAL	MATERIAL INPUTS (2020)	ACTIVITIES TO SUSTAIN VALUE	MATERIAL OUTCOMES (2020)
SOCIAL AND RELATIONSHIP 	Our business model depends on maintaining quality relationships with key stakeholders including: Government, tenants, project developers, financiers, neighbouring communities, and the media.	<ul style="list-style-type: none"> Embedded our Culture and Engagement Journey for employees creating a culture of learning and results. Dedicated teams for effective relationship management with relevant stakeholders. 	EMPLOYEE TURNOVER RATE 4% (2019: 14%) PAYMENT IN TAXES MUR 0.7 M VISITORS TO L'AVENTURE DU SUCRE 16,732 people PARTICIPATING IN EVENTS AND FESTIVALS 8,500 people
INTELLECTUAL 	Project timelines include adequate buffer time for obtaining permits.	<ul style="list-style-type: none"> Land Management Department works full time on the following up of applications submitted to various ministries and authorities in view of obtaining necessary development permits. Audits of <i>L'Aventure du Sucre</i> from external tour operators. 	Some permits delayed, but these have been addressed. Audits on <i>L'Aventure du Sucre</i> on hold for 2020.
FINANCIAL 	PROPERTY AND LEISURE TOTAL EQUITY (JAN 2020) MUR 4,844.1 M TOTAL BORROWINGS MUR 544.1 M CAPITAL EXPENDITURE MUR 741.6 M	<ul style="list-style-type: none"> Actively managed the financial performance through weekly meetings with head of department, monthly senior management meetings and quarterly Board meetings. 	TURNOVER MUR 241.1 M (+13%) PROFIT (INCLUDING PROFITS ON LAND SALES) MUR 20.5 M (-92%) PROPERTY AND LEISURE TOTAL EQUITY (DEC 2020) MUR 4,451.2 M

THE OPERATING CONTEXT

MATERIAL ISSUE IMPACTING VALUE CREATION	OUR RESPONSE
Covid-19 – The lockdown period and the closing of borders resulted in delays to our projects, as well as a massive drop in revenue from our museum activities, <i>L'Aventure du Sucre</i> . We anticipate an increase in construction costs due to the rising cost in building materials, as well as an impact on sales from the loss of income for the population at large.	We were agile during the lockdown period; decisions were taken quickly to revisit our budgets with a special focus on cash flow. We made progress on all stages of our development programme including architectural drawings and plans while working remotely, and maintained close communication with all our staff. We own a lot of land and buildings that had to be managed and maintained during the lockdown. We managed repairs and maintenance work with a minimum workforce on site and successfully addressed problems faced by our tenants. With no Covid-19 cases, we were able to return to the office soon after the lockdown period, in order to resume building works on our ongoing projects, to get new ones off the ground and to engage fully with our customers. Given the tough commercial climate for the opening of our shopping mall, we accommodated better rates per square meter in our tenant's favour. This has minimised business risk and instilled confidence. Our 1.6 MW photovoltaic (PV) solar farm to supply renewable energy power to the Smart City still awaits the go-ahead from the authorities. With the rise in the cost of PV panels, the predefined tariff proposed by CEB compromises the viability of the project. We have earmarked a place for this and remain ready to start development, as soon as confirmation is provided by CEB on more preferential tariffs.
Regulatory and policy framework – Changes in government policy and regulation relating to property development, as well as any delays in obtaining approvals and other Government permits, could impact on the nature, cost and timing of proposed developments.	We keep a very close watch on current and proposed regulatory and policy developments, and we place a high priority on building and maintaining strong relations with Government and regulatory authorities. We have developed diversified service offerings to minimise any negative impact resulting from changes in Government strategy. We have efficient land management tools in place enabling us to adapt quickly to the continuously changing legislative environment. In 2020, we incurred delays on some projects due to the delay in decisions from some authorities regarding permits, but we are now on track to accelerate our land sales programme. Our Land Management Department works full time on the following up of applications submitted to various ministries and authorities in view of obtaining necessary development permits, which remain key to our development. With the implementation of the Financial Intelligence and Anti Money Laundering Act this year, every tenant or buyer is now subject to a full KYC, which lengthens the on-boarding process. A compliance officer has been hired (since May 2021) to ensure capacity to do full checks on all clients and to ensure efficiency in the process. A compliance manual has also been prepared and has been approved by the Board.
The changing competitive and business environment – A potential oversupply of properties on the market, and other changing market dynamics, could result in low occupancy rates, a loss of revenue and reduced return on investment.	We are ensuring the timely implementation of a mix of facilities, to provide a compelling proposition for entrepreneurs to develop or relocate their business. We have established a strong marketing and communications team and we have secured the commitment of key anchor tenants in the retail and boutique leisure sectors.
Non-delivery by service providers – The failure of any service provider to complete their commitments on time and within budget reduces our ability to deliver the full potential of our developments in a timely and cost-efficient manner.	Our experienced team conducts rigorous screening prior to contracting third party service providers, with provision for appropriate contractual remedies should the service provider underperform. We undertake regular quality controls during the construction phase to track delivery against the approved programme of works, and we ensure service providers are properly insured. We experienced no major concerns in 2020.

Property and Leisure (cont'd)

OUR 2020 PERFORMANCE

We were caught off balance by the unprecedented Covid-19 pandemic, with 2020 proving to be a disruptive year for our operations.

With the lockdown and closure of borders and the associated downturn in the economy, we saw projects and some sales being delayed, a drop in revenue from Sugarworld Ltd and the loss of a few tenants. Having reached an important milestone with the launch of the Beau Plan Smart City in May 2019, with plans in place to develop several projects in 2020, we had to revisit our initial budget and readjust our plans. We were able to meet the revised milestones on project delivery, which we exceeded in some areas, particularly on sales performance.

The situation in terms of our human capital proved to be fantastic. Our team was fully mobilised, while working remotely during the lockdown period, to focus on recovery and minimise the impact of the shutdown on the timing of our different projects. There was a great sense of solidarity in our team; everyone remained extremely focused and motivated, and this will impact positively on performance in the coming year.

Delays in the Beau Plan Smart City projects

The opening of our 12,500 square meter retail centre, Mahogany shopping promenade, in the heart of the Smart City, planned for November 2020, had to be rescheduled. While the delay in construction of the retail centre had an initial impact on the 2020 budget in terms of the loss in development fees, we will make this up in the coming year's budget. We have secured 82% of the leasing with potential to reach the 90% mark shortly, attracting two more French brands in 2020, exclusive to the north of Mauritius for two years, and we have opened in June 2021 with a good mix of reputable tenants. We also planned to start the construction of a new office building, The Strand, bringing additional vibrancy to Beau Plan. The building works have started in July this year.

We had a delay in the development of the first phase of Mango Village duplex and apartments (26 units), our first built-up residential project in Beau Plan, and construction started in February 2021. The sales of phases two and three of *Les Muguets* residential serviced plots were also delayed. The EIA application has been submitted early this year and is well under process. Sales will start as soon as the certificate is obtained.

The Beau Plan Smart City now offers educational, leisure, office, cultural, residential and shopping opportunities. We are also investing substantially in the infrastructure to make Beau Plan more accessible to the public. Circulation within the Smart City will also be possible through non-motorised transport, including walking, cycling, and electric scooters. In 2020, significant effort was dedicated to integrate sustainability practices into the design process of the Smart City. Internet of Things (IoT), intelligent sensors, and cloud-based software applications are all being considered to monitor traffic flows, water consumption, flood levels, energy consumption in public areas, energy efficiency, air quality, solid waste management, and wastewater management. We engaged in discussions with the CEB to construct a 1.6 MW photovoltaic solar farm to supply renewable energy power to the Smart City. This awaits clearances and licencing from the CEB on acceptable terms. The second phase of the Greencoast International School, has also been designed to operate with no air-conditioning.

The Mahogany shopping promenade will also be a key employer to the surrounding villages, helping us to fully integrate them in the development of the region. As a business that relies on a number of different contractors, we ensure everybody is on the same level-playing field and has the chance to benefit from the Beau Plan developments.

Over 90% of our rentals have been received during this challenging year and most of the unpaid amount will be in 2021, which was better than expected. Some tenants were impacted by the lockdown and left, while others could perform as usual. We remained in close communication with them during that period. While the revision of the Landlord and Tenant Act of 1999 allowed for delays in rental until 2021, only a few of our tenants opted for that option. Tenant satisfaction remains on top of our priority list. As such, we maintain close relationships and engage with them to understand their needs and treat their requests within the minimum delay. We remain committed to the best level of service, as we feel that our clients are our best ambassadors. This will be particularly relevant within our shopping mall.

We have placed a strong emphasis on rationalising costs and improving efficiency at all levels across our activities this year.

Our subsidiary, Sugarworld Ltd, which operates under the brand name *L'Aventure du Sucre*, is principally a tourist attraction and was totally impacted by the closure of borders in 2020. It incurred a loss of MUR 20.3 million this year, compared to profitability of MUR 7.6 million in 2019. To keep some momentum at the museum, we maintained the restaurant operations to a small degree, and implemented strict cost-controls due to the impact on cash flow.

OUR STRATEGIC OUTLOOK

The key components of the Beau Plan Smart City development have been put in place, including the foundational infrastructure, with MUR 600 million invested to date, thus unlocking substantial areas for further developments, and providing us the capacity to trigger new projects quickly. Our primary focus for the year ahead will be to build on this momentum to increase the attractiveness of Beau Plan and to launch new projects.

This year we went public with the opening of the Mahogany shopping promenade on 24 June, in the heart of the Smart City. As to date we have 48 tenants who are operating and 8 more completing their fitting-out works. Going forward, we aim to reach full occupancy by the end of 2021. A strong communication campaign has been held and the opening has been very successful. The maintenance and safety of the Beau Plan area will be key to this. Flash floods triggered by cyclone or heavy rain events remain one of the biggest safety risks and, to mitigate this, we have invested significantly to safeguard against future flooding events, with safety barriers installed during the construction of stormwater drains, some of which will become permanent. We have been working with the National Development Unit on land-drainage to support the Government's master plan on solving flooding problems in the north of the island. The traffic circle in Beau Plan has also been redesigned to better ensure driver safety. Trees on the site of the Mahogany shopping promenade are being inspected and trimmed, and the terrain surrounding the on-site lake will be assessed to identify any potential safety risks. Our sewerage treatment plant will be operational in the coming year and the shopping mall will be connected to this, enabling greywater to be used in nearby fields for irrigation purposes.

The construction of the first phase of Mango Village started in February this year and is scheduled for delivery in May 2022. The construction of The Strand, with 11,000 m² of offices, has started in July and shall be completed during the last quarter of 2022. We will deliver the second phase of Greencoast International School and hand over *Les Muguets* serviced plots to their owners. The activities within the Creative Park zone, comprising the Patrick Mavros atelier, the dance school and the African trader, will be further expanded.

Our land sales programme remains in place, but we have revisited our plans to sell more land quicker, including future phases of residential plots within the Smart City, bringing in much needed cash flow. There are a number of factors that can influence this, such as permits, and we will ensure we have these in place, as cash management will be critical in 2021.

Our biggest challenge will be the development of the Business City, an important precinct of our Smart City. Our aim is to attract local and international entrepreneurs to develop or relocate their businesses in Beau Plan. We are confident that the urban design framework of the city, set in an exceptional landscape and controlled environment, will attract investors in search of long-term value gain.

We will maintain a strong focus on managing the development costs of our projects, targeting efficiency opportunities at all different stages, from inception to operation. We will also be integrating environmental considerations to reduce our footprint.

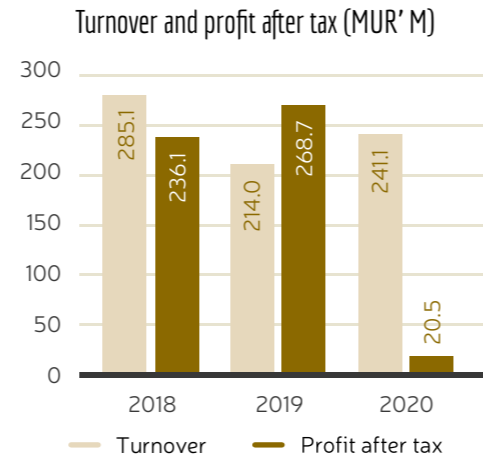
We will continue to monitor very closely how the market responds to the downturn in the economy. Though the re-opening of the borders is scheduled for the 1st of October, it will remain a very challenging year for *L'Aventure du Sucre*, being principally dependent on tourism, and we will continue to rationalise expenses. The northern region is highly sought after by non-citizens for investment in real estate, but with the closed borders it remained difficult to reach expatriates to buy property and encourage them to move to Beau Plan. As from now, strong marketing actions will be undertaken to reactivate this segment. On a positive note, 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. Covid-19 will present a tougher year ahead, but we still continue to develop and invest for our future. While our total recovery is still highly dependent on the re-opening of our borders, our vision remains the same for Beau Plan.

This year again, with the resurgence of Covid-19, lockdown measures were implemented. Despite the temporary shutdown of our construction sites, which will cause some delays, we reacted promptly to the situation and remain confident that all the conditions are now in place for us to meet our targets. Going forward, with the emergence of the Smart City, we are analysing our current departmental structure to ensure the needs of our stakeholders are met. The five departments currently in place: development; land management; property and assets; sales and marketing; and finance, have successfully achieved the planning and delivery phases of our development. We will need to consolidate this model and gear ourselves up to provide an excellent level of service to people coming to Beau Plan Smart City and to all the tenants occupying our shopping mall. We have done exceptionally well to date, and we will now take the necessary measures to meet our next challenges.

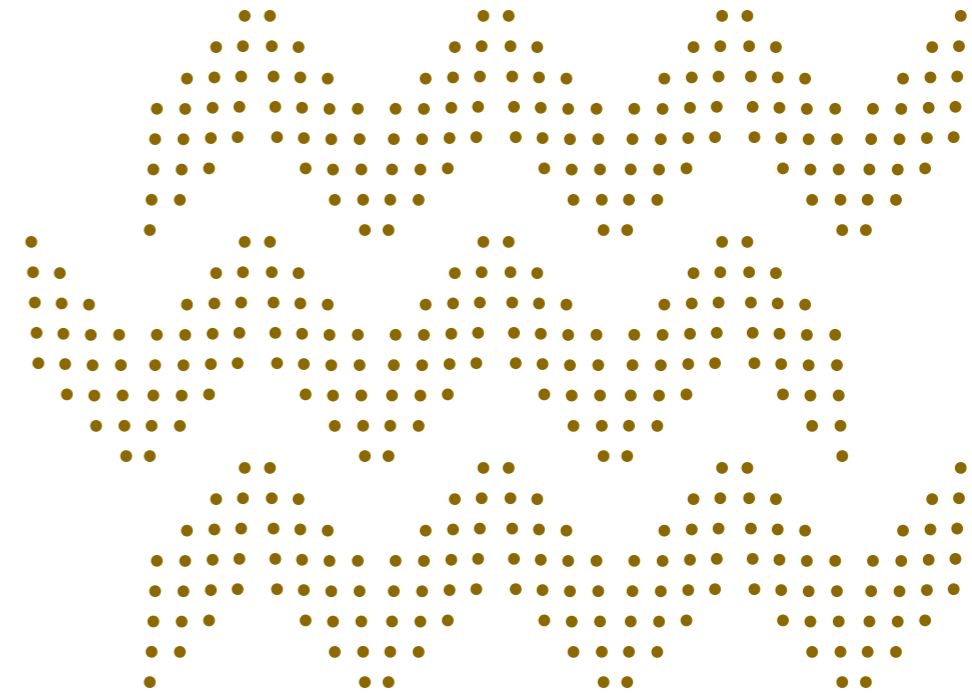
Property and Leisure (cont'd)

IMPACT OF COVID-19

- At Group level we mobilised very quickly with the various Covid-19 protocol stages and kept strong communications with our teams. With the deployment of PCs and telecommuting, we were still able to make progress on architectural drawings and plans while working remotely. During the lockdown, Work Access Permits were delivered by the authorities to a core team, which could ensure minimum maintenance of our assets and provide essential services to our tenants. As soon as the lockdown period was over, we returned to the office, with all of the requisite hygiene practices in place.
- We had to temporarily close *L'Aventure du Sucre* from March 2020, which has incurred losses for the year, despite receiving support from the wage assistance scheme for some of the staff.
- We incurred a substantial loss of revenue on development fees, which make up 4% of development contracts, due to the delay in construction projects. We also had delays in signing deeds of sale of certain projects as implementation of infrastructure was temporarily halted.
- Our initial opening date for our retail centre was shifted to March 2021, but with 46 different tenants in place and most of them facing procurement challenges, especially with lead times in getting materials from China, we reviewed this milestone and decided to open three months later. This was following substantial engagement with all tenants.
- We estimated that our property rentals would be impacted by some 18%, and we did better than expected, with 94% of our rentals being received.



Beau Plan Smart City Master Plan



Investments

FINANCE

SWAN General Ltd

SWAN General Ltd is the leading insurance general and life assurance company and financial solutions provider in Mauritius. It provides a range of insurance and financial solutions, from short-term and long-term insurance and retirement plans, to wealth management and stockbroking for corporate clients and individual customers.

Terra Finance Ltd

Terra Finance Ltd offers advice and assistance to Terra's subsidiaries on cash management, and on the negotiation of short and long-term funding. The company is authorised to invest liquidities among various subsidiaries, and to manage their foreign currencies and exposure to currency and interest rate risks by using hedging tools.

Inside Capital Partners Ltd

Inside Capital Partners Ltd is an independent private equity manager seeking to invest through equity in strong potential opportunities in selected Southeast African countries. It is a limited company domiciled in Mauritius and also has an office in Lusaka, Zambia.

CONSTRUCTION

Terrarock Ltd

Terrarock Ltd, incorporated in 1990 further to Terra's policy of field de-rocking, is involved in the manufacturing and sale of hollow concrete blocks, aggregates and rock sand. Management of operations is entrusted to The United Basalt Products Ltd, the strategic partner of Terrarock.

REHM Grinaker Construction Co. Ltd

REHM Grinaker Construction Co. Ltd is among the leading construction companies in Mauritius, involved in industrial, commercial, high-end hospitality and leisure projects, as well as in civil and infrastructure works. The company has gained recognition for quality-on-time on a wide range of projects in building and civil engineering, conventional contracts and design-build.

REVENUE (MUR'M)	PROFIT/(LOSS) (MUR'M)	% EFFECTIVE HOLDING
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6,863.7	620.9	34.1
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106.7	1.1	100.0
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30.5	1.5	36.8
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178.0	28.5	45.0
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1,878.1	(73.3)	35.5
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OTHER INVESTMENTS

Horus Ltée

Horus Ltée has an 18% stake in United Docks Ltd, a company listed on the Stock Exchange of Mauritius and holding property in the Port Louis harbour zone.

Aquasantec International Ltd

Aquasantec International Ltd is active in development in East Africa, selling plastic equipment such as water tanks, mobile toilets, bio-digesters, septic tanks, HDPE pipe, gutters and other related plastic products using different technologies including roto, blow and injection moulding.

Topterra Ltd

Topterra Ltd is a 50:50 joint venture with Island Renewable Fertilisers Ltd, a company that produces a liquid fertiliser known as Concentrated Molasses Stillage (CMS) from *vinasse*, itself a residue from distillation.

AMCO Solutions Ltd

AMCO Solutions Ltd specialises in procurement and logistics for the sugar industry. In addition to the traditional storage and distribution of molasses, it also manages the Coal Terminal (Management) Co Ltd, whose responsibilities include the procurement, transport, storage and distribution of coal for the power plants of the sugar industry and the needs of the country. As from the beginning of 2018, the company is also driving an aggressive procurement strategy to support its shareholders in their quest to lower the cost of inputs in sugar production.

REVENUE (MUR'M)	PROFIT/(LOSS) (MUR'M)	% EFFECTIVE HOLDING
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-	(0.1)	50.0
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550.2	43.5	26.7
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17.8	(2.3)	33.3
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26.5	7.8	41.9
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Group-level functions

Although each of Terra's clusters is completely autonomous in its decision-making processes, budgeting and reporting – with each leadership team individually accountable for its cluster's respective performance – strategic guidance and support services are provided at a Group level in relation to Terra's management of employees, environmental performance, and the community. This section briefly reviews the material performance and outlook of these Group-level activities.

HUMAN RESOURCES: INVESTING IN OUR PEOPLE

Having the right technical and leadership skills, diversity of experience, and a strong performance-oriented culture, is fundamental to Terra's ability to generate value. Terra's Corporate Human Resources (HR) Department, supported by the HR teams at Grays and Terragri, provides the Group's strategic guidance on HR issues, as well as various shared and value-added services, such as customised training and development programmes, HR efficiency matrices, and remuneration and benefit policies.

This year was very much focused on handling the Covid-19 crisis. The Group HR took the lead in creating Terra's Covid-19 protocol with the assistance of operational HR managers. A key challenge at the outset of the pandemic was the associated anxiety and stress amongst our employees. Calls from HR personnel, continuous engagement with General Managers, and regular communications from the Managing Director, provided the needed reassurance to our workforce to ensure their resilience. Effective use of technologies enabled certain teams to work from home, creating new innovative ways of working. The work we started a few years ago to improve efficiencies and strengthen teams, significantly helped us during this Covid-19 transition. Several HR projects planned for 2020 were put on hold and we will resume focus on these in 2021.

Fostering engagement to create desired working cultures

Our Culture and Engagement Journey in our agriculture and property clusters continued in 2020. We embedded in the respective operations the values defined for each cluster in the previous year, and we continued to co-create the desired working cultures. For Terragri (Agriculture) this has meant moving from a purely results and efficiency focused culture with traditional approaches to agriculture, towards becoming a more caring and learning organisation. For Novaterra, as a new and fast-growing cluster, the corporate culture journey is more focused on learning and results. We will also be rolling this out in our Brands cluster in 2021, starting with several coaching sessions with leadership teams.

We have seen improvements in interactions between colleagues from Terragri (Agriculture) and Terra Milling, as well as improvements in communication within clusters. In 2020, we developed a culture index to track and measure the cultural behaviours, both enabling and disabling, and we will continue to monitor this every four to six months. This year, we conducted a trust survey in the Cane cluster, using the Lencioni model, and observed overall increased levels of trust amongst colleagues. In our Power cluster, we delivered training on performance management, moving towards a coaching approach. We will continue to develop the corporate culture around trust through training and development in 2021. We will also be rolling out our employee survey, conducted every two years, to assess levels of employee engagement.

To further support performance in 2021, we plan to progress towards more continuous performance management processes rather than one-off assessments. We will also be participating in a remuneration survey, as we do every two years, for both executives and staff. Our objective is to use the survey results to monitor and strengthen our remuneration policies and ensure they are aligned with market ranges.

Learning and development

We formulate our annual training plan by conducting a training needs analysis in each cluster; economies of scale are achieved by running some Group learning programmes for all clusters with similar requirements. We continued our collaboration this year with the African Leadership College (ALC) on co-creating a Leadership Programme that focuses on 'intrapreneurship' and innovation, and we ran follow up coaching workshops for 19 employees at the supervisory level. We will be maintaining our efforts to build a strong leadership bench by identifying key needs for our executive and leadership teams, and develop appropriate programmes. As part of our focus on becoming more efficient, we continued with our KAIZEN process in the Cane cluster and continued to improve on our performance management initiatives. 2021 will see a new performance management system rolled out in the cluster, with all staff trained on coaching skills to run an effective performance conversation. We will also roll out a new service through our Training Centre, which aims to provide excellent training services, optimising the Human Resource Development Council (HRDC) refunds and delivering improved return on investment for all trainings undertaken. Investing in the learning and development of our employees will remain a key strategic focus.

Health and Safety

The Group has a continual improvement approach to providing a healthy and safe working environment for all its employees, sub-contractors and visitors. In 2020, Covid-19 was the dominant health and safety concern. The top priority across all clusters was to protect employees and their families from infection, and to learn from the crisis to strengthen the health and safety culture across Terra. The Group Covid-19 response strategy is detailed on page 6, with the impact on each cluster outlined in the Operational Review (page 30). Our focus was to ensure we did not put any of our employees at risk; wherever possible we had dedicated teams working from home.

Cane | Terra Milling remained compliant with the Occupational Health and Safety Act (2005) and successfully completed the scheduled health and safety risk assessment. With the addition of a dedicated Health and Safety Officer, good progress was made in implementing the ISO 45001 health and safety management system. With slight delays this year due to Covid-19, certification to the standard is now targeted for 2021. Other key actions included the installation of safety modifications to the Over-Head Travelling Crane (OHTC) platform, setting-up a gas-metering system for working safely in confined spaces, and conducting eye check-ups for all workshop employees. No injuries or severe incidents were reported at the sugar mill during the year. In Agriculture, fire in fields remained a key safety risk, reaffirming efforts made in 2019 to train employees and develop a safe system for firefighting. Two injuries were reported in the year. One employee was admitted to hospital following a wasp bite, and another employee sustained a femur fracture in a road accident alongside the cane fields. Following the road accident, defensive driving training was conducted with all drivers and operators to refresh safety practices, and a safety checklist was introduced for Bell Loaders. Electrical safety in the workshop was also upgraded.

Power | The key focus at Terragen has been to reinforce the health and safety culture at all levels, and to improve the effectiveness of fire prevention and protection. Refresher training was conducted throughout the year to reinforce health and safety practices, near-miss reporting was rolled out, and key safety protections were installed for roads, the perimeter walkway and bagasse conveyer-belt. The construction of a new water tank, pump and network is underway to bolster fire protection. Following an external audit in December 2020, the health and safety management system has successfully transitioned from ILO OSH 2001 to ISO 45001. The year saw an increase in accidents and minor injuries, currently being mitigated through refresher training, new safety installations, emergency testing and learning from the near-miss reporting. We also conducted psychology stress tests in our cluster to ensure employees were not close to burnout.

Brands | At Grays Inc. and Grays Distilling, the focus remained on risk prevention through employee awareness and training. Training sessions were held on first aid, emergency procedures, boiler operation, firefighting protocols, manual handling, chemical safety, food handling, road safety, and hearing protection. A system for proper maintenance of First-Aid kits was established, and fire safety was maintained through the renewal of fire certificates, maintenance of firefighting equipment and installation of new signage. Two accidents occurred during the year, relating to chemical burn and back pain. Refresher training in handling chemicals and manual handling was organised in response.

Property and Leisure | Novaterra ensures a safe working environment for all its stakeholders including employees, contractors, tenants and visitors. A health and safety risk assessment is conducted every two years, with regular inspections carried out and corrective measures implemented. Work at height and fire safety remained the key health and safety risks, mitigated through training and supervision. Both Novaterra and Sugarworld have strengthened their fire prevention and protection readiness, obtained fire certificates and ensured compliance with the Fire and Rescue Service Act (2018). In preparation for the opening of our retail centre in Beau Plan Smart City in 2021, safety barriers were installed during the construction of stormwater drains and the traffic circle in Beau Plan has been redesigned to better ensure driver safety. Trees on the site of the Mahogany shopping promenade are being inspected and trimmed, and the terrain surrounding the on-site lake is being assessed to identify any potential safety risks.

Group-level functions (cont'd)

Health and safety (Cont'd)

Total recordable injury rate

COMMENTS

Incidents were not recorded in previous annual reports as same was not required. Same shall be recorded as from July 2021. Thus, to calculate some data, accident data used to calculate Lost Time Incident rate was taken.

FORMULA

TNI*1,000,000/THW

BRANDS				PROPERTY AND LEISURE				CANE				POWER			
2020	2019	2018	2017	2020	2019*	2018	2017	2020	2019	2018	2017	2020	2019	2018	2017
21.8	25.8	21.0	21.1	6.4	18.3	29.6	10.1	19.5	41.5	30.2	27.0	19.9	9.9	0.0	9.6

Lost time incident rate

COMMENTS

Number of injuries with lost day > 24h recorded in previous reports was used as TNA.

FORMULA

TNA*1,000,000/THW

BRANDS				PROPERTY AND LEISURE				CANE				POWER			
2020	2019	2018	2017	2020	2019*	2018	2017	2020	2019	2018	2017	2020	2019	2018	2017
29.0	31.4	21.0	21.1	6.5	18.3	29.6	10.1	17.1	41.5	30.2	27.0	19.9	9.9	0.0	9.6

Severity rate

COMMENTS

Data has been taken from previous annual reports as same calculations used to be made. Only exception was that coefficient used to be 1,000 instead of 200,000. So Lost Day Rate calculated previously was multiplied by 200 (Lost Day rate x 200).

FORMULA

WDL*200,000/THW

BRANDS				PROPERTY AND LEISURE				CANE				POWER			
2020	2019	2018	2017	2020	2019*	2018	2017	2020	2019	2018	2017	2020	2019	2018	2017
22.2	28.9	26.0	32.0	15.6	18.0	6.0	4.0	32.7	56.8	49.7	65.1	55.6	27.6	0.0	76.6

* Inclusive of temporary employees

TNI: Total number of incidents. | **THW:** Total hours worked. | **TNA:** Total number of accidents. | **WDL:** Workdays lost.

Further details on our health and safety performance are provided in our online Sustainability Report.

Protecting labour rights

Terra continues to ensure that all our employees are adequately remunerated and provided with a respectful working environment free from inappropriate or unprofessional behaviour, including any form of harassment or discrimination. We recognise the right of every employee to freedom of association. In the Cane cluster, 96% of workers are unionised

across six different unions; sector workers are also regulated by sugar industry remuneration orders that set the minimum wages and conditions of employment for various categories of workers. The collective bargaining process takes place every three years, and we hope that a satisfactory outcome will be reached in 2021.

Outlook

In 2021, our focus will be on the following priority areas:

- In the Cane cluster, we will develop OKR's (Objectives & Key Results) to be more people-oriented in line with our culture of being a caring and learning organisation, and we will continue our journey of being a trusted organisation. We will complete collective bargaining agreement negotiations with the various unions. We will further develop our health and safety culture, introducing reporting at the Board level, and instil a health and safety culture among contractors through education and monitoring.
- In our Brands cluster, we will continue to identify more opportunities to optimise manpower structures and processes in order to further improve cost efficiencies. We will place more emphasis on health and safety, with an additional employee appointed to oversee this.
- In our Power cluster, we will implement further measures to improve the health and safety performance for our employees and contractors, and we will adopt a more coaching type of approach to performance review.
- In our Property cluster and in the opening of our retail centre, Mahogany shopping promenade, we will place attention on any new health and safety risks, bringing in experts where needed to support our Health and Safety Officer.
- At a Group level we plan on continuing on our culture and engagement work in specific clusters and strengthening our performance management by moving more towards a performance-oriented culture and mindset. We will be launching a new e-learning platform to implement a learning culture and continue to strengthen our teams.

ENVIRONMENTAL PERFORMANCE: INTEGRATING SUSTAINABILITY THROUGHOUT THE BUSINESS

Sustainability performance at each of our entities is managed through dedicated HSEQ employees at the cluster level. At Group level, the sustainability platform and five-year sustainability framework has traditionally provided the overarching support and guidance needed to ensure that best practice was followed at the operational level. With the onset of Covid-19 and the movement of the Group towards leaner operating models, this has necessitated a reconfiguration of how sustainability is approached at Terra. Towards the end of the year, the Group Sustainability function was brought

under the HR team, with a new approach to drive sustainability performance at a cluster-level by identifying key objectives specific to each cluster. This requires us to critically look at all aspects of our operations across the business units and to engage with our internal stakeholders, including at the executive level, to identify highly-material sustainability projects to be rolled out in 2021. We will reinforce the HSEQ positions at cluster level, engage with the General Managers to identify a few targeted sustainability projects, and ensure better alignment with the Sustainable Development Goals (SDGs).

SEMSI Listing

Since 2015, Terra has been listed on the Stock Exchange of Mauritius' Sustainability Index (SEMSI). Following Terra's excellent performance in a review exercise undertaken in August 2019 by the SEMSI Supervisory Committee, the Company remained on the Index.

Group-level functions (cont'd)

Protecting our environment

Terra has deep roots in the land of Mauritius. Harnessing the productive qualities of landholdings on the island is what enables the Group to create value for stakeholders. Protecting the ecological functioning of the island is central to this value proposition, and thus 'caring for the environment' is one of our strategic imperatives. With agricultural activity at the core of our business model, all our activities across the Group's clusters depend ultimately on the availability and quality of natural resources, including land, water, soil, sugar cane, biomass and coal.

Our environmental footprint and circular economy

We have taken leadership in implementing a circular economy, with many of the by-products of one of our operations serving as a raw material input for another. Climate change and water scarcity are the key emerging sustainability risks for Terra, while water pollution and waste production remain other key concerns.

Cane | Terragri (Agriculture) complies with the water-use restrictions established by the Irrigation Authority and is developing the capability for precision irrigation through the use of a digital software, CanePro. In 2020, due to ongoing drought conditions and a reduction in water allocations from 20,000 to 3,000 m³/day, significantly less water was used for irrigation. Terra Milling separates the wastewater it produces, reusing clean water internally and treating contaminated effluent for reuse as irrigation water by Terragri on sugar cane fields. In 2020, all effluent from Terra Milling and Terragen was used by Terragri for irrigation (526,430 m³ this year, up from 509,400 m³ in 2019). We are currently extending our irrigation network to expand capacity for the use of effluent. Water consumption at Terra Milling was slightly higher this year, due to the higher proportion of specialty sugars produced, which require a longer liquidation process.

Power | Terragen maintained the production of renewable energy using cane straw and *bagasse* sourced from Terragri and Terra Milling, and made progress on developing eucalyptus as an additional source of renewable biomass. While continuing to pursue decarbonisation through the gradual replacement of coal with renewable biomass, the combustion of cane straw and *bagasse* declined this year due to lower levels of cane production. The combustion of cane straw declined to 4,171 tonnes (9,639 in 2019), producing 4.1 GWh for export on the grid, while the combustion of *bagasse* declined to 259,850 tonnes (311,544 in 2019), producing 83.7 GWh for export on the grid. This was partially offset, however, by lower overall energy demand locally and an unplanned shutdown. Overall 35% of Terragen's greenhouse gas emissions are accounted as biogenic, which means that the gases are absorbed by the sugar cane plants in the closed carbon cycle. During 2020, Terragen recorded five cases of non-compliance with legal requirements for the quality of effluent discharged into the environment. Management is investigating the non-conformity in accordance with the Group's QSE policy, with action and surveillance in progress.

Terra has channelled this understanding into growing the business as a leading example of closed-loop resource flows in sugar production. The Group's business model reflects the principles of a circular economy as an implicit aspect of the business (see page 12). Looking ahead, as the HR department works to redefine the Group's sustainability approach and objectives, a key imperative will be to refine sustainability oversight at cluster-level to further champion operational efficiency and to ensure the effective monitoring of our environmental impact and performance.

Brands | At Grays, water is needed for boiler operations, running of the bottle washer, and blending alcoholic beverages. Water used for cooling purposes is returned to the source, while *vinasse* (liquid waste) is sent to Topterra for treatment and used as fertiliser. Water scarcity and potable water supply remain key concerns for Mauritius and measures continued to be implemented to optimise the use of water in processes and reduce the volume of wastewater discharged. In 2020, further investments in the boiler enabled a shift away from heavy fuel oil to a renewable energy source with the replacement of the heavy fuel oil burner with an alcohol burner. Non-potable alcohol obtained as a by-product of the distillation process is being used, reducing overall emissions. Another key focus area was ensuring segregation and recycling of both hazardous and non-hazardous waste as per environmental regulations, in line with the cluster's strategy to reduce the amount of waste going to landfill.

Property and Leisure | During the construction phase of development projects, contractors are obliged to follow environmental protection rules, as set out by the Ministry of Environment, taking into account air quality monitoring and disposal of construction waste. In 2020, significant effort was dedicated to integrating sustainability practices into the design process of the Beau Plan Smart City and to carrying out strategic planning to achieve sustainability goals. Internet of Things (IoT), intelligent sensors, and cloud-based software applications are all being considered to monitor traffic flows, water consumption, flood levels, energy consumption in public areas, energy efficiency, air quality, solid waste management, and wastewater management. Novaterra continued discussions with the local authority to identify best practice in the disposal, recycling and adding of value to the waste that will be produced within the Beau Plan Smart City, and also engaged in discussions with CEB to construct a 1.6 MW photovoltaic solar farm to supply renewable energy to the Smart City.

Outlook

In 2021, our focus will be on:

- Continuing the extension of the irrigation network for Terragri to expand the use of treated effluent for irrigation and implement a new process for treated effluent at Terra Milling;
- Continuing discussions with the CEB and other involved ministries to extend the share of renewable energy in Terragen's production mix from 27% to 40%, with a competitive price per kWh, and progressing with the planting of eucalyptus as an alternative source of renewable biomass;
- Securing QSE certification of Grays Inc. and Grays Distilling and continuing efforts to reduce water and energy consumption;
- Ensuring effective implementation of environmental measures in the Beau Plan Smart City development utilising IoT and other smart city technologies; and
- Maintaining discussions with the local authority to establish a long-term relationship for integrated waste management and continue engagements with CEB and CWA to optimise resource use.

More detailed information on our sustainability commitments and the environmental and social performance of our business units is provided in Terra's separate online Sustainability Report.

CORPORATE SOCIAL RESPONSIBILITY: SUPPORTING OUR COMMUNITIES

In addition to the significant social value created through the Group's core business activities by providing direct and indirect employment and upskilling of its workforce, Terra also provides focused support to neighbouring communities. Our Corporate Social Responsibility (CSR) programme, coordinated through Terra Foundation, is in line with Government's CSR guidelines promoting community development at both a regional and

national level. The foundation's primary focus remained centred on the geographical areas around Terra's Beau Plan and Belle Vue operations, with 88% of our funds being allocated to projects in the region. Going forward, we aim to allocate more resources to ensure that the local communities fully tap the potential benefits associated with the development of our Smart City in Beau Plan.

Terra Foundation celebrated 10 years in 2020

Terra Foundation celebrated its 10th year in 2020, achieving significant impact through its NGO partners over the years. We have donated MUR 79 million to 263 projects over this period, with MUR 41 million allocated to 133 projects in the North. Through these projects we were able to reach 33,220 children and youth, and 60,131 adults, as direct and indirect beneficiaries.

Our contribution to construction and social housing projects over this period included MUR 15.6 million being allocated to 15 projects in Mauritius. We also enabled 240 employees to volunteer their time to support various projects in the community.

Support during the Covid-19 pandemic

Following the implementation of the lockdown in Mauritius in March 2020, the suddenness of the confinement led to critical situations for many vulnerable families, with many losing their jobs, particularly in the hotel industry. The Group responded by creating a special emergency fund to support the neediest in the northern region. In addition to distributing 206 emergency food packs, the foundation also organised a 'Terra Stay Safe Operation' by donating foot-pedal sanitising stations to two NGOs caring for beneficiaries requiring medical assistance.

A further five sanitising stations were donated to the SSRN Hospital (one of the biggest hospitals in Mauritius) and 7,000 masks and 16 gallons of sanitizing solution were distributed to 11 NGOs. With many NGOs not able to afford to offer the usual Christmas parties and activities for their significantly impacted beneficiaries, Terra Foundation sponsored tickets for a Christmas show including food and beverages for 245 children and 28 adults connected to these NGOs.

Group-level functions (cont'd)

OUR 2020 PERFORMANCE

In 2020, the facility offered by the Mauritius Revenue Authority (MRA) was maintained and companies of the Group were able to retain 25% out of the 75% CSR contribution to be made to the MRA for passing on to the National Social Inclusion Foundation (NSIF) for redistribution to NGOs. Approval was thus obtained, following submission of our long-term NGO projects to the NSIF, enabling 25% to be added to the earmarked remaining 25% share for the foundation, with a total of 50% of the CSR funds secured for our community projects.

We maintained partnerships with 16 NGOs, sponsoring a total of 32 projects in 2020, with 28 projects representing 88% of our funding being delivered in the northern region. Our key focus remained in education and training, poverty alleviation, health care, sports and heritage and culture.

Further details on the above intervention areas can be found in our online Sustainability Report.

MEASURING IMPACT

Our budget of MUR 2.9 million (net of administrative expenses) supported 1,452 beneficiaries in total. We conduct evaluation reports every year to assess the work of the various NGOs that we partner with. For the 10-year anniversary of the foundation, a review of the major projects was completed through short presentations from NGOs and testimonials from beneficiaries. We produced short films for six major NGOs to illustrate how our sponsorship and support over the years has helped our NGO partners.

OUTLOOK

Our focus will remain on our immediate neighbourhoods to increase interaction with our community stakeholders and to further promote the integration of the community in Beau Plan Smart City. The social survey planned in 2020 to identify community needs was postponed due to the lockdown and sanitary reasons and should be carried out in 2021. A new focus going forward is to place more emphasis on our employee volunteering initiatives. We plan to provide in-kind support to our NGO partners through matching employee skills to NGO needs, as well as continued support as volunteers in project delivery. Post Covid-19 we will stay committed to helping NGOs to remain resilient, which has become even more critical since the impact of the virus.

