



Overview

OVERVIEW

Impact of Covid-19 and our response

The global lockdowns triggered by the Covid-19 pandemic, as from February 2020, have had a devastating impact on the world economy.

Mauritius went into lockdown in March 2020 until 01 June 2020, with severe restrictions in public spaces, including food stores and supermarkets. Borders remained closed, but the Government of Mauritius announced the phased easing of travel restrictions from 01 October 2020, with borders opening to Mauritian nationals, residents and to tourists travelling for long stays, subject to a 14-day quarantine before entering the territory. Mauritius had been considered 'Covid-19 safe' since 26 April 2020, where there have been no locally transmitted cases. This was achieved in part by the necessary and restrictive measures taken by the Government, including limiting international travel and enforcing public health and social distancing measures. The impact on the economy has been significant, with Mauritius experiencing a 14% decline in GDP in 2020, alongside a rise in unemployment and a depreciation of the MUR against main currencies. The tourism sector was particularly impacted, with international arrivals down 78%. The low level of savings in Mauritius, in a context of rising unemployment, has had a considerable negative impact on demand. Despite all restrictive measures taken by the Government, a local case was detected on 05 March 2021, followed by an increase in cases. This has led to a second national lockdown as of 10 March up to 30 April 2021. A vaccination programme, which started in the first quarter of 2021, is on-going and at least half of the population is now fully vaccinated, while the first phase of the reopening of borders has started on 15 July 2021.

IMPLICATIONS FOR VALUE

The move to a lockdown at the start of the Covid-19 crisis essentially happened overnight and our workforce had to adapt to the new situation rapidly. Production, activities and sales were initially halted across our operational and agricultural sites. Over time we applied for and received work access permits for those parts of the business considered essential services. This included: agricultural activities and sugar milling in our Cane cluster; distribution of pharmaceutical products, detergents, food and, at a later stage, alcohol-based gels, in our Brands cluster; electricity generation and distribution in our Power cluster; and asset management in our Property and Leisure cluster. While the performance of our Property and Leisure and Brands segments, as well as some of our Associate investment portfolio, has been challenged by internal borders closures and quarantine measures, other parts of our business remained resilient. We report on these impacts at the cluster level in our Operational Review section.

MOST AFFECTED

- Property Division
- *L'Aventure du Sucre* Museum
- Grays Inc. (25% of sales to hotels)
- Investment - UIL / PEX

LEAST AFFECTED

- Sugar in Mauritius
- Sugar in Côte d'Ivoire
- Energy
- Grays Distilling / New Goodwill
- Terrarock
- Investments: SWAN, Terravest

OUR STRATEGIC RESPONSE

Our primary focus has been on the health, safety and wellness of our staff, alongside the continuous and uninterrupted provision of products and services to our customers, while meeting the needs of communities impacted by the crisis.

- **We established a Covid-19 committee**, comprising of General Managers, communications, HR and IT teams, to prepare for the lockdown measures; daily operational management meetings ensured strategic decisions and response action plans were aligned.
- **We were agile** in accommodating our administrative and office-based staff to work from home through technology enablement and virtual private networks (VPN), which included the provision of laptops and PCs. New and innovative ways of working emerged, combined with regular communications with teams via these technologies, leading to a more resilient workforce.
- **We took all precautions** in alignment with Government protocols and regulations. We implemented stringent health and safety standards across all our operations, including the development of a stage 1-4 protocol for preparedness planning; multiple training sessions, posters and videos; the distribution of personal protective equipment (PPE), the introduction of social distancing requirements and organisation of the workforce into separate teams; and sanitisation of the working environment. This ensured no Covid-19 infections were recorded within our activities in 2020.
- **We secured isolation rooms** in each cluster for any potential cases and launched internal communication campaigns to clarify Terra's measures and protocol and to keep the morale of employees high.
- **We built on our existing digital platforms** by identifying gaps in processes and continuing to roll out wide-scale digitalisation. Cyber-security measures ensured adequate controls in place.
- **We identified efficiencies** in our local supplier engagement through better use of technology, and we established newsletters for our customers and employees. We are currently developing an SMS system for all employees with no email addresses.
- **We adapted strategies** to continue with sales and deliveries with a limited workforce during the lockdown period, including the rapid deployment of an e-commerce website in our Brands cluster.
- **We supported our partner NGOs** and communities through a Terra Covid Solidarity Fund and through the provision of essential food packs and PPE.

Value we created in 2020

CUSTOMERS

CANE

74,541 T
Specialty sugars in 8 varieties

-15%

POWER

376 GWh
Supplied to the national grid

-12%

13.1%

National energy mix

-1%

12.2%

Share on national renewable energy production

-28%

93.3%

Plant availability on CEB network

+1%

BRANDS

6,106
Direct B2B customers (Mauritius)

+4%

13,487
Regular B2C customers (Mauritius)

+11%

PROPERTY AND LEISURE

13.30 Ha
Land developed this year

16,911

Visitors to L'Aventure du Sucre

-82%

EMPLOYEES



MUR 3.6 M -54%
Invested on employee training and development

MUR 965.4 M -6%
Paid in salaries, wages and other benefits

12
Additional jobs provided

COMMUNITIES



MUR 2.9 M +21%
CSR sponsorship channelled through Terra Foundation

32 -6%
Projects sponsored

PROVIDERS OF FINANCIAL CAPITAL



MUR 173.0 M +41%
Paid to banks and other lenders

MUR 129.7 M -33%
Paid in dividends to Terra shareholders

GOVERNMENT



MUR 22.3 M -67%
Paid in taxes in Mauritius

MUR 564.3 M -13%
Paid in customs and excise duty in Mauritius

SUPPLIERS



MUR 2,566.6 M -5%
Procurement spend

Our business at a glance

OUR ORGANISATIONAL STRUCTURE

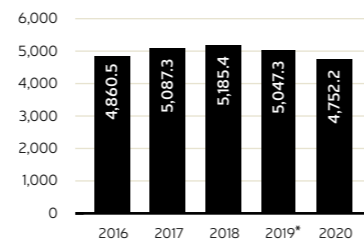
The Group consists of four autonomous clusters: Cane, Power, Brands, and Property and Leisure. Each cluster offers unique business know-how that sets it apart from its competitors and that provides a strong platform for value growth.

These clusters are autonomous in their decision-making processes, budgeting and reporting, as well as in the day-to-day running of their operations. The leadership team of each cluster is fully accountable for their cluster's respective performance, and is empowered to develop their own businesses and to realise international growth opportunities in line with proposals and plans approved by Terra's Board of Directors.

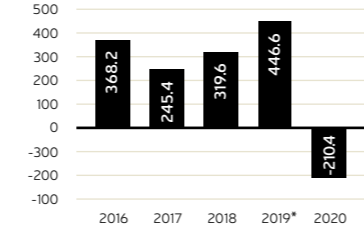
The clusters are supported by specific centralised functions aimed at developing a shared performance-based culture, and at driving operational excellence and efficiencies across the Group.

TERRA MAURICIA LTD

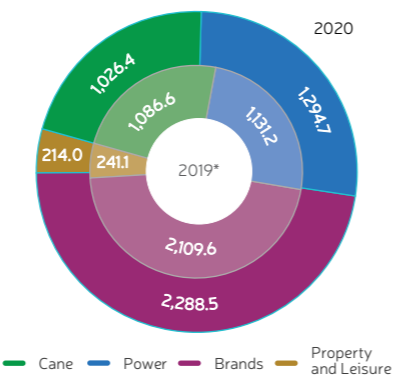
Group Turnover (MUR'M)



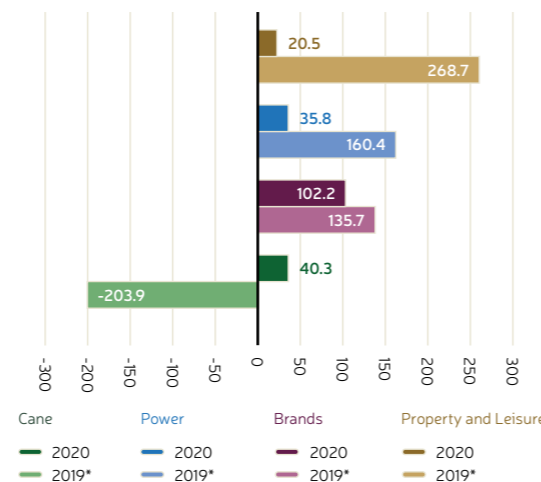
Group Profit/Loss after Tax (MUR'M)



Turnover - Contribution of each Cluster (MUR'M)



Profit after Tax - Contribution of each Cluster (MUR'M)



CANE

201

Employees at Terragri (Agriculture)

105

Employees at Terra Milling

12%

Employee turnover rate

5,340 Ha

Land under cane cultivation

-3%

704,629 T

Sugar cane milled

-23%

74,541 T

Sugar produced

-15%

POWER

48

Employees at Terragen

0%

Employee turnover rate

12.2%

Renewable energy share

-28%

376 GWh

Sold to CEB

-12%

93.3%

Availability on CEB network

+1%

BRANDS

490

Employees at Grays Inc.

43

Employees at Grays Distilling

18.3%

Employee turnover rate

24

Own brands

46%

Sales from spirits

14%

Sales from wines

5.4 million L

Alcohol produced

-9%

PROPERTY AND LEISURE

73

Employees at Novaterra

65

Employees at L'Aventure du Sucre

4%

Employee turnover rate

13.30 Ha

Land developed

67,554 m²

Under rent

+8%

Our business model

As a Group, our business model hinges on our ability to secure a competitive advantage and create stakeholder value across our four clusters, each of which seeks to optimise value from the Group's core assets and activities across the different stages of the sugar value chain.

CAPITAL INPUTS

NATURAL CAPITAL

CANE

5,340 ha sugar cane fields
704,629 tonnes sugar cane milled

POWER

259,850 tonnes of *bagasse*
180,883 tonnes of coal
4,171 tonnes of cane straw
11,305 tonnes of *bagasse* ash

BRANDS

24,412 tonnes of molasses
3,186 tonnes of coal
746 m³ of alcohol

PROPERTY AND LEISURE

714 ha of land

TOPTERRA

40,927 tonnes of *vinasse*

TERRAROCK

303,217 tonnes of boulders

THERMAL VALORISATION CO. LTD

7,140 tonnes of coal ash

MANUFACTURED CAPITAL

Agricultural equipment
1 sugar milling factory
1 bottling plant

1 distillery
1 co-generation power plant
1 thermal valorisation plant

FINANCIAL CAPITAL

Debt and equity financing

Reinvestment

HUMAN CAPITAL

1,144 employees

Strong leadership team

INTELLECTUAL CAPITAL

Robust governance systems
Knowledge and skills
Sophisticated closed loop model, optimising value from core assets and activities across the sugar value chain

Robust safety and quality management systems
Reliable and cost-effective electricity production
Service providers delivering on agreed terms
Building leading brands

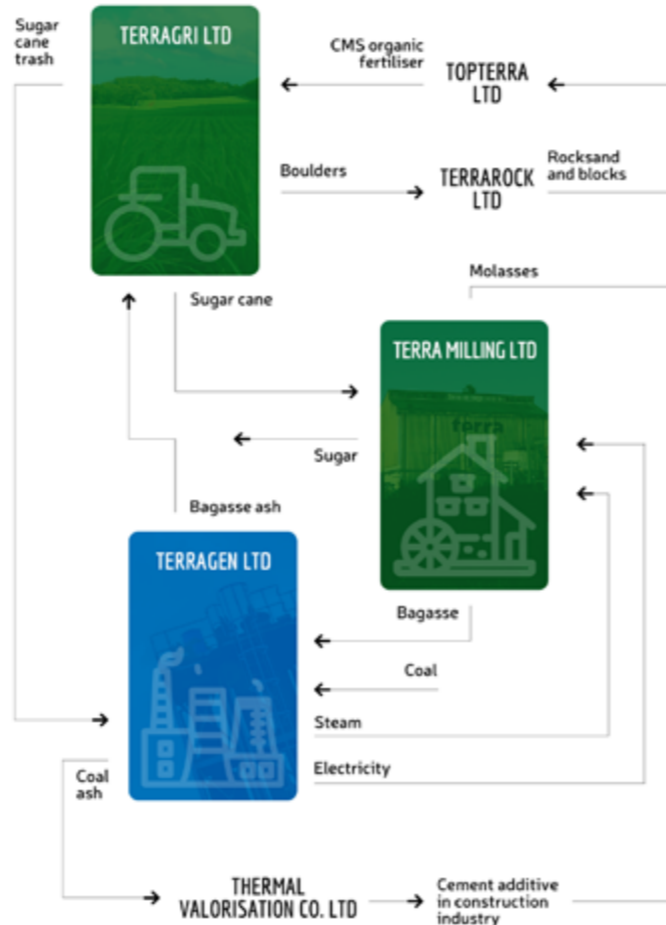
SOCIAL AND RELATIONSHIP CAPITAL

Positive customer and tenant relationships
Positive employee relations
Constructive engagement with Government

Investor confidence
Positive supplier and partner relations
Community trust and partnerships

Cane

Transforming sugar cane into raw sugar and specialty sugar to sell through the Mauritius Sugar Syndicate, with certain by-products used as inputs into the Power and Brands cluster (Page 32)



Power

Using *bagasse* and cane straw from the Cane cluster as inputs (together with imported coal) into the co-generation power plant to sell to the Central Electricity Board (CEB), and to provide electricity and steam to Terra Milling (Page 42)

OUR MATERIAL RISKS

- Economic downturn
- Not securing an adequate price for *bagasse*
- Decrease in supply of cane and by-products
- Oversupply of properties on the market

A more detailed overview of each cluster's business model and operating context is provided in the Operational Review section of this report.

Brands

Transforming by-products of the sugar production into value-added dark and white spirits through the distillery process, and realising added value through our bottling, distribution and marketing activities, which have been extended to include third party brands in wine, whisky, personal care products and snacks (Page 52)



Property and Leisure

Investing in property-development projects in well-located sites with a view to increasing and unlocking value from the Group's longstanding land holdings, and managing *L'Aventure du Sucre*, a museum showcasing the history of sugar operations in Mauritius (Page 62)

PRODUCTS AND OUTPUTS

- 74,541 tonnes of specialty sugars
- 376 GWh of electricity sold to CEB grid
- 838,519 GJ of steam to Terra Milling
- 5.4 million litres alcohol and 24 own brands
- 13.30 ha of land developed
- 67,554 m² available space for rent
- 16,911 visitors at *L'Aventure du Sucre*
- 18,738 tonnes of CMS organic fertiliser
- Cement additive for construction industry
- Rocksand and blocks

CAPITAL OUTCOMES

NATURAL CAPITAL

Total energy consumed: 1,195,106 GJ
Total CO₂ emissions (scope 1): 646,563 tonnes
Total water consumed: 3,123,961 m³
Total fertilisers consumed: 21,185 tonnes
Total glass bottles recycled: 1.6 million units

MANUFACTURED CAPITAL

MUR 242.9 M investment in property, plant and equipment

FINANCIAL CAPITAL

MUR 4,752.2 M turnover
MUR 210.4 M losses after taxation
MUR 129.7 M paid in dividends
MUR 268.9 M retained losses in the Group

HUMAN CAPITAL

1,144 employees
MUR 965.4 M paid in salaries, wages and other benefits
MUR 3.64 M in employee training and development
12 additional jobs provided

INTELLECTUAL CAPITAL

Digital transformation expenditure
Brand development expenditure
Certifications on quality, food safety, environmental and OHS management (see Operational Review section)
93% plant availability on CEB network

SOCIAL AND RELATIONSHIP CAPITAL

MUR 22.3 M paid in taxes in Mauritius
MUR 564.3 M paid in customs and excise duty in Mauritius
MUR 2,566.6 M paid to suppliers
MUR 173.0 M paid to banks and other lenders
MUR 76.8 M paid in dividends to subsidiary shareholders
Two percent of profits directed to CSR work
MUR 2.9 M spent by Terra Foundation
32 CSR projects sponsored

Chairman's message

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

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

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

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

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

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

Our diversification enabled us to remain resilient

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

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

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

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

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

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

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

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

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

Chairman's message (cont'd)

Maintaining oversight through a diverse Board

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

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

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

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

Appreciation

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

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

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

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

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

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



Alain Rey
Chairman of the Board
13 September 2021



Managing Director's message

The Group's response to the Covid-19 pandemic has highlighted the resilience of the Group.

We posted at Group level a Net Loss after tax of MUR 210.4 million in 2020, against a restated Net Profit after tax of MUR 446.6 million in 2019.

Despite this, the Company posted a profit after tax of MUR 131.5 million in 2020 against MUR 178.7 million in 2019. Most of the losses recorded in 2020 by the Group were due to the fair valuation of our investment portfolio.

The activities managed by the Group have been resilient, with a marked improvement observed in our cane activities. Our Cane cluster has shown a positive turnaround due to a return to profitability in our Côte d'Ivoire operations, accompanied by more efficient operations in Mauritius, backed up with better sugar prices.

As announced in the National Budget Speech in June 2021, the long-awaited pricing for *bagasse* will be effective as from the 2021 crop season. This will give a new boost to an industry that continues to contribute positively to the national economy.

The closure of borders, accompanied with a delay in obtaining permits, substantially impacted the profits of our Property and Leisure cluster.

The lower profits of our Power cluster were expected, given the fundamental changes in the newly negotiated Power Purchase Agreement.

Our Brands cluster performed well in the current circumstances.

In my message to shareholders last year, I highlighted that our strategy would need to be constantly reviewed as we navigate in such unpredictable times. Our compelling three-year strategic plans that provide a clear vision for the Group to deliver long-term value, were adapted to the prevailing Covid-19 context. The agility of each of our clusters, enabled by the restructuring that took place a few years ago and supported by the strong teams in place, showed the alignment across the executive team and Directors during this very turbulent year, and how well these structures continued to work.

CANE | Improved efficiencies starting to pay off

We had a very good year in our cane activities, where we managed to reduce losses as a result of better cost monitoring and containment measures. Overall, the strategy that we started five years ago to create an efficient Cane cluster for the future has started to pay off.

We saw improved sugar prices in 2020, helped by improved sugar prices in our export markets and a strong Euro. The price of sugar ex-Syndicate increased from MUR 11.4 K per tonne in 2019 to MUR 14.0 K per tonne in 2020. While additional revenues for by-products, such as molasses, contributed an additional MUR 1.5 K per tonne to reach an overall sugar price of MUR 15.5 K per tonne, this remains below the break-even cost of MUR 17.0 K per tonne, as recognised by the industry.

In our milling operations, the ongoing drought in Mauritius has posed some serious challenges, with our production of sugar down by 16%, in line with the rest of the industry in Mauritius. Our investments in automation, digitalisation and lean management structures have, nevertheless, helped the cluster to become more efficient, and with a lower cost of production we can better compete into the future. Terra now has the ability to convert 100% of its cane into specialty sugar, a strategy set three years ago to achieve premiums in a commodity environment. While we were expecting this year to produce 85,000 tonnes of specialty sugar, we only managed to produce 74,541 tonnes, due to insufficient cane production.

With regard to our Côte d'Ivoire operations, we have seen a good turnaround at Sucrivoire, which posted a profit in 2020. Terra has been the technical advisor to the operation and has placed on secondment several new operations managers with a view to improving yields and production. To satisfy local demand, the focus has been on increasing production capacity as from 2022. Knowing that consumption is increasing year-after-year in Côte d'Ivoire, this increase in production will also help to reduce our cost of production.

POWER | Extension agreement signed with CEB

Our Power Purchase Agreement with the CEB came to an end mid-2020, at the expiry of a 20-year contract, and we signed an extension agreement for the next five years. Unfortunately, this new contract does not value electricity produced from *bagasse* more favourably than coal. This has had a major impact on our results in 2020, as in the past most of our profits were made from electricity production of *bagasse*. The operation generated 376 GWh of electricity with 93.3% availability and an after-tax profit of MUR 35.8 million (MUR 160.4 million in 2019). Regrettably, we had a major breakdown in our power station in the last weeks of 2020, which also negatively impacted results. Despite this, our Terragen plant remains amongst the world's 'best in class' power plants, both in terms of reliability and cost of production and is, by far, the cheapest electricity provider in the country. We should see better results in the future, although comparatively lower to the past, due to the renegotiated tariff structure.

Terragen has always worked to be at the forefront of technology innovations to manage the transition towards renewable energy. It currently produces 13% of Mauritius' renewable energy, using a combination of cane straw and *bagasse*. Along with our partner Albioma, we have presented to the Government an ambitious plan to modernise our existing power plant into the first hybrid power plant in the world, a major leap forward to reduce emissions. Our strategy remains to increase our share of renewable energy contribution in our own generation to 40% (currently at 27%), using a combination of *bagasse*, cane straw and solar energy. To achieve this, we will need significant investments, for which longer-term certainty is needed. We ultimately need a new framework from the Government, to be able to bring this project to life. Terragen will continue to engage with the Government to help Mauritius decarbonise its energy mix, in line with the roadmap towards a greener Mauritius.

BRANDS | Resilience within a tough operating environment

We had anticipated valuable growth in the retail business and luxury hospitality sector, had it not been for the adverse impact of Covid-19. While we saw overall resilience in our Brands sector during 2020, there were major drawbacks from not being able to sell to the hotel industry for nine months of the year. Revenue for the year was down at MUR 2,109.6 million (MUR 2,288.5 million in 2019) and profit after tax at MUR 102.2 million (MUR 135.7 million in 2019). While profit in our operations went down, we nevertheless did well, given the tough operating context. We saw a good performance in our distillery, boosted by the strong demand for alcohol; with 80% of what we produce being exported, the erosion of the Mauritian Rupee bodes well for pricing.

I am very pleased to report that Grays Inc.'s latest addition to its already well-rounded collection, New Grove Emotion 1969, recently won the 'Canne d'or' award in an international competition amongst traditional producers for being considered the best rum in the world. This achievement at the International Sugarcane Spirits Awards, set to be the new gold standard for spirits, puts the island and category on the world map as being a premium producer, and we will use this to boost our sales globally.

Our subsidiary company in the Seychelles showed a fair performance given the prevailing circumstances, with products mostly aimed at the local Seychelles market. Looking ahead, we believe 2021 will be a more difficult year for Mauritius and predict a tougher year for our brands, and we will be putting more emphasis on locally manufactured products.

PROPERTY AND LEISURE | We continue to develop and invest for the future

Our Property and Leisure cluster was particularly impacted by Covid-19, with the closure of our borders resulting in very few international buyers, and the depressed state of our local economy limiting land sales and negatively impacting our ability to generate cash. Some of our permits to develop land for resale also came in late in the year. We reviewed our plan, taking into consideration the new environment, and our development team has been extremely motivated to find 'out of the box' solutions to address the situation. We met our adjusted budget for the year, delivering profit after tax of MUR 20.5 million (MUR 268.7 million in 2019) and achieving MUR 125.6 million in rental income, management, development fees and other services for the period, a 41.3% decrease on last year.

We unfortunately had to temporarily close *L'Aventure du Sucre* from March 2020, with the museum principally being a tourist attraction. This activity has incurred losses for the year, despite receiving support from the wage assistance scheme for some of the staff. It is difficult to predict the timing and conditions of the complete reopening of our borders, and we will have to structure accordingly. We also experienced delays in the development and launch of our retail park. We were expecting this to be open by November 2020, in time for the Christmas festive season, but due to Covid-19 delays, the opening finally took place on 24 June 2021. It was nevertheless successfully received by the public, with commendable affluence.

On another positive note, all land put on sale in the Smart City has been sold in record time and the demand for the activities is still high. Given these positive signs, our Board has decided to go ahead with the construction of a 10,000 square meter business park to continue to create a vibrant Smart City in Beau Plan. Covid-19 will induce a tougher year ahead, but we continue to develop and invest for our future.

Managing Director's message (cont'd)

INVESTMENTS

Our associate in the insurance industry, Swan General Ltd, was very resilient during the year and net profits attributable to Terra amounted to MUR 213.1 million. We unfortunately had impairments related to our share in United Investments Ltd (UIL), which is very much geared towards the tourism sector. In line with our strategy of divesting our non-core assets and activities, we sold our share in Commada Ltd, which also attracted losses. We recently acquired part of the shares of Grinaker LTA in Rehm-Grinaker Construction Ltd, and the latter is considered as a subsidiary since July 2021. Overall, our profit or loss statements show that we achieved MUR 306.7 million in operational profit, net of fair value and impairment losses amounting to MUR 582.3 million, which were primarily from our investments. We will continue to divest from our non-core assets and activities.

OUTLOOK

The ongoing Covid-19 crisis will continue to negatively impact the activities of the Property and Leisure and Brands segments, as well as our associate investment portfolio. Given the persisting poor visibility as to when the pandemic will subside worldwide, with quarantine measures still in place, and when economic activities will return to normal, all Group clusters are proactively pursuing cost-containment measures and closely monitoring their respective cash flows. Once border controls are relaxed, we believe there will be an opportunity to attract investors and foreigners in a country that has effectively managed the Covid-19 pandemic. The crisis is likely to enter a recovery stage at some point in 2021, with some sectors, such as property, recovering faster than others, such as tourism.

The pandemic has had a devastating impact on the communities we work in, making it more important than ever for Terra to support our fellow citizens. The creation of new jobs through our retail park will help meet employment needs and grow the local economy. We will integrate with local villages to be inclusive and create value for the Mauritian community in general. Our Smart City will enable people to send their children to international schools and create an environment to attract foreign professionals to live, work, and play in Mauritius.

The bold decision from the Government to remunerate *bagasse*, an important cane by-product, with its fair price, will certainly contribute to the sustainability of the industry. This measure will not only help the cane industry to be sustainable but will also help the country in achieving its ambitious goal of producing 60% of its energy from renewable sources by 2030. We are obviously waiting for the biomass framework to be enacted to better understand how all renewable sources will be remunerated in the future. Indeed, this new environment has the capacity to trigger major investments in the sugar industry.

The year ahead will be a crucial one for Terra. Many important decisions by authorities will have a significant impact on the future of the Group, in particular for the cane industry. We now have clarity on our contract with CEB for the next five years and we will work closely with the Government and the CEB to create an environment whereby we will be able to increase our share of renewable energy, in order to achieve the above-mentioned Government's energy-mix decarbonisation objective.

Our role as operators is to continue to be more competitive, to invest in technology, to improve our yields and reduce our costs, and to develop products with increased added value. I am more confident than ever that we have the right structure, people, know-how and business plans in place to capitalise on our expertise and create long-term value for our shareholders and other stakeholders.

ACKNOWLEDGEMENTS

I wish to express my appreciation and gratitude to my colleagues on the executive and the management teams in each of the clusters, as well as to Terra's employees at all levels in the Group, for their resilience and unflinching commitment in these difficult and unusual times. I would also like to thank my colleagues on the Board for providing valuable advice and oversight, and for taking important decisions on investments for the future. The Board members have provided incredible support amidst the Covid-19 crisis and shown us that they are confident in what we are doing.

The fact that we have been able to generate operational profits during this tough period is commendable.

We will continue to adapt, to be agile and to ride the storm!



Nicolas Maigrot
Managing Director
13 September 2021



Financial review

Group turnover for 2020 was MUR 4.8 billion, down 5.8% from MUR 5.1 billion in 2019. Despite the impact of the Covid-19 pandemic, all the Group clusters, except for the cluster 'Others', remained profitable and resilient. While the pandemic impacted all our operations to varying extents, it had a particularly significant impact on the Brands and Property and Leisure clusters, both of which were affected by the closure of our borders. The Group's overall financial performance has been substantially impacted by impairments, which was the main cause of the Group losses of MUR 210.4 million for the year, as compared with a restated profit of MUR 446.6 million in 2019.

The Group's net assets for 2019 have been restated favourably by MUR 130.6 million to reflect our share of adjustment arising from the Sucrivoire S.A. (Sucrivoire) 2019 audited results that were communicated to us after the approval of Terra's 2019 audited financial statements.

Net Asset per share as at 31 December 2020 was MUR 59.7 (2019 restated is MUR 62.2). The Group's balance sheet remains strong with owners' interest at MUR 13.6 billion and Group gearing remaining low at 22.3%. This situation allows us to remain resilient and to face the difficult economic conditions that prevail locally and abroad.

Audit opinion

The "except for" qualification in the audit opinion relates to our investment in Sucrivoire, an associate company in Côte d'Ivoire, in which Terra's shareholding is 25.5%.

Sucrivoire's financial statements for the period under review are audited by qualified auditors in Côte d'Ivoire. Our Group auditor, BDO, did not consider having received sufficient comfort in time from the auditors of Sucrivoire and accordingly deemed it appropriate to qualify our 2020 audit report.

Sucrivoire's share of net assets as at 31 December 2020 was MUR 452.3 million. The net asset value of Sucrivoire represents only 2.2% of Terra's total assets which are worth MUR 20.8 billion.

Group profitability impacted by impairment losses on other investments

Gross profit for the Group decreased by 7.6% to MUR 1.1 billion, while Group normalised EBIT decreased by MUR 297.2 million to MUR 306.7 million. This reduction is mainly attributable to fewer land sales and no SIFB compensation received in 2020. The Group's financial performance includes unrealised fair value and impairment losses of MUR 582.3 million. These impairments had a severe impact on overall profitability, contributing to Group losses for the year.

Most clusters, including our main associates, were profitable, as these impairments concerned investments under the cluster "Others".

Our local sugar operations almost managed to break even, due to continuous improvements in operational efficiency and cost of production, coupled with an increase in sugar price of MUR 2,616 per tonne for the 2020 crop. Our associate in Côte d'Ivoire had a better crop in 2020, resulting in a profit of MUR 46.4 million (restated 2019: losses stood at MUR 63.1 million). This contributed to the Cane cluster posting an overall profit of MUR 40.3 million, as compared to the restated losses of MUR 203.9 million in 2019. The Power cluster contributed lower profits of MUR 35.8 million, mainly due to revised tariffs following a new offtake agreement with the CEB, and to losses incurred by its associate. Brands' profitability decreased by MUR 33.5 million to MUR 102.2 million, following lower sales to the hospitality sector, which was closed for most of the trading period in 2020 due to the Covid-19 pandemic. The Property and Leisure cluster was also impacted by the pandemic, recording reduced revenues from land sales, property rentals, consultancy fees, and from the leisure division whose activities were significantly impacted by the drastic fall in tourist arrivals. The cluster managed to record an after-tax profit of MUR 20.5 million.

At Group level, the 4.6 % year-on-year increase in depreciation and amortisation of MUR 17.2 million is aligned with capital expenditure incurred. Finance costs for the year stood at MUR 173.0 million, up from MUR 122.8 million, mainly because of increased borrowings to finance capital expenditure and investments. The share of profits from associates increased by MUR 12.4 million.

Out of Group loss of MUR 210.4 million for the year, loss attributable to equity holders of the Company amounted to MUR 268.9 million in 2020, as compared to a restated profit of MUR 328.7 million in 2019. Consequently, a loss per share of MUR 1.18 was recorded compared to a restated earnings per share of MUR 1.44, last year.

	2020	2019	CHANGE %	
	MUR 'M	MUR 'M		
Revenue	4,752.2	5,047.3	(5.8)%	▼
Profit / (loss) before finance costs (EBIT)	(93.8)	515.0	(118.2)%	▼
<i>Add back</i>				
Fair value loss on Non-Current Asset held-for-sale	314.0	(77.1)	(507.3)%	▼
Impairment loss on financial assets	64.2	43.4	47.9%	▲
Impairment loss on non-financial assets	22.3	122.6	(81.8)%	▼
Normalised EBIT	306.7	603.9	(49.2)%	▼
Profit / (loss) after tax	(210.4)	446.6	(147.1)%	▼
Earnings / (loss) per share (EPS) *	(1.18)	1.44	(181.9)%	▼
Net asset value per share (NAV) *	59.7	62.2	(4.0)%	▼
Gearing **	0.223:1	0.201:1		▲
Dividend per share *	0.57	0.85	(32.9)%	▼

* Values are shown in MUR | ** Debt / (Debt + Equity)

Strong balance sheet maintained, and dividends paid

The Group invested an additional MUR 242.9 million in property, plant, and equipment to maintain and improve plant operational efficiencies. Our investments in associates and financial assets are fair valued using the mark-to-market method for all quoted investments, and discounted cash flow (DCF) valuation principles where appropriate.

Our investment portfolio increased by MUR 81.5 million to MUR 3.7 billion, and our total assets reached MUR 20.8 billion, almost on par with last year.

Owners' interest decreased by MUR 570.8 million to MUR 13.6 billion, mainly due to unrealised impairment losses of MUR 495.8 million on investments, and MUR 22.3 million on goodwill of certain investments.

Group net debt amounted to MUR 3.5 billion, an increase of 13.4 % over last year. Net debt to equity is at 24.0% and remains low in terms of the overall Group's borrowing capacity.

Net asset value decreased by MUR 2.50 per share to MUR 59.7 per share. Market capitalisation of the Group was at MUR 4.5 billion as at 31 December 2020. Terra paid a dividend of MUR 57 cents per share to its shareholders.

Salient cash flow movements

Cash from operating activities including dividends received from associates and working capital movements amounted to MUR 840.0 million, while net cash used in investing activities stood at MUR 1 billion. The investments were mainly in property, plant, and equipment (MUR 242.9 million), purchase of investments properties (MUR 717.9 million), and intangible assets acquired (MUR 10.2 million).

Terra also applied funds towards equity investments in Inside Equity Fund (MUR 69.4 million), Swan Life (MUR 22.8 million), made a deposit on investments (MUR 71.8 million), and other minor investments (MUR 4.2 million).

Cash inflows were mainly derived from proceeds realised on the sale of land (MUR 127.4 million) and fixed assets (MUR 3.1 million). Other cash inflows consisted of investment income and interest received (MUR 3.8 million).

The net cash from financing activities amounted to MUR 146.2 million; this consisted mainly of funds raised from financial institutions (MUR 352.7 million net of repayments), which were used to finance investment projects and acquire investments. Overall dividends to Terra and the minority shareholders of its subsidiary companies amounted to MUR 206.5 million, compared to MUR 308.7 million last year.

After taking into consideration the above transactions, overall cash and cash equivalents decreased by MUR 18.7 million and stood at MUR 432.9 million.

Outlook for 2021

Following the outbreak of the Covid-19 pandemic in 2020, global growth has contracted by 3.5 % in 2020 and is projected to rebound by 5.5 % this year according to the IMF. Locally, assuming some recovery in the tourism sector, the Mauritian economy GDP is forecasted to grow by 5% this year.

The real challenge going forward remains in the country's ability to adapt to the evolution of the new Covid variants that are still emerging. The vaccination programme locally and abroad is progressing and hopefully we will soon attain an acceptable level of collective immunity.

Most clusters, including our main associates, are expected to post improved results for the financial year 2021. We are experiencing good demand for the property projects that we are launching at Beau Plan and on other sites. The opening of the Mahogany Shopping Promenade has been successful, and we are starting the construction of a 10,000 square meter Office Park next to the Mahogany Shopping Promenade. As announced in the National Budget speech in June 2021, a biomass framework will be set up to enable the remuneration of *bagasse* which will improve the sugar price for crop 2021 and contribute towards the sustainability of the sugar cane industry. Sugar operations in Côte d'Ivoire resumed with profitability in 2020 and an increase of 30% in production over the next five years is planned to cater for local demand. Terragen finalised its offtake agreement with the CEB last year to pursue its operations over the next five years and is working on a hybrid power plant project to produce more energy from renewable sources.

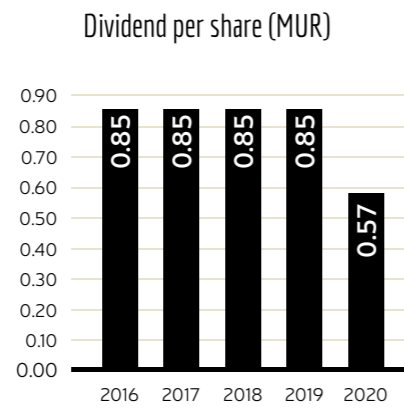
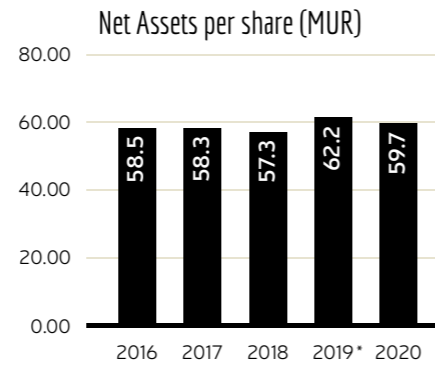
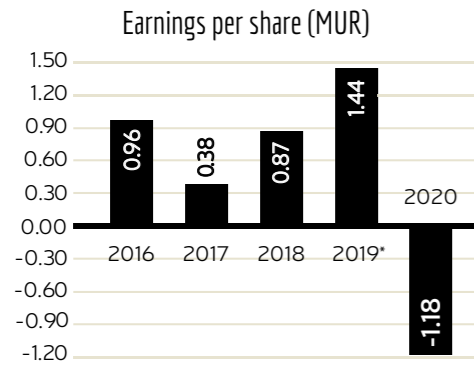
Terra remains focused on pursuing its strategy of investing in, and improving the efficiency of, its core activities including built up projects and the relating infrastructure of the zones under development. Our efforts and attention remain dedicated to improving our EBITDA margin and the overall Group return on equity, and to closely monitoring our free cash flow from operations.

I wish to thank the Board and my colleagues on the Executive and Finance teams for their dedication and guidance throughout the year, and I look forward to addressing the ongoing challenge to meet our objectives.

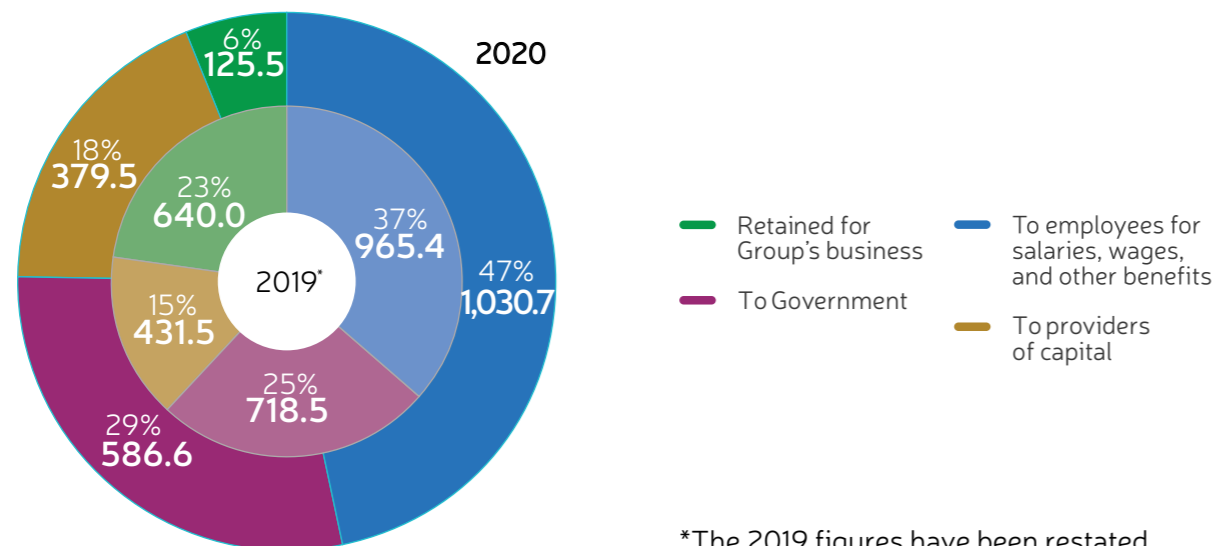


Henri Harel
Group Chief Finance Officer
13 September 2021

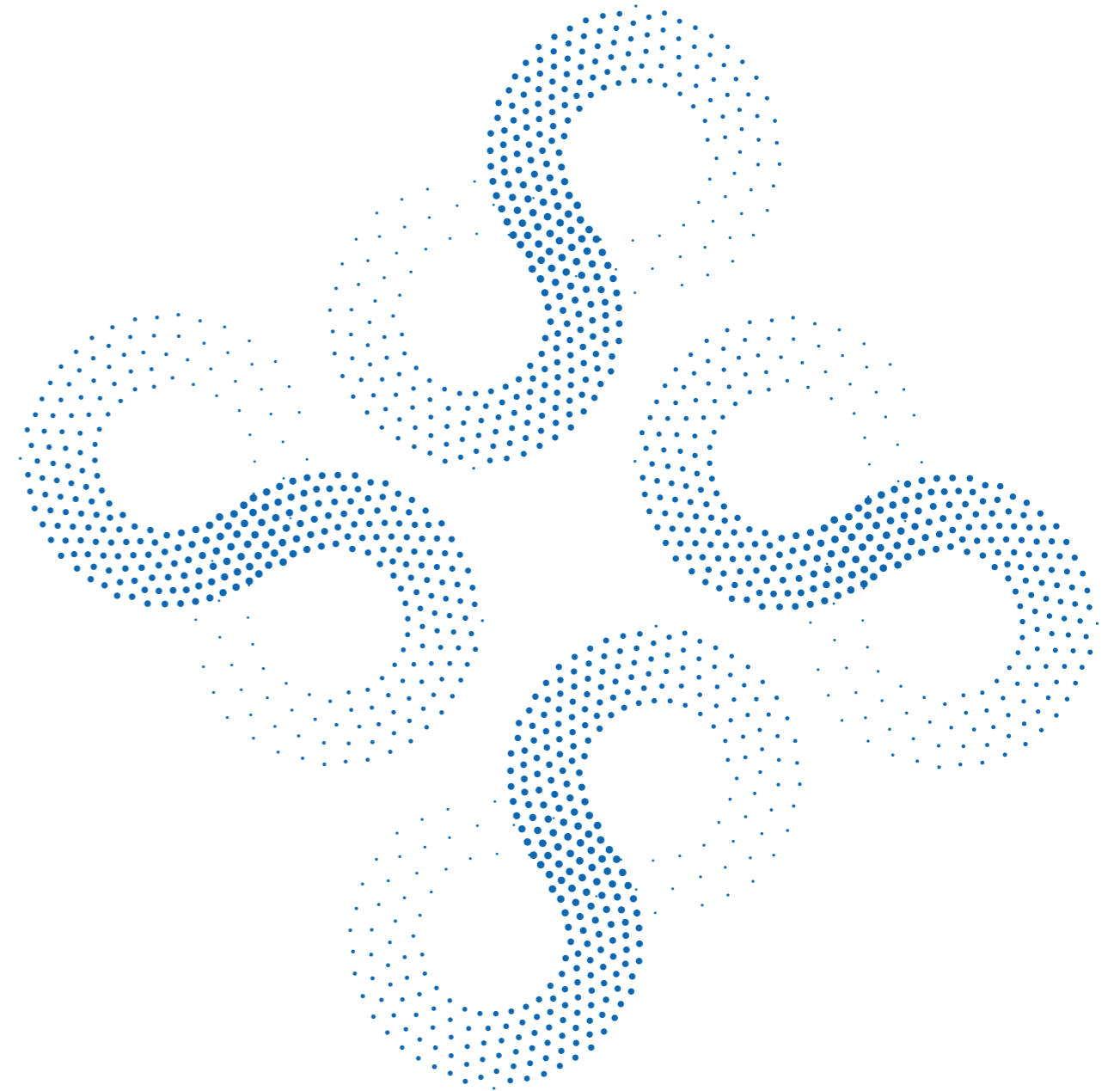
Financial review (cont'd)



Total Wealth Distribution (MUR million)



*The 2019 figures have been restated.

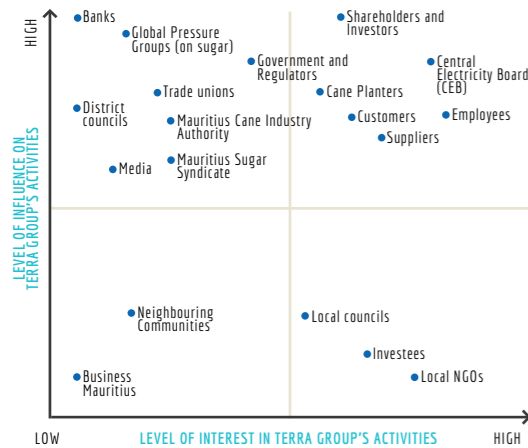


Our stakeholder relationships

Our ability to deliver value ultimately depends on the contribution and activities of a range of different stakeholders, and on the nature and quality of the relationship that we have with these stakeholders at both a Group and individual cluster level. There are many various stakeholders who have an interest in, and who can exert some influence over our decisions and activities. The nature and impact of these different stakeholder relationships vary significantly between each of our clusters.

In the diagram below, we briefly outline those stakeholder groups that we believe have the most substantive impact on the ability of Terra as a whole to create value over the short, medium and long-term. We have prioritised these stakeholders, informed by our assessment of their level of interest and dependency on our activities, and by the extent to which they can influence the development and execution of our strategy.

In the accompanying tables, we briefly review the 'value contribution' of each stakeholder group to Terra, summarise how we engage with that group, identify their priority interests relating to our activities, and provide our assessment of the quality of our current engagement activities with that stakeholder group. Additional context on these stakeholder relations is provided in each cluster review.



EMPLOYEES



The skills, experience, productivity and enthusiasm of our employees is the foundation of Terra's ability to deliver value.

SHAREHOLDERS AND INVESTORS



Shareholders and investors provide the financial capital needed to sustain and grow the business. An overview of the shareholding ownership structure is provided on page 101.

GOVERNMENT AND REGULATORS



Government and regulators provide us with necessary operating licences, and with the regulatory and policy framework that is critical to value creation. They inform what we can do, how we do it, and where we can operate.

INDUSTRY ORGANISATIONS



Engaging with these organisations is key to driving business best practice, identifying new opportunities, and creating a conducive long-term business environment.

SUPPLIERS AND SERVICE PROVIDERS



Maintaining positive supplier relationships, based on mutual respect, enables us to provide our products, and deliver our customer value proposition efficiently and effectively.

CUSTOMERS



Meeting the needs of our customers - through the specific 'customer value proposition' for each cluster - is the basis for all other values we create. We have a diversity of customers, from wholesale and retail operations to individual consumers across a range of income groups and countries.

CENTRAL ELECTRICITY BOARD (CEB)



The CEB is our principal client for energy generated at Terragen; we strive to maintain this relationship on a long-term basis by providing a reliable and cost-effective supply of energy, and supporting the Government in its commitment for greener energy.

CANE PLANTERS



We rely on a regular supply of cane from independent small-scale cane producers to maintain the productivity of our mill and produce our premium specialty sugars. Due to current price challenges, farmers are leaving the sector, and there is low interest in the younger generation.

LOCAL COMMUNITIES



These stakeholders provide us with our reputation and societal legitimacy, and are often very valuable partners in highlighting challenges to be addressed and finding solutions, including investments in projects.

VALUE CONTRIBUTION

HOW WE ENGAGE

KEY STAKEHOLDER INTERESTS

QUALITY OF CURRENT ENGAGEMENT

In addition to internal newsletters and website, we have periodic management / employee meetings, individual personal interactions and training. We run surveys every two years with our employees to assess the levels of employee engagement and remuneration. No surveys were undertaken in 2020 due to Covid-19 but are planned for 2021. In two clusters (Property and Leisure and Cane) we have continued to embed culture engagement journeys, instilling certain values into their operations to co-create a working culture. In our Cane cluster, we negotiate with trade unions upon expiry of the collective agreements in place, generally every three years.

We communicate through our website, annual integrated report and annual general meeting regarding our performance and strategy. Announcements and communiqués are regularly issued through the Stock Exchange. Certain members of the executive team also meet personally with key investors. The Chairman and four other members of the Board are also members of the Board of the main shareholder.

We seek to maintain positive relationships with Government through:

- Direct personal engagement on specific issues;
- Mauritius Cane Industry Authority (MCIA) representative (Control Board) permanently on site (in sugar factory);
- Participation in public forums;
- Submissions on draft regulations;
- Engagement through industry bodies; and
- Collaboration on national development plans.

We are active participants in numerous industry associations, including (but not limited to): the Mauritius Sugar Syndicate (MSS), the Mauritius Chamber of Agriculture and Business Mauritius. In 2019 our Managing Director became President of the MSS for two years and we engage with the MSS on a weekly basis.

We engage regularly with key suppliers and service providers across our clusters to ensure a mutually beneficial relationship, particularly in relation to the provision of critical products, raw materials and services.

The nature of our engagement varies across clusters and customer type. We strive to engage regularly and be responsive to customer interests across our value chain, seeking feedback through individual engagements, as well as broader customer surveys and research. In-house communication and other strategic teams ensure we remain connected to customers and are quick to respond.

We maintain a strong and transparent relationship with our client through various communication channels: telephone, meetings, satisfaction survey.

We communicate directly with planters through various channels, including regular meetings before and during harvest, one-to-one in fields, monthly liaison meeting with Farmers Service Centre. Our small planter advisors work with them to be more efficient and help with their harvesting and transport. We also engage regularly with authorities to identify opportunities to appropriately motivate the next generation of planters.

We communicate and engage directly with neighbouring communities through Terra Foundation and our individual business units to promote community development at both a regional and national level and ensure good communications regarding environmental issues.

- Competitive remuneration
- Opportunities for personal development and upskilling
- Clear career paths
- Safe and healthy working conditions
- Clear communication and engagement across the Group
- Employee morale and corporate culture

- Delivery of dividends
- Strategy to ensure continued growth, and to responsibly manage the risks and opportunities in our markets
- Responsible allocation of capital
- Sound corporate governance
- Climate change and greening investments

- Ensuring regulatory compliance
- Protecting consumer interests
- Contribution to the tax base
- Promoting opportunities for job creation and economic development
- Corporate Social Responsibility
- Climate change mitigation / green energy
- Flood mitigation
- Independent sources of electricity and water (property development)

- Provision of leadership
- Collaboration
- Contributing to the collective business voice
- Structural reform

- Timely payment and fair terms
- Realising joint opportunities for growth

- Quality product and service
- Appropriate price
- Continuity of supply
- Relevant product information
- Partner relationships (tenants)
- Better rates per square meter (tenants)
- Multiple internet providers (Smart City)

- The reliable and cost-effective supply of energy
- Open communication on plant performance
- Increase the share of renewable energy in the energy mix of the country

- Open and effective communication
- Assurance that the mill will crush the canes in a timely and efficient manner and deliver the sugar produced to the MSS
- Access to finance and labour
- Structural reform
- Support in regard to efficiency, harvesting and transport

- Transparency and accountability
- Corporate Social Responsibility and NGO partnerships
- Investment in community infrastructure
- Access to job and supplier opportunities
- Good environmental practices

★★ Embedded | Structured engagement processes are in place that inform operational decision-making and are properly embedded in management processes, with clear follow-up actions.

★★ Developing | Generally good engagement with some thought applied in developing an effective engagement process, but it is not structured; no clear performance objectives.

★★ Developing | Generally good engagement with some thought applied in developing an effective engagement process, but it is not structured; no clear performance objectives.

★★ Strategic | High quality engagement mechanisms in place, embedded in governance processes with links to strategic objectives; in depth response mechanism implemented.

★★ Embedded | Structured engagement processes are in place that inform operational decision-making and are properly embedded in management processes, with clear follow-up actions.

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Managing our material risks

RISK MANAGEMENT

Terra has a structured and systematic process of identifying and managing all material risks across the Group. At the end of 2020, Ernst & Young (EY) was appointed to review the Risk Management Framework and the Group Risk Policy. During this exercise, the risks of each cluster and those relating to the Group were reassessed. The principal risks that have a material impact on Terra's ability to create value at Group level are outlined in the list below. Cluster-level risks are shown in their respective operational review on pages 32 to 71.

ROLE OF THE BOARD AND AUDIT AND RISK COMMITTEE

The Board provides oversight over Terra's risk framework, policies and processes. While it delegates these matters to the Audit and Risk Committee and a newly designated Group Risk Management Committee, composed of the Managing Director, the Group Chief Finance Officer and the Administrative Executive, it remains ultimately responsible for the development and implementation of the risk management strategy and plan. The Board is satisfied that the Group's risk management processes are effective and details of the internal controls, audit and risk-management framework are shown on pages 103 to 105.

The main residual risks at group level as at 31 December 2020 are summarised in the following list. Residual risks relate to risks that remain after risk mitigating activities have taken place.

RISK	CONTRIBUTING FACTORS	RISK MITIGATING ACTIVITIES	YEAR ON YEAR TREND
R1 The risk that the Group is exposed to the consequences of an economic downturn and decline in consumer spending.	<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. Loss of tenants due to the impact of the recession. Increased construction costs. 	<ul style="list-style-type: none"> Diversified business portfolio helps cushion the impact of a downturn. Containing capital investment and operational expenses to what is essential. Some of our businesses like sugar and energy are not directly impacted by the pandemic. 	New
R2 The risk that an adequate price for <i>bagasse</i> is not secured, 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 on our ability to shift to renewable energy sources for power generation. 	Terra participated in an industry initiative to submit proposals for reform of the sector, driven by the Mauritius Sugar Syndicate and Business Mauritius. The Government established a committee to work on the subject, involving the relevant Ministries.	Unchanged
R3 The risk that the continued decrease in the supply of cane and its by-products curtails the milling, distilling and power generation activities.	<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. The supply of molasses follows the downward trend in the overall supply of cane. 	<ul style="list-style-type: none"> Advocate to receive the adequate price for <i>bagasse</i>/biomass to encourage planters to continue cultivating canes. 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. 	Unchanged
R4 The risk of oversupply of properties on the market results in loss of revenue.	<ul style="list-style-type: none"> Demand for property may drop due to the pandemic. Cane planters are switching into property as a result of the drop in sugar prices. 	<ul style="list-style-type: none"> Property projects are attractively located (in close proximity to sought after locations in the North). 	Increased