Operational Review

"You must stay focused on the end results to achieve your goals."

CATHERINE PULSIFER

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	CONTEXT AND OUTLOOK
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.	• 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 several market obstacles, but the Government has shown positive signs of engagement with the industry and has announced a better remuneration for *bagasse*. • Sugar prices are on the rise with an increase of 19% per annum in 2021. • 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 maximise the value of our sugar mix, by producing the right mix and concentrating on higher value products.
COST DRIVER (PRICE)	
MATERIAL COST EFFICIENCIES • Supply and demand of raw materials and freight costs. • Efficiency gains in our growing and milling activities.	• The costs of fertiliser and herbicide have increased substantially driven by an increase in freight cost and an imbalance in supply and demand dynamics due to Covid-19. This has been offset to some degree by precision fertilisation, but costs will remain a challenge. • 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 continue to review possible growth opportunities internationally that harness our recognised technological and process skills.

Cane (cont'd)

CANE BUSINESS MODEL (CONT'D)

The main residual risks for the Cane cluster as at 31 December 2021 are summarised below.

	RISK	CONTRIBUTING FACTORS	RISK MITIGATING ACTIVITIES	YEAR ON YEAR TREND
R1	Continued decrease in the supply of cane combined with high costs of production resulting in reductions in productivity.	• Drop in cane supply is accelerated by the following: – Sharp increase in price of fertilisers. – 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.	• Supporting small planters: – Taking initiatives to motivate the next generation of farmers. – Advising small farmers on harvesting, weeding and transporting the cane. – Current price of sugar of MUR 25,000 / tonne for small planters to be sustained in the future. – Current scheme to support re-plantation of old fields to be accelerated in the future. • Optimising efficiency: – Adopting new technologies for digital farming. – Adopting lean management principles. – Investing in automation of processes.	Unchanged
R2	Not securing an adequate price for *bagasse*, leading to a drop in cane supply.	• A drop in sugar cane supply is detrimental to the milling activities. • Knock-on effect on the supply of *bagasse*, impacting our ability to shift to renewable energy sources for power generation.	• *Bagasse* has been adequately priced; awaiting a biomass framework in order to sustain this remuneration / indexation. Hence the risk has been significantly reduced.	Reduced
R3	Volatile global sugar price, below the break-even point for Mauritius.	• 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. • Surge in cost of freight and reduction in vessels availability in Mauritius.	• Shifting towards specialty sugars that command a superior margin. • Working with the Mauritius Sugar Syndicate to market the Mauritian brand, our specialty sugars and gain access to new markets. • Less volatility in overall sugar prices since 25% of the overall sugar price is fixed (*bagasse*, molasses and bottlers contribution).	Reduced
R4	Changing climatic conditions adversely impacting cane yield, resulting in losses.	• 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.	• 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. • Working with local authorities on a project of using water from retention basins.	Unchanged
R5	Plant and equipment failure, resulting in disruption to operations.	• 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.	• 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. • Improving insurance cover for machinery breakdown and consequential loss in revenue.	Unchanged

CANE BUSINESS MODEL (CONT'D)

CAPITAL	MATERIAL INPUTS (2021)[1]	ACTIVITIES TO SUSTAIN VALUE	MATERIAL OUTCOMES (2021)
PEOPLE	TERRA MILLING EMPLOYEES **128** permanent **234** temporary TERRAGRI EMPLOYEES **224** permanent **57** temporary	• A dedicated Health and Safety Officer at Terra Milling, implementation of the ISO 45001 health and safety management system, equipment investments, an increase in health and safety training, reporting at the Board level, and instilling a health and safety culture among contractors has enabled us to achieve a low accident rate. • Safety measures and procedures in place in response to Covid-19 remain. • Private mentoring for individual employees where needed, plus leadership sessions for key managers.	TOTAL RECORDABLE INJURY RATE (TRIR)[2] **18.4 (-6%)** LOST TIME INCIDENT RATE (LTIR)[2] **17.6 (+3%)** SEVERITY RATE[2] **42.3 (-19%)**
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) **4,986 Ha (-7%)** WATER CONSUMED **3,032,101 m³** LIQUID MINERAL FERTILISERS **11,831 T** STEAM FROM TERRAGEN **754,332 Gj (-10%)** SUGAR CANE MILLED **718,969 T (+2%)** ORGANIC FERTILISERS **14,460 T (-23%)** SOLID FERTILISERS **262 T (-28%)** DIESEL **1,013 m³ (+13%)**	• 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. • R&D for organic cane and sugar production.	OWN CANE HARVESTED **327,705 T (+8%)** SPECIALTY SUGAR PRODUCED **71,760 T (-4%)** ORGANIC CANE AREA PLANTED **58 Ha (+16%)** OIL USED **9.5 m³ (-38%)** VEHICLE TYRES USED **11 T (+33%)**

[1]*Data as at 31 December 2021*
[2]*Calculation methodology was updated in 2021*

Cane (cont'd)

CANE BUSINESS MODEL (CONT'D)

CAPITAL	MATERIAL INPUTS (2021)[1]	ACTIVITIES TO SUSTAIN VALUE	MATERIAL OUTCOMES (2021)
SOCIAL AND RELATIONSHIP	Quality relationships with key stakeholders including: MCIA, MSS, Terragen, planters, employees and trade union representatives, and service providers.	• Continued to embed our Culture and Engagement Journey for employees creating a culture of caring and learning. • Negotiations with trade unions for three years, still ongoing. Remains uncertain when this will be resolved but with the support of external advisors in 2021, we are no longer front facing and this has helped the negotiations. • For Terra Milling Ltd 85% of workers remain unionised, while for Terragri Ltd 88% within its agricultural unit and 65% within the non-agricultural unit are unionised. • Active engagement with MSS, Business Mauritius, and Government stakeholders on the future of the sugar industry; assisting MSS to strengthen the branding and marketing of Mauritius' premium specialty sugars and exploring new market opportunities. • Customer visits to our facilities strengthens our relationships with them; any new sugar product requires new audits. We are closer to the customers today than we were five years ago. Our major sugar buyer remains Silver Spoon.	EMPLOYEE TURNOVER RATE **9.2%** **(2020: 12%)** DAYS LOST TO STRIKE ACTION **0** PAYMENT IN TAXES **MUR 0.8 million** Strengthened relationships with employees, Government departments and customers.
INTELLECTUAL	• 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. • Integrated management system underway (ISO 14001)	• 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) enable digital / precision farming and we introduced yield monitoring on harvesters to build yield maps, enabling better decision making.	Continuous improvement in farming and manufacturing techniques. PRODUCTION COST (AGRICULTURE) **MUR 14,250/T** **(+2%)** PRODUCTION COST (MILLING) **MUR 7,900/T** **(+14%)** CANE PROCESSING **279 T/hr** **(-1%)**
FINANCIAL	CANE CLUSTER TOTAL EQUITY (JAN 2021) **MUR 6,778.2 million** TOTAL BORROWINGS **MUR 738.9 million** CAPITAL EXPENDITURE **MUR 144.1 million**	• Actively managed the financial performance through weekly executive meetings, monthly management meetings and regular Board meetings.	TURNOVER **MUR 1,226.6 million (+11%)** PROFIT **MUR 105.3 million (+161%)** CANE CLUSTER TOTAL EQUITY (DEC 2021) **MUR 6,797.8 million**

[1]*Data as at 31 December 2021*

THE OPERATING CONTEXT

MATERIAL ISSUE IMPACTING VALUE CREATION	OUR RESPONSE
Sustaining supply from small-scale cane producers – Around 42% of our cane is produced by Terragri, with the balance 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 394,000 tonnes compared to 406,000 tonnes last year.	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.
Water availability – 60% of our fields are directly dependent on local rainfall, and thus susceptible to the uncertainties of changing weather and climate. In 2021 we faced a second year of 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.	We continue to implement measures to optimise our water consumption and ensure better utilisation of effluents for irrigation.
Continuing volatility in global sugar prices – In 2021 global sugar prices improved globally. In Mauritius, the price of sugar ex-MSS increased from MUR 14,062 per tonne in 2020 to MUR 16,765 per tonne in 2021. Total revenue increased from MUR 15,600 per tonne in 2020 to MUR 22,000 per tonne in 2021. This is mainly attributable to an improved sugar price and significant increase in remuneration for *bagasse*.	Ongoing discussions between growers, millers, the MSS and Government have been successful. Following the World Bank report's recommendations for the sugar sector the Government has implemented a better remuneration for *bagasse*, leading to a 25% increase in net sugar prices, a major plus for our operations and the industry. This has reduced the impact of volatile global sugar prices on Terra, but we still maintain a strong focus on enhancing efficiencies across our growing and milling operations and continue to make significant progress in reducing the cost of production.
Challenging sugar trade dynamics – Sugar is a worldwide commodity and 100% linked to the cost of freight, demand and supply dynamics, and climate change. 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; 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. 2021 prices were supported by the Euro / Mauritius Rupee exchange rate, but this remains a short-term gain.	With high competition for specialty sugars in European markets, greater focus will be placed on emerging markets such as China and India. 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. 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.
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. The World Bank report, commissioned by Government in 2019 to make recommendations for the sustainability of the sugar cane industry, has led to improved remuneration for *bagasse*, a step in the right direction. We await a biomass framework in order to sustain this remuneration / indexation.	Given the crossroad that the industry still 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 submitted a proposal for structural reform, in 2020, 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 2021 Budget, announced the remuneration of *bagasse* at the rate of MUR 3,300 per tonne of sugar. This will add up value to the cane producers as sugar is sold today at MUR 16,765 per tonne.

Cane (cont'd)

OUR 2021 PERFORMANCE

The Cane cluster was again impacted by low rainfall in 2021 due to the ongoing drought in the north of Mauritius, reducing cane throughput. Terragri produced a lower than average 335,000 tonnes of cane, however 9.7% more than 2020. Due to the imbalances in supply and demand caused by Covid-19, we also saw significant cost increases in terms of freight, fertilisers, herbicides, and spare parts. Increased freight costs had a significant impact on the cost of raw materials imported and also exportation of sugar.

We also had to start the crop late this year due to the Covid-19 related lockdown; coupled with several breakdowns in the mill, this affected the length of the crop.

On a more positive note, the efficiency level of harvesting has been very good with a much better extraction rate, aided by our investments in digitalisation, automation, and lean management over the years. Due to our previous cost cutting efforts, coupled with the improvement in global sugar prices this year, and fair remuneration of *bagasse*, we had a profitable year. The Cane cluster posted improved profits of MUR 105.3 million in 2021, compared to MUR 40.3 million in 2020.

We also managed to contain labour costs and maximised the value of our sugar mix, by producing the right mix and concentrating on higher value products. We produced two new types of sugar this year - Extra Fine and New Dark Demerara.

The World Bank report on the future of the industry has been approved by Government and has clearly pointed out the importance of taking bold steps to revive our sector. The Government has already announced better *bagasse* prices and the construction of a modern storage facility to improve competitiveness. These bold measures will hopefully put an end to the decline in sugar production in Mauritius. The Government has set a target of going back to 400,000 tonnes of sugar production per year.

For the 2021 crop, Terra Milling processed 718,969 tonnes of cane (704,629 tonnes in 2020). This resulted in 41,540 tonnes of sugar accruing to the Group (2020: 44,114), with 15,815 tonnes attributable to milling operations (2020: 16,762) and 25,725 tonnes to growing operations (2020: 27,352). Terra Milling produced 71,952 tonnes tel quel of raw sugar (2020: 78,978), and 71,760 tonnes of specialty sugars (2020: 74,541). The average sucrose content stood at 11.61% (2020: 13.16%). On the growing operations side, the extraction rate stood to 10.01 % (2020: 11.43%) with an average yield of 7.14 tonnes of sugar per hectare (2020: 7.45 tonnes).

As a result of a long battle with cancer, we sadly lost our factory manager from Terra Milling, Ajay Parsan. Ajay was one of the architects in the significant gains in productivity that our sugar operations was able to achieve over the last five years. He was a hugely respected member of the management team and will be sorely missed.

Fortunately, we managed to recruit a new factory manager in the name of Mr Didier Ramsamy. Didier has joined us on the 01 August 2022. He has vast experience in the sugar manufacturing industry having spent many years in sugar factories in Africa.

Our associate company in Côte d'Ivoire, Sucrivoire, in which Terra holds a 25.5% stake, posted a significant loss in 2021 mainly due to an adjustment in the value of standing crop. As a result, we had a negative contribution of MUR 130.0 million to the cluster.

MAURITIUS: DRIVING EFFICIENCY, INNOVATION AND A CULTURE OF TRUST; SUCCESSFUL CAMPAIGN TO STOP FIRES

In 2021, we invested a further MUR 10.0 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. In 2021, the mill operated on average 17.8 hours per day and crushed an average of 4,958 tonnes of cane (2020: 18.7 hours and 5,258 tonnes). The extraction rate of the mill was 96.03 (2020: 96.73), while the milling rate was 279 tonnes per hour (2020: 281). Because of the low volume of cane in the sugar mills and increased import costs of raw materials, our cost per tonne was up; our cost of production at the mill for the 2021 crop amounted to MUR 7,900 per tonne (2020: MUR 6,900 per tonne), a 14% increase. On the growing side, we had targeted MUR 13,000 per tonne of sugar for a production of 38,000 tonnes, and achieved MUR 14,250 per tonne for a production of 32,000 tonnes.

This was the second year of our organic sugar trials, in which we continued to produce 50 hectares of organic cane using non-chemical herbicides and fertilisers in the field. This remains in an experimental phase. There remains a big demand for organic sugar in Europe. To make organic sugar viable a minimum volume of 2,000 hectares would be needed in Mauritius, and at present Terragri remains the only producer.

Vegetable production made a profit of MUR 5 million for the first time in many years, following a change in personnel and structural improvements.

OUR 2021 PERFORMANCE (CONT'D)

Another major positive development this year was the success of our campaign to stop criminal cane burning. Using a combination of TV, radio, billboards, and social media we spent MUR 1 million on the campaign, managing to reduce criminal fires by 90%. This was the first time such a campaign had been launched in Mauritius, working with multiple stakeholders, and we will repeat it in 2022.

We continue to see significant benefits from our Culture and Engagement Journey. We embedded the values defined at the start of the process, and we continued to co-create the desired working culture. As part of wanting to be a learning and caring organisation, we had several sessions on trust, how to define a learning organisation and setting priorities. We implemented a new performance monitoring system and have seen tangible improvements in setting objectives and outcomes. To encourage interaction and learning amongst colleagues from Terragri (Agriculture) and Terra Milling, we also initiated pairing exercises.

We have seen improvements in interactions between colleagues, as well as more meaningful conversations during the employee performance appraisal process.

This year was the lowest accident rate recorded in both our growing and milling operations following major investments in health and safety training, equipment and plant improvements, and new measures to controls risks. We have seen a 70% reduction in accidents since 2014 and we aim to sustain this good performance. Unfortunately, we still had two major accidents, one in Terragri and one in Terra Milling.

CÔTE D'IVOIRE: CHALLENGING YEAR IN 2021

This has been a challenging year for the two sugar estates and factories in Côte d'Ivoire that we manage together with SIFCA, our Ivoirian partner. Following the good turnaround at Sucrivoire in 2020 – with Terra as the technical advisor to the operation and new appointments – yields and production were unfortunately reduced in 2021 due to tough operating conditions. Sucrivoire sold 122,481 tonnes of sugar (comprising 98,717 tonnes of own production and 23,764 tonnes imported), compared to 124,014 tonnes in 2020. This year, production from our factories in Borotou and Zuenoula, which collectively supply half of the sugar consumed in the country, amounted to 90,401 tonnes, down from 102,902 tonnes in 2020. The revenue for 2021 was down 1.3% compared to 2020.

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 at least 90,000 tonnes in 2022, but conscious of the fact that it will likely be another challenging year. With an increase in the prices of sugar, we expect to resume with profitability in 2022. Ultimately, we aim to increase to 120,000 tonnes by 2024.

OUR STRATEGIC OUTLOOK

Our 2027 Vision for the cluster aims to ensure our continued resilience and growth in the current challenging environment. We want to produce 380,000 tonnes of cane by 2027 and to do this we will need to plant more and irrigate better. We plan to build new irrigation infrastructure to capture rainwater at an industrial scale; water will remain key and is now more so than ever. We also want to accelerate our replantation process to close any gaps in the fields. Gappiness naturally arises when cane dies, or through fires and drought, and we are working on planting these gaps. We will also remain focused on precision fertilisation to give the cane exactly what it needs.

To reach our target of 380,000 tonnes by 2027, we have prioritised the following areas for 2022.

In our fields we will focus on:

- Irrigation, gappiness, and replantation;
- Precision fertilisation with the support of data from yield maps;
- Just-In-Time weed control (herbicide);
- Monitoring and reducing diesel consumption, which will gain even more focus with the increase in the price of fuel; and
- Food crop diversification to non-sugar vegetables.

In our mills we will focus on:

- ISO 14001 implementation;
- To produce 80,000 tonnes of specialty sugars on a sustainable basis.

Cane (cont'd)

OUR STRATEGIC OUTLOOK (CONT'D)

- For both our growing and milling operations we will also focus on:
- Developing our sustainability framework following the Group meeting in 2021 to define and align sustainability actions;
- 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, including the delivery of an engagement survey in 2022;
- Continuing with our R&D to ensure we can grow cane organically and to explore with Grays the use of this cane to produce organic rum.

In Côte d'Ivoire we will continue with our expansion plans and to be more directly involved in operations, and take the steps needed to improve our competitiveness and efficiency.

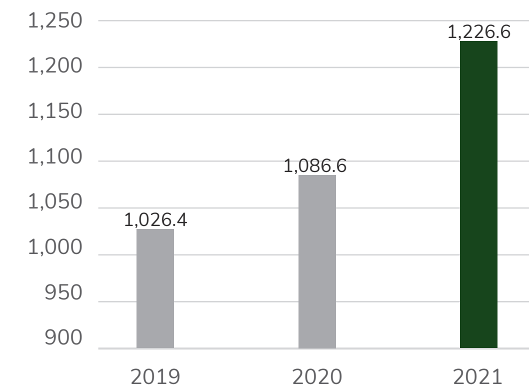
On the back of these initiatives, we are confident that we will become more competitive, hopefully also supported by Government policy changes that will assist the local sugar sector to be able to play in a more level playing field. We will continue to engage with the Government through the MSS and Business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

In 2021 we saw a big turnaround in our operations becoming more profit making, in line with our strategic plan. Our outlook for 2022 remains cautiously positive in the aftermath of the Covid-19 pandemic and now the war in Ukraine impacting commodity prices. While local issues have been sorted out, namely with the World Bank report and the fair price for *bagasse*, we foresee many international issues in 2022. Freight and fuel costs, availability of flights and transport and the price of raw materials will be a challenge, and we have built these into our budgets for 2022. Fertiliser will particularly be a problem, not only on the pricing front but in terms of the availability of volumes given we do not produce all fertilisers needed in Mauritius, some shipping lines not stopping at the island and Ukraine being a major producer. Our Board is in the process of doing a review on the costs of production, but this remains a challenge to predict as we are no longer facing the norm. Despite all this, we will continue to strive to meet the demand for specialty sugar.

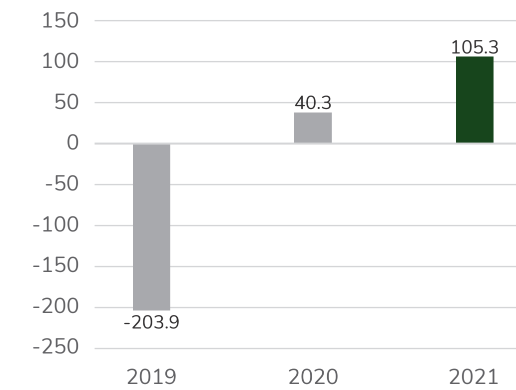
IMPACT OF COVID-19

- We were more prepared in 2021, learning from past experiences, having in place policies, procedures and protocols.
- We were not impacted by any confinement rules as the sugar industry continued to be classified as essential services. We worked through the second wave in Mauritius and continued to adapt.
- In our milling operations we did see some Covid-19 cases during the crop season and had to manage this carefully with a shift system in place. The Ministry protocols were very strict requiring self-isolation for 14 days for any positive cases, including people in close contact; but this has been reduced to 7 days. It was very challenging to operate the mill in such a situation.
- We put in place an internal testing centre to ensure business continuity, including rapid testing on Day 1, Day 3 and Day 7 for close contact colleagues. This helped to minimise the risk of self-isolation.
- In our agricultural operations it was easier to manage given the different teams working on different estates providing segregated working; if one person tested positive, it didn't impact the whole workforce.
- We implemented temperature screening, social distancing measures, and weekly site inspections to limit infection amongst contractors used for the maintenance of fields.
- Positive case detection through internal contact tracing procedures put in place saved the cluster 360-man days lost (around MUR 504,000).

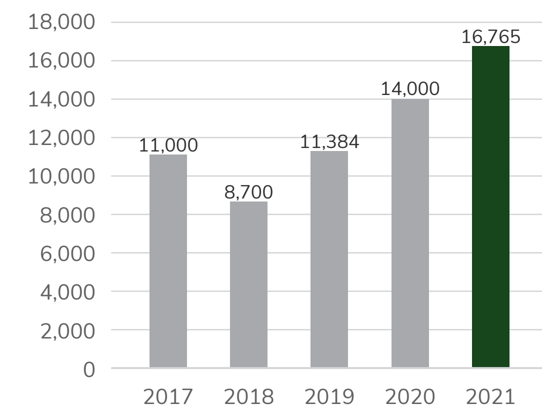
Turnover (MUR'M)



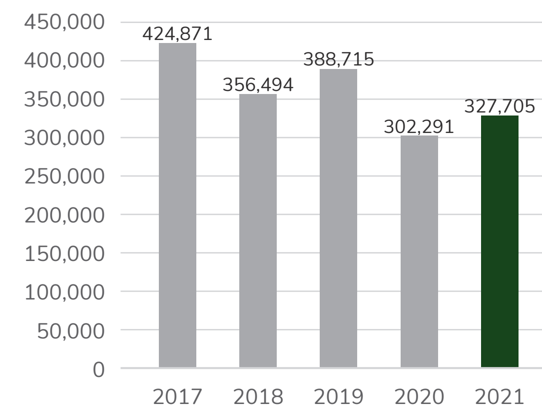
Profit/(loss) after Tax (MUR'M)



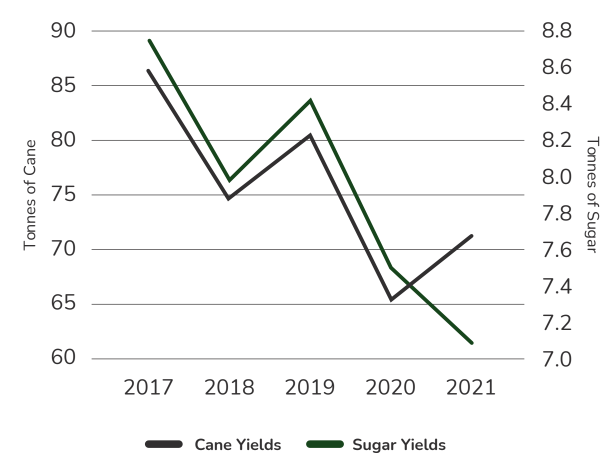
Sugar Price (MUR per tonne)



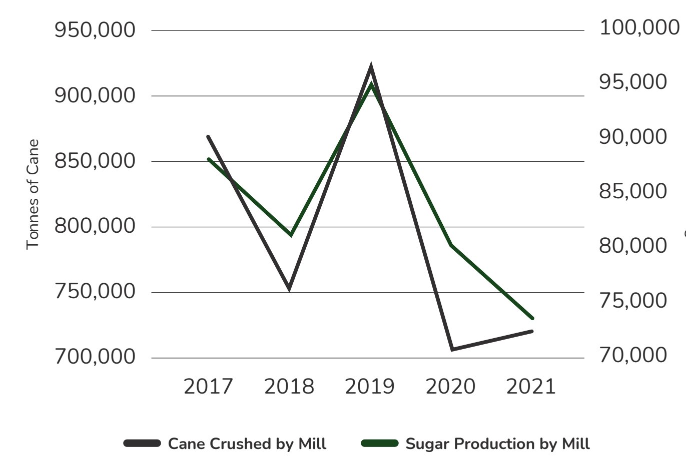
Cane Harvested by Terragri (Agriculture) (Tonnes)



Yields per Hectare



Milling - Cane Crushed and Sugar Production



Brands

Terra Brands Ltd, the holding company of the Grays cluster, is one of the pioneers in the Mauritian distillation sector, the leading Mauritian producer of premium alcoholic drinks derived from sugar cane, and a top importer and distributer 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	• 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. We are adapting to global supply chain issues by shifting away from Just-In-Time to building up stocks. • 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 are also expanding our franchised luxury cosmetics stores.
COST DRIVER (PRICE)	
MATERIAL COST EFFICIENCIES • Integrated and sustainable production • Supply chain	• We bring synergy to the Group's sugar operations by transforming by-products of the sugar production process into value-added spirits; the sugar crop is on a declining trend, amplified by climatic conditions, which proportionately reduces molasses supply and impacts on distillery profitability. • 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, unlocking talent 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, digitalisation is at every step of our operations and services moving us towards a leaner company. • Expanding our portfolio with third-party brands and management of an import supply chain provides Grays with scope, expertise and volume. • Availability of shipping lines, port efficiency (in-bound and out-bound), duties and weak valuation of the MUR are cost drivers and we are moving into a challenging cycle in 2022. Supply chain disruptions can impact costs in three ways: import of raw materials, import of finished goods, and export of finished products.

Brands (cont'd)

BRANDS BUSINESS MODEL (CONT'D)

The main residual risks for the Cane cluster as at 31 December 2021 are summarised below.

	RISK	CONTRIBUTING FACTORS	RISK MITIGATING ACTIVITIES	YEAR ON YEAR TREND
R1	Economic impact due to the pandemic, resulting in loss of revenue from tourism and related activities.	• Acute erosion of purchasing power of local consumers. • Lack of visibility over timing and speed of recovery from pandemic. • Disruption in the supply of imported items. • Loss of sales from the recovering tourism sector.	• Improved on-line offering including the launch of an App. • Widening and specialised offering for the recovering tourism industry. • Alternative sourcing to restore supply chain.	Reduced
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.	• Of the 20 best performing brands, eight are developed in-house. • Grays is constantly looking for new product opportunities.	Unchanged

BRANDS BUSINESS MODEL (CONT'D)

CAPITAL	MATERIAL INPUTS (2021)[1]	ACTIVITIES TO SUSTAIN VALUE	MATERIAL OUTCOMES (2021)
PEOPLE	EMPLOYEES **542** OUTSIDE MAURITIUS (INCLUDED IN ABOVE) **40**	• Refresher training and more frequent visible on-site inspections to address minor injuries from lifting heavy items with improper technique. • Safety measures and procedures in place in response to Covid-19 continued, with the introduction of shifts for teams. • Executive and leadership development coaching programmes ongoing. • Implementation of a learning culture.	TOTAL RECORDABLE INJURY RATE (TRIR)[2] **32 (+3%)** LOST TIME INCIDENT RATE (LTIR)[2] **168 (+1%)** SEVERITY RATE [2] **32.6 (+1%)**
MANUFACTURED	DISTILLERY **1** BOTTLING PLANT **1** EXISTING RETAIL STORES (*20/VIN*) **10** WAREHOUSE SPACE **8,500 m³** DEDICATED AGEING CELLARS **1,600 m³**	• New fermentation house that has automated a lot of processes.	
NATURAL	MOLASSES **17,772 T (-26%)** ALCOHOL (100%) **420 m³ (-25%)** WATER **54,059 m³ (+19*%)**	• Approved budget for solar panels at Grays Inc. to reduce electricity consumption by 50%. • Set up a committee to reduce carbon footprint significantly. • An environmental risk assessment conducted to identify priority areas for improving environmental performance.	ALCOHOL **4.5 million litres** GLASS BOTTLES RECOVERED AND REUSED **1.3 million units (+65%)** PLASTIC WASTE RECYCLED **5.5 T (-4%)**

[1]Data as at 31 December 2021
[2]Calculation methodology was updated in 2021

Brands (cont'd)

BRANDS BUSINESS MODEL (CONT'D)

CAPITAL	MATERIAL INPUTS (2021)[1]	ACTIVITIES TO SUSTAIN VALUE	MATERIAL OUTCOMES (2021)
SOCIAL AND RELATIONSHIP	Our business model depends on quality relationships, particularly with employees, MRA, Government, brand owners, suppliers and customers.	• Dedicated teams working from home and regular engagement with the workforce.	EMPLOYEE TURNOVER RATE **18.6%** **(2020: 18.3%)** Recognised as employer of choice. PAYMENT IN TAXES (MAURITIUS) **MUR 828 million** CSR CONTRIBUTION **MUR 5 million**
INTELLECTUAL	OWN BRANDS **24** Integrated management system underway (ISO 9001, ISO 14001 and ISO 45001)	• 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 2021) **MUR 712.1 million** TOTAL BORROWINGS **MUR 477 million** CAPITAL EXPENDITURE (SUBSIDIARIES) **MUR 67.5 million**	• Actively managed the financial performance through weekly executive meetings, monthly management meetings and regular Board meetings.	TURNOVER **MUR 2,182.8 million (+3%)** PROFIT **MUR 136.5 million (+34%)** TERRA BRANDS TOTAL EQUITY (DEC 2021) **MUR 811.8 million**

THE OPERATING CONTEXT

MATERIAL ISSUE IMPACTING VALUE CREATION	OUR RESPONSE
Covid-19 – Continued to hinder performance, but in 2021 we were better prepared. The main impacts were from the supply chain disruptions and 10% increase in duty costs, as well as the depreciation of the Mauritian Rupee, which took effect in 2021, increasing prices drastically. A cartel of major shipping lines drove prices up significantly, the cost of freight from China also increased 12-fold, and there were challenges around raw material and product availability, coupled with the inefficiency of the Mauritian ports. Continued to see loss of sales from the tourism sector, but with the opening of borders in the last three months of the year, wine sales increased significantly. Purchasing power of local consumers continued to be eroded, yet the informal economy kept consumption going during the lockdown period. We predict a recovery by the second quarter of 2023, but the Ukraine war will also have an impact.	All the measures taken in 2020 brought good results in 2021, and the team continued to react quickly with everyone working towards the same goal. We found alternative ways to sell to end clients, including through online sales via an App that was initiated in 2020 and completed in 2021. In response to the supply chain challenges, we have started to build stocks and aim to use the situation to capitalise on new opportunities. We continue to place more emphasis on locally manufactured products and encouraging consumers to buy 'made in Mauritius'.
Changing regulations and excise taxes – Increases in the already significant excise duty on alcoholic drinks reduce the affordability of products locally. Duty increased by 10% this year, coupled with the devaluation of the Mauritian Rupee and rising prices for raw materials and finished products. With disposable income remaining the same, all of this combined led to pressure on the consumer. 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. The latest Public Health Act Regulations, promulgated on 06 July 2021, are overwhelmingly restrictive. While overall market volumes will not be impacted, this does downgrade consumption to cheaper products, categories in which we do not compete. We are awaiting feedback from authorities, delayed due to Covid-19, for clarification on corporate and BtoB communication.	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. We replaced our chips range with Sibell, a range of organic chips, moving towards a healthier offering. We have invested in advertisements on social media that encourage people not to drink and drive, and to raise awareness on domestic violence.
Global mergers and acquisitions – Mergers and acquisitions among global brand owners can potentially impact the availability of our existing offerings. PepsiCo consolidating their business with PepsiCo distributors led to us losing Lays, Doritos and Quaker as of September 2021, affecting 12% of sales, with the full effect to be felt in 2022.	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 remains to place more emphasis on 'made in Mauritius' and local products.

Brands (cont'd)

OUR 2021 PERFORMANCE

Despite the tough operating environment, performance in our Brands sector improved this year, primarily due to an increase in local demand particularly from the informal sector, and the opening of our borders in the last three months of the year. With the increase in our shareholding at distillery level, we now have greater control of these operations, which remain profitable, and this contributes to our overall performance. The Brands' revenue for the year ended at MUR 2,182.8 million, up 3% on MUR 2,109.6 million in 2020. Profit after tax was MUR 136.5 million, up on MUR 102.2 million in 2020.

PRODUCTION: THE DISTILLERY PERFORMANCE IMPACTED BY REDUCED MOLASSES

This is the second year of a short sugar crop and with decreased molasses volumes, this impacted performance at the distillery, leading to a decrease in profitability. Nevertheless, with the new fermentation house that became operational in the second half of the year we have automated a lot of processes, which has improved efficiency in the production of alcohol. We achieved yields of 237 litres of alcohol per tonne of molasses, up 3% on 2020. Our main concern remains a much-needed improvement in volumes of sugar cane. Our distillery produced 4.5 million litres of rum and spirit, down by 15% year-on-year due to molasses shortages.

We are continuing to work on securing QSE certification of our distillery and brand activities and have taken measures to improve the wellbeing of our employees. Unfortunately, we experienced one serious incident with an external service provider, and we have taken additional steps to prevent and mitigate these risks. Water scarcity and potable water supply remain key concerns for Mauritius, and we improved performance through rainwater harvesting measures implemented in 2020, to cover up to 20% of needs. We have set up a committee at Grays to focus on environmental performance, with an intention to reduce our carbon footprint significantly.

We also acquired, in early 2022, the minority 33% stake in Grays Distilling shares to become the sole owner, which brings a lot of synergy in our premium brand business and simplifying of processes, maximising benefits.

BRANDS: SALES IMPROVED WITH THE OPENING OF BORDERS IN THE LAST THREE MONTHS OF THE YEAR

All our top brands performed well from a low base in 2020, and the efforts on cost cutting bore fruit in 2021. While we were expecting borders to open sooner, given the circumstances, we had a fairly good year. The main factor that hindered performance was supply chain related. Major supply chain issues in Mauritius over the past 12 months – including the lack of service lines coming to the island and containers taking three times longer to get here, as well as poorer efficiency of the port – presented significant logistical problems for Grays. This impacted on the import of finished goods and raw materials, as well as the export of finished products. This year was also marked by a 10% increase in duty costs coupled with the depreciation of the Mauritian Rupee, with prices rising drastically. Despite all this, we still had a fair performance.

With closed borders for most of the year, we were able to evaluate the extent of the informal economy, which kept consumption going during that period.

The significant sales volumes we gained in 2020 in our cane spirit brands (Seven Seas and De Luxe), we lost in 2021 due to rising prices. Our whisky brands, Cambridge and Grants, performed well, but unfortunately performance was hindered by supply chain disruptions. The reopening of the borders in the last few months of the year was excellent for business, with an increase in wine sales within the first couple of weeks of the reopening. The food sector and coffee brands did well despite us losing the PepsiCo portfolio. Following a strategic business decision, PepsiCo decided to consolidate all its business with one distributor in Mauritius. As a result, they did not 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 the Covid-19 period and accounted 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.

Cosmetics, including perfumes and toiletries, performed well, as did our health-related brands. The only drawbacks were the supply chains issues.

OUR 2021 PERFORMANCE (CONT'D)

Our premium rum brand, New Grove, performed well, benefitting from the '*Canne d'Or*' award that we won in 2020. Our New Grove 10YO and Mauricia L'Intendance were both finalists in the international sugar cane spirits award (ISSA) in 2021.

We closed two boutique stores but have signed with Beauty Success – a franchise store for luxury perfumes and cosmetics – and we opened our first store in May 2022, as part of our expansion into franchised luxury cosmetics stores. We also opened stores in the Mahogany Shopping Promenade in Beau Plan, which has been welcomed by consumers.

Overall, we saw an increase in profitability from MUR 15 million to MUR 63 million, which, given the circumstances, was very encouraging.

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, but will not affect overall market volumes.

In terms of reducing our environmental impact, in late 2021 we approved a budget for solar panels at Grays Inc. to meet up to 50% of our electricity needs, to be implemented in 2022. The remaining energy at Grays Inc. comes from a renewable energy source from the distillery, which has been in place since 2019. A key initiative this year was the implementation of a more structured waste management procedure, including clear waste separation, better communication and more diligent record keeping. Plastic waste production declined from 5.7 to 5.5 tonnes, along with a 25% reduction in the generation of general non-hazardous domestic waste.

INTERNATIONAL OPERATIONS: IMPROVED PERFORMANCE AND A PROFITABLE YEAR IN SEYCHELLES

Financial performance for our subsidiary company in the Seychelles, which focuses on wines and spirits, improved in 2021 and there was no financial assistance from the Government to cover part of salaries this year. The company performed well under the leadership of the new CEO, who was appointed in March 2021, pulling the team towards the same goals. Profit after tax stood at SCR 5.7 million (MUR 17.6 million) compared to SCR 6.4 million in 2020 (MUR 12.6 million) (47% was financial assistance) with the Seychelles Rupee appreciating in 2021. Our portfolio of wine and spirits brands remains strong, led by Jameson and Grant's for spirits, and Nederburg and Saints in wines, with strong positions in the traditional trade. Tourist arrivals in Seychelles reached 47% of 2019 levels, which was very encouraging, and this benefited the economy.

OUR STRATEGIC OUTLOOK

We would not have achieved such good performance in 2021, had it not been for the outstanding work of the team. Our employees continued to work long hours with a high level of collaboration between departments, showing great agility and a strong sense of belonging in what continued to be a tough year. Everyone worked towards the same goal.

Long-term growth, hindered by the step back in 2020 but with marked improvements in 2021, is not likely to reach 2019-levels again until 2025. With the current geopolitical tensions, particularly the war in Ukraine, we will see the full effects of inflation in 2022 and the challenge will be whether we will be able to pass the increased costs on to the consumer. Although there will be opportunities as well, as it's during these tough times that some of the most important opportunities appear.

Brands (cont'd)

OUR STRATEGIC OUTLOOK (CONT'D)

In 2022 we will really capitalise on the reopening of borders and providing services to the hospitality sector. We will continue to place a lot of emphasis on what is locally produced, which has been our focus since 2020. The main focus in 2022 will be restoring the supply chain.

In 2021 the world shifted from Just-in-Time to building up stocks and this will remain a focus for Brands in 2022. This will enable us to catch up on export orders that we were not able to support this year and to capitalise on new opportunities.

Margin erosion due to the decline of the MUR will need close monitoring and we foresee continued increases in supply chain costs for consumers in 2022, resulting in lost sales. We will continue devoting energies to build efficiencies at all levels of the business. Our strategy on 'made in Mauritius' and the importance of buying locally manufactured products remains. Our best rum in the world award helps illustrate that we are a premium producer, and we will continue to work through organisations, such as Made in Moris (Mauritius), to encourage this.

The key today remains digitalisation. We went the extra mile in 2020 to digitalise our processes and now we plan full digitalisation of our warehouse. We will also continue to implement a fully integrated quality, safety and environment system.

We started to implement a learning culture this year, and this will be a big focus in 2022, emphasising our purpose, why we come to work every day, accountability, and collaboration between employees.

The improved performance from the total automation of the fermentation section has allowed us to retain our workforce, but it has also enabled us not to replace employees after retirement. Growing our automated processes with AI has shown significant results.

Looking to the year ahead, visibility remains a problem as we do not know the full effects of the geopolitical tensions. The big uncertainty that lies ahead is the energy price, especially for coal, which will impact the distillery. With the war in Ukraine, this had hit record highs. We are also slightly cautious regarding our subsidiary company in the Seychelles, as 21% of tourist arrivals in 2021 were from Russia and 6% from Ukraine.

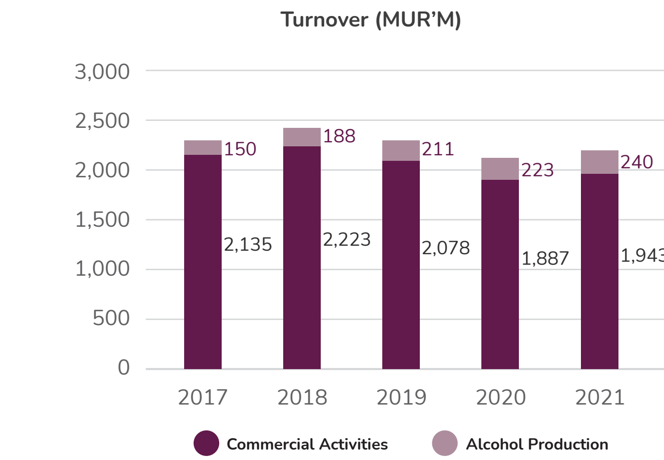
Despite the above, prospects for 2022 are positive.

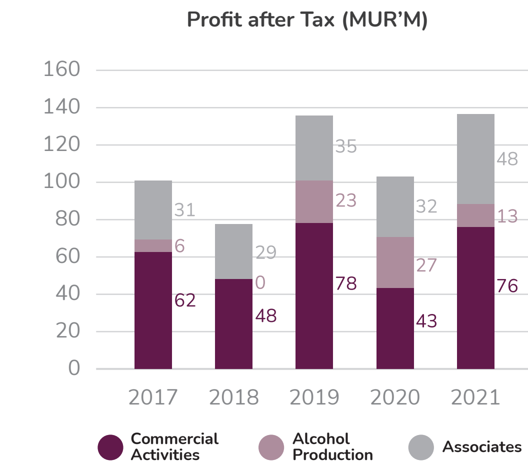
Our long-term plans remain valid, and we are working on achieving them. We merged three departments (accounts, sales and stores) to offer a better service to our clientele in 2021, and with this improvement team in place, we aim to reach a 95% service level in 2022. We are also aiming to make our distribution more efficient, serving more clients with less people.

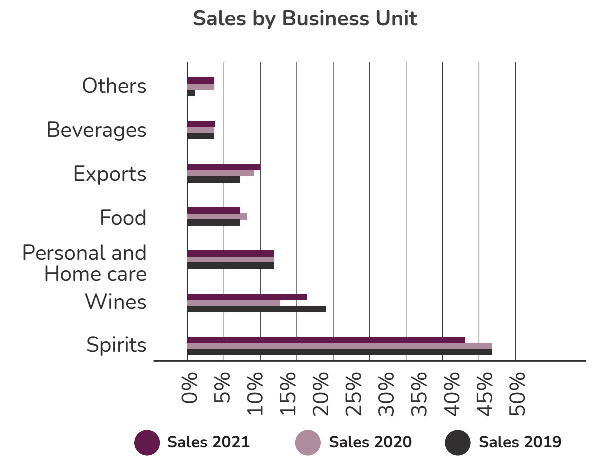
The crux in the year ahead will be to stay agile. The health and safety of our staff remains a priority with a dedicated manager to support us on this.

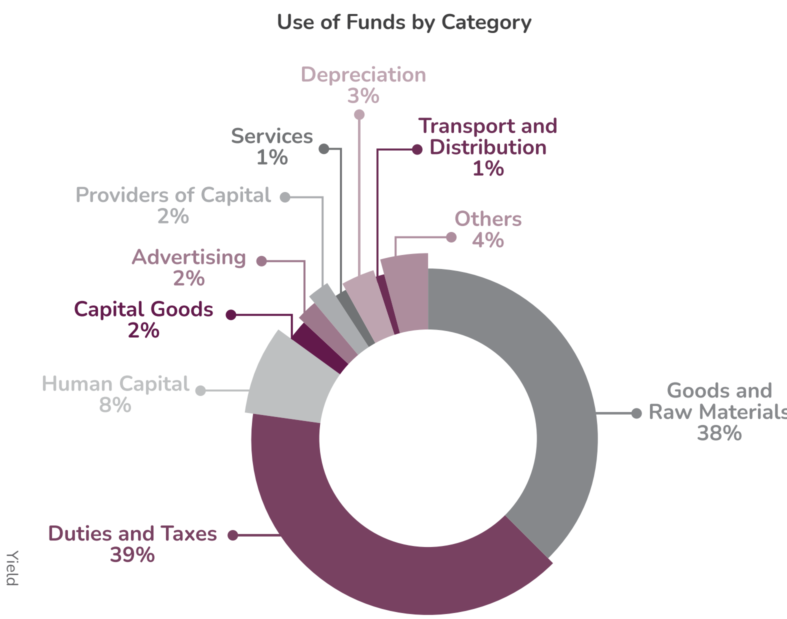
IMPACT OF COVID-19

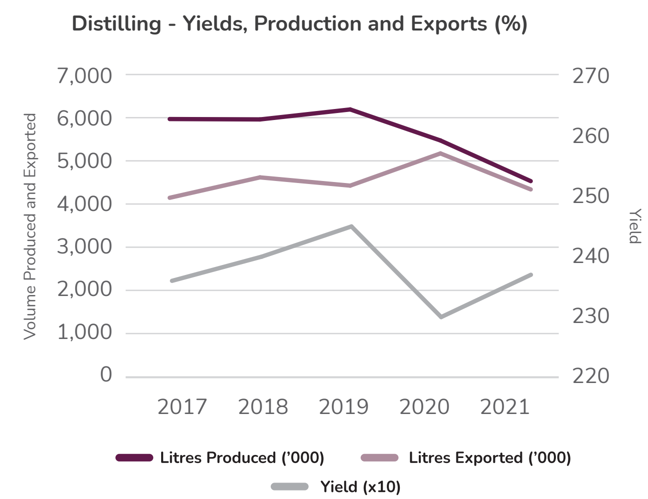
- Less impact in 2021 overall. Despite the lockdown periods, we already had work access permits (WAPs) for onsite employees, while other employees were already working from home, thus operations slowed down, but never came to a standstill.
- Health and safety remained the utmost priority; staff remained well informed and there was a demystification of Covid-19 in general, with overall less fear this year.
- We implemented shifts for the warehouse and distillery production teams to enable continued operations in the event of Covid-19 cases, and we plan to continue with these shifts in the future.
- The delivery of the new fermentation house for our distillery was delayed for six months and it only became operational in June 2021.
- Consumption continued to be impacted by hotel closures, but we found other ways to sell to end clients during these periods, including online sales, which slowed as soon as lockdown ended.











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	CONTEXT AND OUTLOOK
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.	• Supply to one major client, CEB, and also to Terra's sugar mill. • Terragen runs an efficient and reliable plant and produces power for the country at a very competitive rate.
COST DRIVER (PRICE)	
RAW MATERIAL COST • Increasing the renewable energy portion of electricity production to meet Government's decarbonisation plan, while maintaining cost competitiveness.	• The current energy mix in Mauritius is 78% fossil fuel and 22% renewable energy; we produce around 13% 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. • We remain fully aligned with Government's roadmap to a greener Mauritius and its commitment to phase out coal and achieve 60% renewable energy production by 2030, while maintaining our competitive rate. A biomass framework announced in June 2021 to define remuneration for other types of local biomass, other than *bagasse*, will determine which of our projects get delivered. • We foresee more opportunities for the energy transition of the Terragen power plant, especially with biomass.
MATERIAL COST EFFICIENCIES • Efficiency gains and safe and clean production processes.	• We remain the most efficient, reliable and cost-effective operator in Mauritius, with a strong focus on safety and health; we continually identify opportunities to improve our environmental management, particularly water and chemical consumption, and ash management.

Power (cont'd)

POWER BUSINESS MODEL (CONT'D)

The main residual risks for the Power cluster as at 31 December 2021 are summarised below.

	RISK	CONTRIBUTING FACTORS	RISK MITIGATING ACTIVITIES	YEAR ON YEAR TREND
R1	Unexpected consequences of specific terms of the Power Purchase Agreement (PPA) resulting in difficult operating and financial conditions.	• Lack of visibility on the terms that will apply to the next PPA. • Reduction or stoppage of coal importation, resulting in the power plant not operating at full capacity. • Significant increase in coal prices on the international markets.	• 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 plan to carry out the energy transition of the plant to a 100% renewable coal-free model. • Continue to be a reliable and competitive supplier of electricity to CEB.	Increased
R2	Unplanned and prolonged disruption to production of electricity.	• Unexpected breakdown of a critical item of equipment. • A fire outbreak due to the presence of important amounts of combustible material.	• 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 including fire protection and the procurement of critical equipment items.	Unchanged
R3	Severe climatic conditions adversely impact power production.	• 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.	• 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 m^3 of spare water, and measures are taken to optimise water consumption. • The Central Water Authority prioritises water supply to the power plant as electricity production is essential to the country.	Unchanged
R4	Disruption in the supply of raw materials and/or spare parts.	• Geopolitical and social issues in fuel producing countries. • Disruption to the sugar mill activities leading to non-availability of *bagasse* or cane straw for power generation. • Pandemic disrupts supply and availability of spare parts and foreign consultants for timely completion of plant maintenance.	• The Coal Terminal (Management) Co Ltd sources fuel from several suppliers who can in turn source their needs in other countries. • Using local biomass (cane straw and wood) as alternative sources of fuel to *bagasse*. • Ongoing discussions with authorities to secure a sustainable biomass price for producers.	Unchanged

POWER BUSINESS MODEL (CONT'D)

CAPITAL	MATERIAL INPUTS (2021)[1]	ACTIVITIES TO SUSTAIN VALUE	MATERIAL OUTCOMES (2021)
PEOPLE	EMPLOYEES WITH THE APPROPRIATE TECHNICAL SKILLS AND MOTIVATION **50**	• Reinforced safety measures including. safety risk assessments and site visits 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 and reporting culture improved.	TOTAL RECORDABLE INJURY RATE (TRIR)[2] **0.0** **(-100%)** LOST TIME INCIDENT RATE (LTIR)[2] **0.0** **(-100%)** SEVERITY RATE [2] **0.0** **(-100%)** TRAINING HOURS **31 / person / year** **(58 in 2020)**
MANUFACTURED	One generation plant of 450 GWh capacity. Two units of 35 MW operating on three types of fuel: Coal, *bagasse*, cane straw.	• Safety measures and procedures in place in response to Covid-19 constraints to prevent any disruptions. • Annual shut-down for maintenance despite Covid-19 constraints.	PRODUCED **443 GWh** SHARE OF NATIONAL ENERGY MIX **13%**
NATURAL	COAL **216,355 T** **(+20%)** *BAGASSE* **241,997 T** **(-7%)** SUGAR CANE STRAW **5,735 T** **(-38%)** WATER **1,604,584 m^3** **(-7%)**	• Improvements on the continuous monitoring system for water and air emissions. • Use of recycled water in the firefighting and wash cleaning systems. • Investigated leakages to minimise water loss.	CO_2 (COAL) **500,097 T** **(+19%)** BIOGENIC CO_2 (*BAGASSE*) **202,018 T** **(-8%)** BIOGENIC CO_2 (CANE STRAW) **8,622 T** **(-37%)** ENVIRONMENTAL EMERGENCY SITUATIONS **0**

[1] *Data as at 31 December 2021*
[2] *Calculation methodology was updated in 2021*

Power (cont'd)

POWER BUSINESS MODEL (CONT'D)

CAPITAL	MATERIAL INPUTS (2021)[1]	ACTIVITIES TO SUSTAIN VALUE	MATERIAL OUTCOMES (2021)
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.	• Continued partnership with Terragri for the plantation of eucalyptus on marginal land. • Responded to a Request for Information (RFI) from CEB on how to phase out our coal by 2030.	EMPLOYEE TURNOVER RATE **0%** (2020: 0%) PAYMENT IN TAXES **MUR 33.4 million** CSR CONTRIBUTION **MUR 2.2 million**
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.	• External Quality, Health and Safety, and Environment (QSE) audit successfully performed without any non-conformities.	AVAILABILITY ON CEB NETWORK **95.6%** RELIABILITY **6 plant trips** SPECIFIC COAL CONSUMPTION **595 g/kWh**
FINANCIAL	TERRAGEN TOTAL EQUITY (JAN 2021) **MUR 1,335.6 million** TOTAL BORROWINGS **MUR 0.2 million** CAPITAL EXPENDITURE **MUR 31.1 million**	• Actively managed the financial performance through weekly executive meetings, monthly management meetings and regular Board meetings.	TURNOVER **MUR 1,811.9 million (+60%)** LOSS **MUR 384.4 million (-1,174%)** TERRAGEN TOTAL EQUITY (DEC 2021) **MUR 901.0 million**

[1]Data as at 31 December 2021

THE OPERATING CONTEXT

MATERIAL ISSUE IMPACTING VALUE CREATION	OUR RESPONSE
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.	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. The Government has set an ambitious goal of producing 60% of its energy from renewable sources by 2030 and the CEB made an application for a Request for Information (RFI) to see how we can achieve this goal. We have replied to the RFI and are now waiting for the authority to engage in the process. 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 solar energy and wood biomass as possible investments.
Potential regulatory changes – Changes in environmental regulation could require significant investment in new equipment and possible changes to current processes.	We engage regularly with authorities to keep abreast of potential regulatory changes and ensure that appropriate measures are taken.
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.	We have a preventative maintenance programme and clear risk management processes and response measures in place. The power plant is designed to withstand cyclonic gusts of up to 260 km/h and we have a cyclone emergency plan in place.

Power (cont'd)

OUR 2021 PERFORMANCE

This year we generated 443 GWh of electricity, an 18% increase year-on-year, and the best record in Terragen's history of electricity production. Two key drivers included the high electricity demand from CEB in 2021, and a very short maintenance period of the power units due to Covid-19. Our availability index also increased to 95.6% in 2021. We had six trips during the year, slightly higher than the previous year, but each trip remained short in downtime. Despite good operational results, we had to recognise an impairment of the plant and related equipment, for an amount of MUR 535.9 million, as a result of the unprecedented increases in coal prices and the uncertainties of the current economic environment leading to a reassessment of the carrying value of the plant at reporting date. The Power cluster therefore posted losses of MUR 384.4 million, compared to profits of MUR 35.8 million in 2020.

Our annual shutdown was scheduled for April, which coincided with the third wave of Covid-19 in Mauritius. With the borders closed, we were unable to get our technical consultant in to do specialised work, hence the shorter shutdown period this year. The risk of contamination on site became higher with the new wave, and we preferred a shorter maintenance period to mitigate this. Maintenance periods are important for overall maintenance of certain equipment to reduce the risk of breakdowns, but fortunately we still had no serious breakdowns this year.

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 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 continued drought conditions in 2021, the combustion of *bagasse* declined further to 241,997 tonnes (259,850 in 2020), producing 76.9 GWh for export on the grid. Electricity produced from cane straw was higher this year, but lower than what we expected with the production rate affected by rain, baler breakdowns, and low performance of the cane straw shredder at the plant. Despite this, we generated 5.6 GWh using 5,735 tonnes of cane straw, up from 4,171 tonnes in 2020.

The efficiency of our coal use, which is measured in terms of our coal ratio (Kg/kWh), was very good this year because of the good performance at the power units and the high demand for electricity from CEB. When demand is high, it improves the ratio. In 2021 the proportion of renewable energy was significantly lower than normal, as we produced a lot more from coal this year.

We progressed with our exploration on growing and burning eucalyptus as an additional source of biomass, in partnership with Terragri, and planted 18 additional hectares (7.5 hectares in 2020) on marginal land. We also started a trial at the end of October to mix wood chips with coal and *bagasse* to reduce our coal consumption. This was following approval from the CEB to trial 300 tonnes. 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 even more critical with the Government amendment of the budget in 2021 setting objectives to increase renewable energy by 60% and to phase out coal by 2030. Our trial with wood chips is a direct response to this Government announcement. The CEB has asked for an application for a Request for Information (RFI) to see how we can achieve this goal. We have replied to the RFI and are now waiting for the authority to engage in the process.

The Government also announced a National Biomass Renewable Energy Framework in June 2021 and launched committees to define remuneration for other local types of biomass, other than *bagasse*, which we are actively involved in. The idea is to use all currently available biomass in the country and only import for additional requirements.

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, 49.7% of our coal fly ash (6,471 tonnes) was sent to the CBO plant, a decrease from the previous year (7,140 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.

DRIVING IMPROVED HEALTH AND SAFETY AND ENVIRONMENTAL PERFORMANCE

The steps taken to drive improved safety performance towards the end of 2020 were reinforced in 2021, including safety risk assessments and site visits with the management team on a weekly basis. This resulted in very good performance with zero lost time incidents amongst Terragen employees and contractors. We will continue with these safety routines and best practices developed in 2020, which have proved to be very effective.

We also implemented a near-miss reporting system and had 77 near-misses reported this year, reflecting the excellent safety and reporting culture at Terragen.

OUR 2021 PERFORMANCE (CONT'D)

On the environmental front, during 2021 Terragen maintained high performance in terms of water quality discharges into the environment and air emissions, with only two exceedances on limits. Both coal and *bagasse* dust were within target for both power units, as well as other stack emissions. We continued to work on our continuous monitoring system to improve reliability.

Our water consumption is mainly managed at operational level where we have set a target to use less than 3.65 litres per MWh. Unfortunately, we went above our target for the first six months in 2021, but still improved on the previous year. We started to use recycled water in the firefighting and wash cleaning systems on site this year. We also benefited from the improvement of water use in the cooling system. We investigated leakages to minimise water loss and a major part of our effluent water is still used for irrigating the cane fields at Terragri.

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, with a competitive price per kWh. We will continue to develop other sources of biomass with particular emphasis on wood chips, increase cane straw energy production as per expected capacity and improve the *bagasse* conveyor system to ensure reliability and availability.

We will maintain the good results in safety and health and in terms of environmental performance we will continue to reduce water consumption and chemicals. We will also continue to reinforce the control and monitoring of water and air emissions.

Despite the very good performance this year, our current contract with the CEB puts us in a very unfavourable position in terms of raw material price increases, particularly for coal. There have been unprecedented increases in prices of coal following the sharp increase in demand for electricity generation as the global economy recovers from the pandemic, especially in China and India, leading to a mismatch in the supply of coal. The uncertainties caused by the conflict between Russia and Ukraine has exacerbated the matter causing the price of coal to reach record highs. The coal market futures indicate that the present coal price levels are here to remain, at least for the whole of 2022. At these coal prices, our power plant, which partly uses coal to produce electricity, is anticipated to incur significant financial losses.

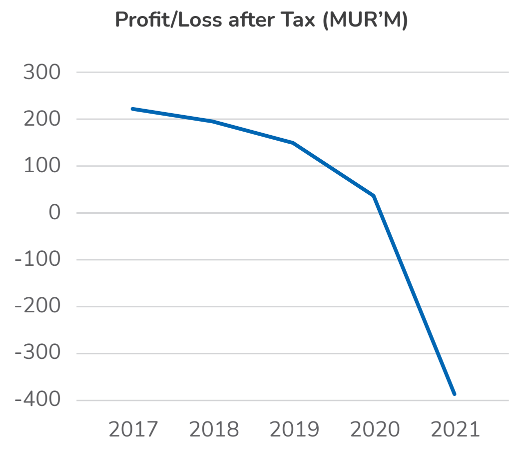
In the circumstances, Terragen had no other option but to declare Force Majeure under the PPA with CEB and suspended its operations on 29 April 2022. Operations resumed at the beginning of the crop season on 27 June 2022 using *bagasse* to generate electricity, and the parties are currently engaged in a mediation process to seek a workable solution.

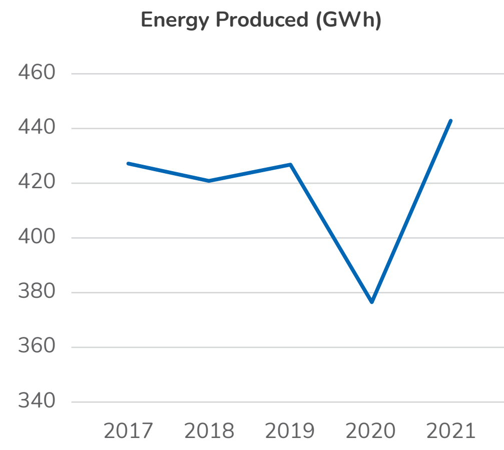
With the stress on raw material availability during the restart of the global economy after the Covid-19 crisis, the increase in the price of coal amplified with the Russian – Ukraine conflict, and the move towards energy autonomy in Mauritius, we foresee more opportunities for the energy transition of the Terragen power plant, especially with biomass.

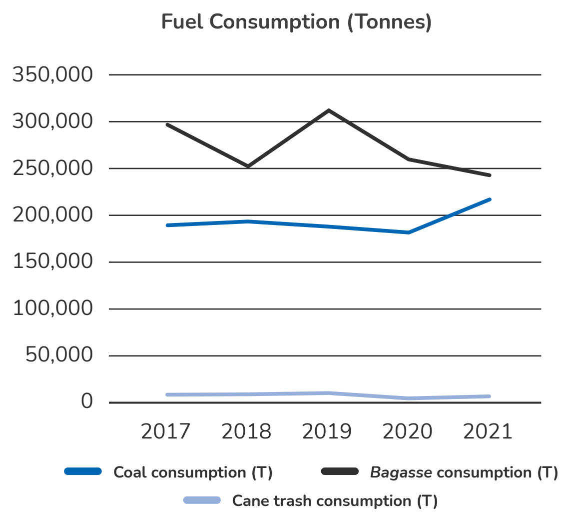
IMPACT OF COVID-19

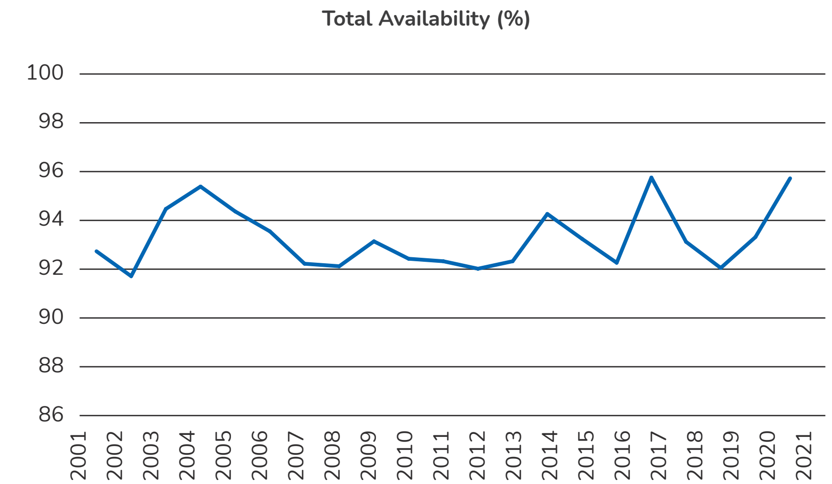
- Covid-19 continued to present some challenges with us needing to adjust our organisational structure with the onset of the new wave. To prevent infection, we split the day team into two slots for four months of the year, which brought some organisational constraints.
- Despite already having defined procedures in place, we had to update these several times due to the evolving pandemic.
- Our annual maintenance shutdown was reduced from 1.5 months to 17 days, which contributed to a better availability rate of 95.6%.

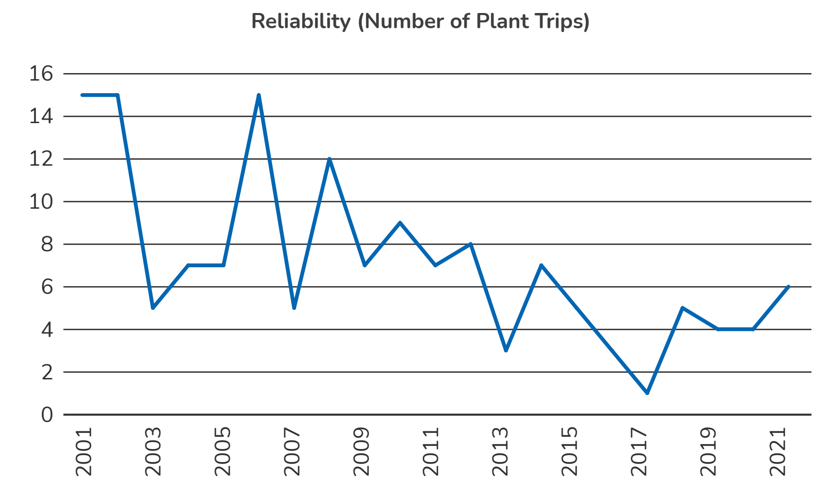
Power (cont'd)

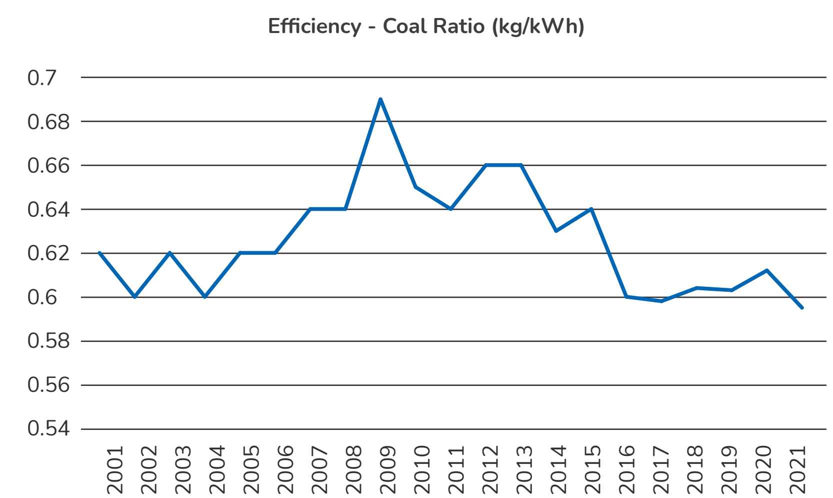

Profit/Loss after Tax (MUR'M)
300
200
100
0
-100
-200
-300
-400
2017
2018
2019
2020
2021


Energy Produced (GWh)
460
440
420
400
380
360
340
2017
2018
2019
2020
2021


Fuel Consumption (Tonnes)
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
2017
2018
2019
2020
2021
Coal consumption (T)
Bagasse consumption (T)
Cane trash consumption (T)


Total Availability (%)
100
98
96
94
92
90
88
86
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021


Reliability (Number of Plant Trips)
16
14
12
10
8
6
4
2
0
2001
2003
2005
2007
2009
2011
2013
2015
2017
2019
2021


Efficiency - Coal Ratio (kg/kWh)
0.7
0.68
0.66
0.64
0.62
0.6
0.58
0.56
0.54
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021

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 BUSINESS MODEL

VALUE DRIVERS	CONTEXT AND OUTLOOK
	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 densely populated districts in the North.	• Targeted sale of 'non-strategic' land generates cash flow for investment. • Development of a mix of real estate projects over the last five years has set a strong base to grow the portfolio of yielding assets. • A new Government incentive to allow the sale of serviced plots to non-citizens is encouraging. • Two priority zones for development include the Beau Plan Smart City development (major projects completed and others under way) and at a second stage 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 DEVELOPMENT AND MANAGEMENT • Commodity prices • Tenant relationships • Integrated and sustainable development	• We have significantly improved the performance of our existing yielding assets, and currently own 286 properties rented out. • Post Covid there has been a significant increase in the cost of materials for all projects, raising building costs and ultimately prices of built-up units. This is due to the increasing costs of international commodities and freight, together with the depreciation of the Mauritian Rupee, which poses a challenge for the local market. • The geo-political situation will maintain pressure on this situation. • We will target new customers by entering new markets. • 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. • 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)

PROPERTY AND LEISURE BUSINESS MODEL (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.

The main residual risks for the Property and Leisure cluster as at 31 December 2021 are summarised below.

	RISK	CONTRIBUTING FACTORS	RISK MITIGATING ACTIVITIES	YEAR ON YEAR TREND
R1	Oversupply of properties on the market impacting on price.	• Increased number of projects are being implemented nationwide and the market has not grown proportionately.	• Increased focus on marketing strategies and networks. • Every care is taken at conceptual level of projects to ensure a long term attractivity for the areas to be developed.	Unchanged
R2	Bureaucratic hurdles leading to lower profitability and agility.	• Delays in obtaining permits and clearances from authorities.	• Authorities are working closely with all stakeholders to improve the ease of doing business. • Close watch on current and proposed regulatory policies and legislations. • Diversified service offerings to minimise any impact resulting from changes in Government strategy. • Dedicating resources on a full-time basis to establish appropriate communication with authorities and follow up on all necessary permits and clearances.	New
R3	The activities are exposed to the consequences of the Covid-19 pandemic. Construction costs and cash flow negatively affected.	• Loss of tenants due to the impact of the recession. • Increase of raw material costs internationally, coupled with the depreciation of the Mauritian Rupee and the sharp rise of freight cost. • Impact of economic recession reduces the purchasing power of local buyers and the propensity of foreigners to visit and invest in Mauritius.	• Stringent monitoring of operational costs. • Strong marketing and communication measures to maintain excellent relationship with main partners and clients.	Unchanged

PROPERTY AND LEISURE BUSINESS MODEL (CONT'D)

CAPITAL	MATERIAL INPUTS (2021)[1]	ACTIVITIES TO SUSTAIN VALUE	MATERIAL OUTCOMES (2021)
PEOPLE	EMPLOYEES (NOVATERRA) **95** EMPLOYEES (*L'AVENTURE DU SUCRE*) **56**	• Dedicated health and safety officer in Terragri that supports us on H&S matters for all our projects. • With the opening of Mahogany Shopping Promenade, we implemented fencing around the lake area. • Annual fire drill for all employees. • Safety measures and procedures in response to Covid-19, including contact tracing. • Executive and leadership development coaching programmes are ongoing. • Revamped our employee engagement programme so that everyone has visibility on cluster developments.	TOTAL RECORDABLE INJURY RATE (TRIR)[2] **12.4** **(+254%)** LOST TIME INCIDENT RATE (LTIR)[2] **9.3** **(+43%)** SEVERITY RATE [2] **5.6** **(-178%)**
MANUFACTURED	AVAILABLE SPACE FOR RENT INDUSTRIAL AND COMMERCIAL **34,644 m²** OFFICE **9,290 m²** RESIDENTIAL **22,629 m²** SHOPPING MALL **8,182 m²**	• Designing smaller apartments to target a new market in Mauritius.	OCCUPANCY RATE **95.4%** **(+7%)**
NATURAL	LAND AVAILABLE FOR DEVELOPMENT AND REGENERATION **695 ha**	• Smart energy measures. • Recycling facilities managed by third-party. • Sewerage treatment plant operational within the Smart City. • Greencoast International School designed and constructed with no air-conditioning. • Pedestrian access to Beau Plan enabled through non-motorised transport. • Internet of Things (IoT), intelligent sensors, and cloud-based software applications are being considered to monitor and manage natural resource impacts. • Agreement for the construction of a 1.6 MW photovoltaic solar farm to supply renewable energy power to the Smart City.	

[1] *Data as at 31 December 2021*
[2] *Calculation methodology was updated in 2021*

Property and Leisure (cont'd)

PROPERTY AND LEISURE BUSINESS MODEL (CONT'D)

CAPITAL	MATERIAL INPUTS (2021)[1]	ACTIVITIES TO SUSTAIN VALUE	MATERIAL OUTCOMES (2021)
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.	• 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 **11%** **(2020: 4%)** PAYMENT IN TAXES **MUR 0.9 million** VISITORS TO *L'AVENTURE DU SUCRE* **10,711 people** PARTICIPATING IN EVENTS AND FESTIVALS **8,500 people**
INTELLECTUAL	Project timelines include adequate buffer time for obtaining permits.	• Land Management Department works full time on following up of applications submitted to various ministries and authorities in view of obtaining necessary development permits. • Dedicated Compliance Officer to take clients / buyers through a KYC (Know Your Client) process. • Audits of *L'Aventure du Sucre* from external tour operators.	Some permits delayed, but these have been addressed. Audits on *L'Aventure du Sucre* on hold for 2021.
FINANCIAL	PROPERTY AND LEISURE TOTAL EQUITY (JAN 2021) **MUR 4,451.2 million** TOTAL BORROWINGS **MUR 746.9 million** CAPITAL EXPENDITURE **MUR 396.0 million**	• Actively managed the financial performance through weekly meetings with head of departments, monthly senior management meetings and regular Board meetings.	TURNOVER **MUR 518.1 million (+115%)** PROFIT (INCLUDING PROFITS ON LAND SALES) **MUR 92.3 million (+350%)** PROPERTY AND LEISURE TOTAL EQUITY (DEC 2021) **MUR 4,620.4 million**

[1]*Data as at 31 December 2021*

THE OPERATING CONTEXT

MATERIAL ISSUE IMPACTING VALUE CREATION	OUR RESPONSE
Covid-19 – The second lockdown period and the closing of borders at the start of the year resulted in delays to our projects, as well as a continued drop in revenue from our museum activities, *L'Aventure du Sucre*. We also experienced an increase in construction costs due to the rising cost in building materials post Covid, which presents a challenge in terms of affordability for the local market. The industry has also had difficulties importing labour, triggered by Covid-19 and the sanitary measures in place. While this matter is being addressed, it will take time, and does present some challenges for the construction sector.	We remained agile during the lockdown period and quickly set up teams to work remotely. We mobilised a core team for maintenance of our assets and tenants and gained work access permits to handle operational issues. With the launch of the Mahogany Shopping Promenade on 24th of June, shortly following the lockdown period, Covid-19 cases were treated very seriously with contact tracing in place. We had two cases amongst our employees at the retail centre, resulting in all employees there being placed into hotel quarantine for 14 days. To mitigate the impact of this, we used working rosters in the different departments and mobilised all employees to work during weekends. Covid-19 and the associated restrictions was an occasion to test our team spirit, and we moved as a team. To deal with the increasing cost of materials for all projects, we had to negotiate with operators and have managed this for now; the impact will be more on new build.
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. Given the nature of our business we deal with several authorities, including environment, traffic, road development, and the more recent land drainage authority.	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. Our Land Management Department works full time on the follow-up of applications submitted to various ministries and authorities in view of obtaining necessary development permits, which remain key to our development. In 2021 we saw several delays in obtaining clearances and permits, which impacted on the delivery of our projects. Despite this, we have very good relationships with all authorities, and this was strengthened during the year. Communication between Government, authorities and the private sector in general, has been re-established, which is a significant step in the right direction. Through the Economic Development Board (EDB), Government has called for a regulatory review of the real estate and construction sectors to identify improvements. Recommendations have been made to the EDB and we are optimistic that there will be improvement in terms of doing business going forward. Through our active involvement in committees at Business Mauritius, we are in constant dialogue with authorities. We are now fully conversant with the Financial Intelligence and Anti Money Laundering Act with a dedicated Compliance Officer and department. All clients/buyers go through a KYC (Know Your Client) process, and this has been fully integrated into the sales process. It now takes one month to on-board a client (previously two weeks).
The changing competitive and business environment – A potential oversupply of properties on the market, and other changing market dynamics, could result in lower occupancy rates, a loss of revenue and reduced return on investment. We are seeing pressure on rental prices, mainly in office space, due to oversupply and competition.	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. In terms of office tenants, by creating new living spaces in Beau Plan with more pleasant work environments, we will be able to attract a premium, but there remains a limit to how much tenants will pay, and we foresee pressure when negotiating with future tenants.

Property and Leisure (cont'd)

OUR 2021 PERFORMANCE

This year was again a challenging year due largely to the impacts of Covid-19. The second national lockdown at the start of the year required stopping construction operations, resulting in delays to our projects, including the launch of our Mahogany Shopping Promenade. To mitigate the impacts of the pandemic, we quickly set up teams to work remotely and mobilised a core team for maintenance of assets and to look after tenants. This worked well, and we managed to gain work access permits swiftly. We continued to see a great sense of solidarity in our team, with everyone remaining focused and motivated, positively impacting on performance in the year. Overall, we did better than our budget, posting a profit of MUR 92.3 million (compared to a profit of MUR 20.5 million in 2020).

Our positive results were driven by higher revenues on land sales, coupled with three main factors – improved sales of non-strategic land, profit from Mango Village duplex and apartment sales, and better-than-expected performance at Mahogany Shopping Promenade.

Deposits were received for 324 lots to secure total land sales of MUR 1.1 billion this year. We launched the sale of three projects outside the Smart City this year – Montagne Longue, Creve Coeur, and *Les Coteaux de Belle Vue* and started the infrastructural works. We also launched the sale of two projects within the Smart City – *Les Muguets* phase two and *Le Parc*. These land sales are part of our cash generation plan, which supports our infrastructure and projects at large.

We engaged with Government on a land exchange mechanism whereby we agreed to transfer some 45 arpents of land to Government for the implementation of part of its 12,000 social housing units scheme, and in exchange, we have secured land at Solitude, Beau Plan and Bassin Paquet for future development.

BEAU PLAN SMART CITY PROJECTS

A major milestone was the opening of our 12,500 square meter retail centre, the Mahogany Shopping Promenade, in the heart of the Smart City, in June 2021. Due to the construction delays, we had accounted for a MUR 28 million loss for the project, but once launched performance exceeded expectations and we ended with only a MUR 4 million loss for the year. For the first six months of operation, we received on average 200,000 visitors per month, exceeding initial estimates of 160,000 visitors per month. With this strong base for visitors, we will tailor this to further increase offerings in the mall. Most of our operators are performing well, with some underperformance, and we will look to consolidate and improve the customer experience. We have secured 94% of the tenant leasing with some big players positioned to arrive in 2022.

Other important milestones included the sale of all 26 units from the first phase of Mango Village duplex and apartments (MUR 289 million), with delivery initially scheduled for June 2022. A two-month delay is expected due to Covid effects. We also launched the second phase comprising 20 units (MUR 345 million), but with the triple effect of global commodity price increases, the cost of freight, and the depreciation of the Mauritian Rupee, the units on average have seen a price increase of 30%, which presents a challenge for the local market. This market remains a large proportion of the sales.

We started the construction of a new office building, The Strand, in July 2021, which will bring additional vibrancy to Beau Plan. The cost of the project is MUR 626 million, and we aim to be finished by December 2022. We expect a few delays due to sanitary requirements, as well as Covid-19 cases amongst construction workers.

OUR 2021 PERFORMANCE (CONT'D)

We completed the first phase of *Les Muguets*, the first residential serviced plots in the Smart City, and handed over 37 plots to respective buyers (MUR 202 million). A new incentive from Government this year is to allow the sale of serviced plots to non-citizens, which is encouraging. Previously we could sell only built-up units to foreigners.

We also completed and handed over the second phase of the Greencoast International School at a cost of MUR 92 million, with 225 students at the school at the start of 2022.

The Beau Plan Smart City now offers educational, leisure, office, cultural, residential and shopping opportunities. We have invested substantially in the infrastructure to make Beau Plan more accessible to the public through non-motorised transport, including walking, cycling, and electric scooters. This year we started working with a consultant to study the mobility of people in the Smart City to implement better measures and we recently received the necessary clearances from authorities to allow bus routes to serve the Mahogany Shopping Promenade. Eleven different transport companies will service Beau Plan in 2022.

We continue to integrate sustainability practices into the design process of the Smart City, including smart energy measures. We are targeting 20% energy savings at The Strand, which reduces operating costs at the office units and represents savings for the tenants themselves. We have signed an agreement with the Central Electricity Board for the implementation of a 1.6 MW photovoltaic solar farm, which will allow us to supply the full energy requirements at the Mahogany Shopping Promenade. Energy will be uploaded to the grid at a predefined tariff, with a ROI of 10 years.

We have incorporated recycling facilities for used cooking oil, and other wastes, and this will be third-party managed. We have contracted consultants to work on a centralised composting system. This will require the collaboration of Grays and Terragri but will be managed by Novaterra. The idea arose at the Group-wide sustainability summit in 2021 and the project enables the production of compost and gas.

The Mahogany Shopping Promenade will 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 several different contractors, we ensure everybody is on the same level-playing field and has the chance to benefit from the new economic activities generated by the developments at Beau Plan.

The financial performance of our subsidiary, Sugarworld Ltd, which operates under the brand name *L'Aventure du Sucre*, improved. After experiencing a loss of MUR 20.3 million in 2020 due to the closure of borders, this was reduced to a loss of MUR 10.0 million this year. We received wage assistance from the Government and as an additional support the Group did not charge the company traditional costs.

OUR STRATEGIC OUTLOOK

In 2021 we could see the results of our five-year strategy come to fruition and what we had initially planned has been delivered. With the opening of the Mahogany Shopping Promenade, the Beau Plan Smart City is now open to the public at large. Our strategy for creating value has worked well, with the implementation of the school, equestrian centre, and shopping mall, the mix of projects has helped to bring higher value to Beau Plan. We have seen this with the price of land, which has really picked up over the years. From the first project we sold in Beau Plan to the latest, the price of land has increased by more than 200% and, in some instances, up to 300% for some exclusive products, in line with our value creation process. After five years the results are visible.

The key components of the Beau Plan Smart City development have been put in place, with MUR 4.2 billion invested to date.
Our strategy for the coming years will be based on three main axes:

- To grow our assets, and continue to build and lease;
- To concentrate on build and sell including villas, duplex, and apartments; and
- The sale of serviced plots, but only where we can extract the highest value.

Property and Leisure (cont'd)

OUR STRATEGIC OUTLOOK (CONT'D)

Looking ahead we will concentrate on extracting better value from Beau Plan, including both the residential and business parts. We will implement infrastructure for the Business City, an important precinct of our Smart City, and start the sales of land there. Our aim is to attract local and international entrepreneurs who wish to develop or relocate their businesses in Beau Plan. We have secured a major business tenant, which will certainly help us to attract further operators to the Business City. We are also in discussions with important car dealerships.

We have started to phase out the bulk sale of non-strategic land. This has been an active part of our strategy over the past years, but we will stop this to concentrate on our three main axes.

We have also identified a new zone for development with astonishing views over the North and close to Belle-Vue. We have obtained land conversion permits for this and have started to plan for the development.

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 continue to integrate environmental considerations to reduce our footprint.

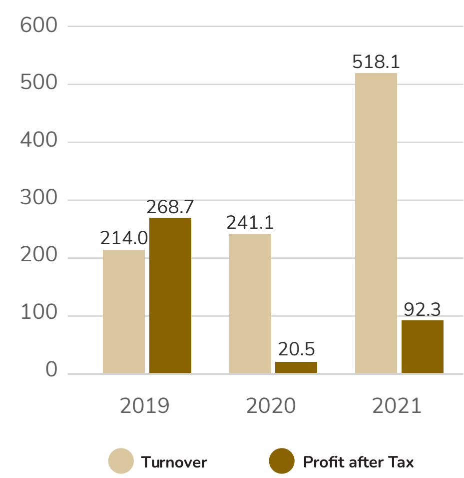
The geo-political situation will have an impact on Mauritius, including the tourism industry. The petrol prices have already gone up by 50% and the cost of living in general will certainly increase. Fortunately, Beau Plan is not yet a destination for non-citizen foreigners and our biggest share of the market for real estate remains local. But ultimately, we still want to attract more foreigners to Beau Plan. During Covid we saw that the appetite for land and real estate is significant in Mauritius, and we remain confident with our strategy.

With Mango Village, we initially positioned Beau Plan for a certain clientele. We are now working on a project with smaller apartment sizes to broaden our base of customers. We plan to build and offer for sale small apartments in the range of MUR 5-8 million. This will also talk to the investors market and we are already at the drawing board.

IMPACT OF COVID-19

- We mobilised a core team very quickly during the second lockdown to focus on maintenance of assets and tenants, which worked very well.
- *L'Aventure du Sucre* continued to incur losses for the year, but these were vastly reduced compared to 2020.
- Delays on construction due to the second lockdown delayed the opening of the Mahogany Shopping Promenade, but the launch was a great success.
- We implemented contact tracing to minimise the risk of infections, with eight employees at Novaterra and all employees at Mahogany Shopping Promenade being sent to quarantine when cases arose.
- We felt pressure from a certain number of tenants for our property rentals but managed to receive 99% of our forecasted budget.

Turnover and Profit after Tax (MUR'M)



Beau Plan Smart City Master Plan

Investments

	REVENUE MUR'M	PROFIT / (LOSS) MUR'M	% EFFECTIVE HOLDING
FINANCE			
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.	7,500.3	692.5	34.6
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.	144.0	3.8	100.0
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.	33.5	(0.6)	36.8
CONSTRUCTION			
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.	173.2	24.9	45.0
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.	1,019.7	(67.9)	62.3

	REVENUE MUR'M	PROFIT / (LOSS) MUR'M	% EFFECTIVE HOLDING
OTHER INVESTMENTS			
Horus Ltée has an 18.3% stake in United Docks Ltd, a company listed on the Stock Exchange of Mauritius and holding property in the Port Louis harbour zone.	-	(0.1) =	50.0
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.	714.9	32.4	26.7
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 has also been driving an aggressive procurement strategy to support its shareholders in their quest to lower the cost of inputs in sugar production.	20.1	9.3	41.9

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.

While several HR projects planned for 2021 were put on hold again, we managed to make headway in our culture journey, training and coaching activities. Our continued drive for efficiency in all our entities remained a key focus.

DEEPENING OUR DESIRED WORKING CULTURES

Our Culture and Engagement Journey in our agriculture and property clusters continued in 2021. In Terragri (Agriculture) we co-created the desired working culture through the delivery of workshops focused on trust and on how to define a caring and learning organisation, successfully moving away from a purely results and efficiency focused culture. For Novaterra, as a new and fast-growing cluster, we have the opportunity to create a culture focused on learning and results. Grays' leadership style has changed considerably over the years, and we also began the culture journey roll out in our Brands cluster, starting with a coaching session with the senior management team.

We continue to see improvements in interactions between colleagues from Terragri (Agriculture) and Terra Milling, supported by pairing exercises where colleagues from the different departments interact and learn about each other. Combined with private mentoring for individual employees where needed, and leadership sessions for key managers, this has helped to deepen our desired culture. The sugar industry has historically been seen as autocratic in its leadership style and through our initiatives our Cane cluster is moving towards a more caring and participative system.

We continue to track and measure desired behaviours through a culture index survey which is done every year. In addition, we will be rolling out our new employee engagement survey in 2022 to assess levels of employee engagement in our clusters. This survey will be conducted every two years.

To further support performance, we implemented a new continuous performance management system (PMS) in Terragri in 2021. We have called this new system PCR (Performance Coaching for Results). An important objective of this PMS is to have two meaningful conversations between the manager and staff member on an annual basis focused on measurable outcomes. We also conducted a remuneration survey, as we do every two years, for both executives and staff to monitor and adapt our remuneration policies and ensure they are aligned with market ranges.

HUMAN RESOURCES: INVESTING IN OUR PEOPLE (CONT'D)

LEARNING AND DEVELOPMENT

Our aim is to encourage a learning culture in all our entities, by continuously investing in 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. In 2021, we rolled 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. Despite the difficult Covid-19 context, we adapted logistics to have a maximum of 20 participants in each training session combined with social distancing, and in some cases delivered live on-line sessions, enabling us to deliver a variety of training in 2021. Emphasis was placed on soft skills and coaching programmes. Through our Training Centre we delivered programmes across our clusters with a certified Gallup strengths coach, with a focus on existing and upcoming managers. This is part of our efforts to build a strong leadership bench. We launched our e-Learning platform towards the end of 2021, to meet the needs of millennials who now represent more than 50% of Terra's workforce. The platform offers eModules that require approximately 10-15 minutes to complete, and are easy to access at employees' workstations or on a mobile App. Our aim is to maximise the effectiveness of online learning by giving employees the possibility to learn at their own pace. Through our learning and development department and Training Centre, investing in the learning and development of our employees will remain a key strategic focus.

HEALTH AND SAFETY

The Group has a continuous improvement approach to providing a healthy and safe working environment for all its employees, sub-contractors, and visitors. With a proactive and highly KPI-driven health and safety (H&S) culture driven by our Group H&S Officer and dedicated H&S officers at the cluster level, we have decreased incidents significantly over the years.

This year we remained focused on handling the Covid-19 crisis to minimise the impact on business operations, while ensuring the safety of our staff. Terra's Covid-19 protocol, developed in 2020 and aligned with the country's legal framework, with input from our HR and H&S managers, proved effective in 2021 with no major business disruptions. For a substantial part of 2021 we put in place team rosters to prevent cross infection and with the support of a doctor on premises three times a week, cases were rapidly detected using medically certified PCRs. Together with contact tracing following the early identification of an infection, this reduced potential cases and saved significant lost time. Our workforce remained agile, operations were seamless, and the well-being of our staff was always front of mind. A high vaccination rate of 80% also helped to keep the teams mobile and motivated.

Cane: The Cane cluster recorded a total recordable injury rate (TRIR) of 18.4 in 2021 (2020: 27.2). This is the lowest injury rate that we have recorded since 2014, amounting to a 70% reduction in injuries over this eight-year period. This strong performance comes through active investment in health and safety, including training, equipment, and visible management interventions. Unfortunately, we still experienced two serious incidents during the year. In Terragri (Agriculture), a bell loader driver was hit by the bell loader and received multiple fractures. In Terra Milling, a seasonal worker caught his arm in a conveyor belt and suffered a crush injury. We expect significant man-days lost from both incidents. In addition to investing in occupational health and safety measures, we also spent MUR 1 million on a marketing campaign to address the ongoing risk of criminal fires in our fields and recorded a 90% reduction in fires during the year.

Brands: The Brands cluster recorded a TRIR of 30.8 in 2021 (2020: 29.0). We experienced a slight increase in our incident rate, mostly attributable to minor injuries from lifting heavy items with improper technique. We are addressing this issue through refresher training and more frequent visible on-site inspections. Unfortunately, we experienced one serious incident with an external service provider who received a serious electric shock from electrical high lines, while trimming a tree on our premises. We are always learning from incidents such as these and taking additional steps to prevent and mitigate these risks.

Power: The Power cluster recorded a TRIR of 0 in 2021 (2020: 19.9). All best practices and safety routines were successfully deployed and maintained during the year, and we met all our internal targets. There were no lost time incidents for employees and external workers, and we recorded 77 near-misses, the details of which inform our continuous learning and improvement. This strong performance is a reflexion of the excellent safety culture at Terragen. The focus in 2021 was also ensuring no burn-out amongst staff. We do stress tests at Terragen every two years to ensure they are equipped with the right tools to handle the level of stress in the workplace.

Property and Leisure: The Property and Leisure cluster recorded a TRIR of 12.4 in 2021 (2020: 3.5). A key initiative during the year was to address safety risks around the lake and stormwater drains around Beau Plan Smart City in preparation for the launch of the Mahogany Shopping Promenade. Novaterra ensures a safe working environment for all its stakeholders including employees, contractors, tenants, and visitors.

More information on our health and safety performance is provided in the Terra Sustainability Report, available on our website.

Group-level Functions (cont'd)

HUMAN RESOURCES: INVESTING IN OUR PEOPLE (CONT'D)

PROTECTING LABOUR RIGHTS

Covid-19 has brought several changes to labour law in Mauritius, including additional taxes and levies. 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, 78% 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 was a key focus in 2021 with five of the six unions representing blue collar workers and negotiations remain ongoing. We also remain in negotiations with the union for white collar staff, and we hope that a satisfactory outcome will be reached in 2022. Through working with consultants in the negotiation process in 2021, we are no longer front facing, and this has helped significantly.

OUTLOOK

In terms of our human resource management, the digitalization of our processes for the next three years will be a key focus to remain lean and efficient, including in our recruitment and performance management.

In 2022, we will specifically focus on the delivery of three Group-level projects:

- Working with Dale Carnegie, we will conduct a full training needs analysis in all our businesses to identify needs as per objectives for each cluster and employee position;
- In collaboration with Willis Towers Watson, we will conduct our biennial employee engagement survey to identify top engagement drivers for the workforce;
- With the support of DDI, a global leadership consulting firm, we will identify critical positions at all levels in our businesses, run assessments with staff to identify talent, and create learning and development plans in line with our succession planning process. This aligns with our objective to build leadership bench strength.

In terms of health and safety, the Cane cluster will continue to run the fire campaign at a lower frequency to keep awareness on the issue and also implement ISO 45001. The Brands cluster will launch healthier products as part of its portfolio, widen the offering of low-no alcohol products, and continue with branded social media campaigns to promote smart drinking and address drink driving and domestic violence. The Power cluster will maintain strong safety performance. The Property and Leisure cluster will enhance collaboration to build a network of resilient relationships for the Smart City, working closely with the Group H&S manager to ensure safety protocols and compliance for all projects.

ENVIRONMENTAL PERFORMANCE: DRIVING SUSTAINABILITY AT THE CLUSTER LEVEL

Terra harnesses the productive qualities of landholdings in Mauritius to create stakeholder value. Agriculture and power-generation lie at the core of our business model, with our key business activities depending on the availability and quality of natural resources. Our key resources include land, water, soil, sugar cane, and biomass. Protecting our environment, through conserving these resources and safeguarding the ecological functioning of the island, is central to our value proposition.

Sustainability performance at each of our entities is managed through dedicated HSEQ employees at the cluster level. This decentralised approach is aimed at empowering each cluster to drive performance by identifying key objectives specific to their cluster and integrating this into the overall cluster strategy. This was supported by a Group-wide sustainability summit in 2021 for all General Managers and HSEQ officers. With a focus on making sustainability an intrinsic component of our employer branding at Terra, the summit helped each cluster to critically look at their businesses, create meaningful KPIs in better alignment with the Sustainable Development Goals (SDGs), and to identify synergies across the Group and commit to projects for 2022, to be taken through various stages, including pre-feasibility, feasibility, implementation, and monitoring. We will repeat the summit twice a year to monitor progress on KPIs.

ENVIRONMENTAL PERFORMANCE: DRIVING SUSTAINABILITY AT THE CLUSTER LEVEL (CONT'D)

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.

CIRCULAR ECONOMY: OUR ENVIRONMENTAL FOOTPRINT

Our industrial ecosystem is a leading example of circular economy in sugar production. By-products from one part of our business, serve as inputs for other parts of the business, as illustrated to some degree in our Group business model (see page 10).

Climate change and water scarcity remain the key emerging environmental risks for Terra, while wastewater management, water pollution and waste production remain other key concerns. The potential to expand our production of renewable energy from biomass is a key climate change-related opportunity for the Group, and one that speaks strongly to our business model (see our Sustainability Report for more details). Moving away from fossil fuels towards renewable energy sources remains a top priority and we continue to invest significantly in cleaner production.

Cane: Drought conditions continued to impact on sugar cane production for Terragri (Agriculture), and a key focus remained on improving irrigation infrastructure to expand the distribution of treated effluent for irrigation across our fields. In 2021, 436,061 m^3 of treated effluent from Terra Milling and Terragen was used by Terragri for irrigation (2020: 536,430 m^3). Efficiency measures were implemented for both water and energy at Terra Milling, with the consumption of both declining marginally in 2021, partly a result of lower sugar production. A concerted effort was made to improve waste management at Terra Milling, with an emphasis on waste separation and recycling. All plastics, used oil, and scrap metals were effectively separated and sent for recycling.

Brands: In 2021, Grays Distilling sent 49,267 m^3 of *vinasse* effluent to Topterra for treatment, where it is processed into concentrated molasses stillage (CMS) and irrigation water, both used by Terragri in sugar cane fields. Water consumption declined at Grays Distilling due to lower levels of production, while consumption at Grays Inc. Ltd increased by 29%. Grays Inc. Ltd continued with efforts to optimise water-use efficiency, including the installation of rainwater harvesting infrastructure. No exceedances of effluent quality standards were recorded at either entity. An environmental risk assessment was conducted to identify priority areas for improving environmental performance, and a committee was established to ensure better management of our carbon footprint. A key initiative at Grays Inc. Ltd was the implementation of a more structured waste management procedure, including clear waste separation, better communication and more diligent record keeping. Plastic waste production declined from 5.7 to 5.5 tonnes, along with a 25% reduction in the generation of general non-hazardous domestic waste.

Power: Terragen continued to produce renewable energy from cane straw and *bagasse*, and explored additional options for expanding the production of renewable energy from biomass. Renewable energy production declined from 405,949 GJ in 2020 to 395,492 GJ in 2021, and carbon emissions increased from 421,724 TCO_2e to 500,097 TCO_2e. This was due to declines in the production of cane straw and *bagasse*, and a resultant increase in coal consumption. An additional 20 ha of eucalyptus was planted as part of our move towards building a future source of renewable biomass, and we initiated a biomass trial generating electricity from 300 tonnes of locally produced wood chips. Our water consumption increased to 1,604,584 m^3 (2020: 1,494,788 m^3), while our water-use efficiency improved to 3.62 m^3/MWh (2020: 3.70 m^3/MWh), both as a result of increased energy production in 2021. We again recorded exceedances in the quality of our effluent due to the presence of oil and grease, and have intensified our investigation of the root causes of this problem. The bulk of our effluent was treated and sent to Terragri for irrigation, with 25.3 m^3 of wastewater sent to the local water treatment facility. A portion of all coal fly ash generated (6,471 tonnes) was sent for processing at Omnicane for use as a cement additive. No exceedances were recorded for air emissions.

Property and Leisure: In 2021, Novaterra continued with the integration of environmental specifications and practices in the planning and construction of Beau Plan Smart City. The sewerage treatment works were completed and connected, and consultants have been contracted to design and implement an integrated waste management system that includes recycling and composting. Consultants have also been appointed to explore and guide the implementation of safe and sustainable mobility options. We have received the permit to install a 1.6 MW photovoltaic solar plant, which will cover the full energy requirements of the Mahogany Shopping Promenade.

Group-level Functions (cont'd)

ENVIRONMENTAL PERFORMANCE: DRIVING SUSTAINABILITY AT THE CLUSTER LEVEL (CONT'D)

OUTLOOK

During 2022 each of our clusters will have the following focus areas:

Cane: Developing precision agriculture capabilities to improve productivity and increase efficiency of chemical fertiliser; enhancing rainwater capture and developing irrigation infrastructure to enable more efficient use of water; enhancing focus on management of diesel consumption; and continuing to discuss and explore the future of organic sugar.

Brands: Implementing rainwater harvesting to cover up to 20% of needs; enabling re-use of rinse water for cleaning-in-place (CIP) processes to reduce the pressure on supply from the CWA; promoting sustainability internally and encouraging responsible use of water and the safe disposal of industrial effluent; and installing solar panels to meet up to 50% of electricity needs.

Power: Continuing engagements with Government to develop a strategy in line with the national 60% renewable energy objective by 2030, and the phasing out of coal; increasing cane straw and *bagasse* production, improving the *bagasse* conveyer system to enhance renewable energy production, and developing additional renewable biomass capacity, with a focus on wood chips from local sources.

Property and Leisure: Installing waste separation and recycling in our Beau Plan Smart City and working towards EDGE (ISC) certification for energy saving, targeting 20% energy savings in the office block, which reduces operational costs for tenants.

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 73% 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.

COVID-19 PANDEMIC REMAINED A KEY CHALLENGE FOR OUR BENEFICIARIES IN 2021

In 2021, the facility offered by the Mauritius Revenue Authority (MRA) was maintained and companies of the Group were able to retain 25% for our long-term project partners 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. This enabled us to continue providing 50% of our CSR funds for our community projects. We maintained partnerships with 16 NGOs, sponsoring a total of 30 projects in 2021, with 22 projects representing 73.3% of our funding being delivered in the northern region. Our key focus remained in education and training, poverty alleviation, health care and sports.

While we were able to maintain our long-term NGO partnerships, our beneficiaries continued to face challenges in a difficult operating environment. The ZEP (priority education zone) school that we have historically supported, physically closed in 2021 due to Covid-19 restrictions, and teaching went online. In vulnerable areas online teaching is a major challenge for students who lack basic facilities at home, and our beneficiaries barely progressed in their curriculum. We continued to support the most vulnerable parts of the population in the northern region through our Group emergency fund, established in 2020. In addition to distributing food packs valued at MUR 289,082 in 2021, the Terra Foundation also collaborated with our Brands and Cane clusters to deliver food items to the most vulnerable and needy.

CORPORATE SOCIAL RESPONSIBILITY: SUPPORTING OUR COMMUNITIES (CONT'D)

Unfortunately, due to the Covid-19 restrictions we could not deliver several planned activities with our NGO partners. A missed opportunity was the cancellation of a three-day job fair to coincide with the launch of the Mahogany Shopping Promenade in Beau Plan, which impacted on our plans to build up a comprehensive database of jobseekers in the region and connect those seekers with our tenants. This is part of our integration strategy with local communities. We had to rely on NGO partners to develop a list of job seekers and encourage tenants to meet them, making it harder to track actual recruitment from the region. Following six months of operations, we did manage to conduct site visits at the Shopping Promenade to assess how many tenants have been able to hire people locally and we will develop a system where we can better track and recommend jobseekers.

Our focus remained on our immediate neighbourhoods to increase interaction between our community stakeholders and Beau Plan Smart City. A significant focus was to encourage local communities to use the facilities put at their disposal at the Creative Park and the Mahogany Shopping Promenade. Despite limitations due to Covid-19, we conducted guided tours of these facilities for a select group of NGO beneficiaries, and plan to offer this to more beneficiaries in 2022. As Covid-19 restrictions are gradually reduced and with the progress of the Smart City projects for the community, more facilities will be available as from next year.

Employees working from home also made it more challenging to connect with them about the work of the Foundation. Our plans to place more emphasis on employee volunteering initiatives was limited due to this, but we have started on a piece-meal basis. We will be building up a database in 2022 to enable the delivery of a broader level of volunteering and in-kind skills sharing projects.

On a more positive note, the Covid-19 crisis has inspired stronger networks and relationships with NGOs and beneficiaries, with their needs even more critical since the start of the pandemic.

More information on our CSR performance is provided in the Terra Sustainability Report, available on our website.

MEASURING IMPACT

Our budget of MUR 1,7 million net of administrative expenses supported 1,911 beneficiaries in total (1,452 in 2020), the majority of which were children. We conduct evaluation reports every year to assess the work of the various NGOs that we partner with.

OUTLOOK

Our focus will remain on maintaining the resilience of our NGO partners and local integration with our immediate neighbourhoods in Beau Plan Smart City. We will implement projects and activities planned since 2020 and delayed due to Covid-19, including beneficiary site visits, local recruitment and promotion of regional skills at Mahogany Shopping Promenade, as well as training to increase their employability in Beau Plan.

Sponsorship by Focus Area in 2021