

Chairman's Message



While the past year was not without its challenges, such as high inflation and interest rate hikes, Terra's response to the tough geo-political environment, and its strong rebound from the effects of the Covid-19 pandemic, highlighted the Group's resilience. Terra delivered a record performance this year, achieving a profit after tax of MUR 1,049.5 million, up from MUR 316.7 million in 2021.

What is particularly noteworthy is the extraordinary effort made by the management team and the entire workforce to minimise the impact of the challenging and unpredictable operating environment.

A standout example during the past year is the strong turnaround at *L'Aventure du Sucre*, which had suffered from a downturn of tourism and the absence of organised events and was one of the areas of our operations most affected by Covid-19. Despite these challenges, the workforce, as in the other clusters, remained motivated, and it is heart-warming to see the operations teeming with activity and energy and posting excellent results.

The key to Terra's success has been its commitment to keep its workforce engaged and do what is needed to keep its clusters going. Despite Covid-19 significantly impacting operations, the Group strived to preserve employment at all levels within each cluster. In addition, wage increases were granted to support and encourage our employees despite the financial pressure placed on operations.

We are now seeing the positive benefits of this approach.

The Group achieved an overall score of 80% in its new employee engagement survey, which we launched in 2022. This result demonstrates that our employees remain committed to Terra, that they consider they receive adequate training and compensation, and feel valued and appreciated for their work. It was also rewarding to see the Cane cluster successfully sign the first collective agreement in Mauritius between companies and the sugar industry trade unions in 2022. This agreement was ground-breaking, reflecting the sound relationships that enabled the delivery of a fair and favourable outcome for all parties.

What the Group has achieved in the past year is underpinned by the successful implementation of a focused medium- and long-term strategy. The strategic actions taken over the past five or six years are now bearing fruit and delivering commendable financial, social and environmental results.

In the **Cane** cluster, we have seen significant gains in productivity through ongoing investment in operational excellence and lean manufacturing practices, leading to substantial cost reductions and savings over the last five years. These efforts, coupled with

improved global sugar prices and the fact that Government is now remunerating *bagasse* at a better price, resulted in the Cane cluster posting record profits. This result is a positive turnaround; we are confident that operating conditions for sugar production are improving and that the industry is becoming more sustainable, supported by the Mauritius Government's commitment to take bold steps to revive the sector.

After the success of our 2021 campaign to substantially reduce criminal cane burning – with a much lower area of 140 hectares of cane fields burnt in 2022 compared to previous years – another milestone this year was the launch of the *Yes We Kann* campaign. This campaign sent out a positive message about Mauritius' Sugar Industry and created awareness of the progress made in recent years to modernise and diversify the sector. We successfully undertook the campaign in partnership with multiple stakeholders and will renew this initiative in 2023.

Our **Brands** cluster benefitted from the rebound of the tourism industry and performed very well this year in a competitive market. Pleasingly, Grays Inc. ramped up its efforts to optimise water-use efficiency and installed rainwater harvesting infrastructure, which supplied 30% of its water needs in 2022. Grays Inc. also installed photovoltaic solar panels that generated 50% of its energy requirements.

In our **Property and Leisure** cluster, we started to build our Beau Plan Smart City with a clear strategy and vision of what we wanted to achieve. Today, it is not only a profitable venture for the Group and stakeholders at large but also a thriving and integrated living space designed around the implementation of sustainable practices. Our new office building, The Strand, achieved EDGE (Excellence in Design for Greater Efficiencies) Certification in 2022, a first in Mauritius. EDGE is an international green building certification system focused on making buildings more resource efficient.

What has remained fundamental to Terra's success is ensuring a robust culture of stakeholder engagement and strong relationships, particularly with the Government. Our **Power** cluster operated in a challenging environment this year in the wake of the Force Majeure declared by Terragen under the PPA and our coal operations being suspended for eight months in 2022.

These circumstances were unfortunate, as Terra and the CEB have been exceptional partners for over 20 years. With the decrease in coal prices, we finally reached an agreement with the CEB to resume operations as from 29 April 2023 in accordance with the PPA. Ultimately, we remain driven by the interests of the Mauritian population and look forward to continuing a strong working relationship with the CEB in the years ahead.

Chairman's Message (Cont'd)

Maintaining oversight through effective corporate governance

This year, we welcomed the appointment of two new Board members following the departure of two long-standing board members. In 2021, Alain Vallet sadly passed away. Alain was an outstanding Board member and a fantastic gentleman who contributed immense wisdom during his tenure as a non-executive Director. Margaret Wong Ping Lun retired at our 2022 Annual Meeting after serving as a non-executive Director for ten years. She was a competent and hard-working Chair of the Audit and Risk Committee, and we thank her for her contribution and wise counsel throughout her tenure.

In their places, we welcomed two new directors, namely Thierry de Labauve d'Arifat and Kalindee Ramdhonee, who joined the Board with effect from 11 November 2022. Kalindee took up the position of Chair of the Audit and Risk Committee. We look forward to their contributions and the energy they will bring to the Board.

This year, Terra also participated in the country's first Corporate Governance Scorecard Assessment, undertaken by the National Committee on Corporate Governance. This assessment follows the launch of the National Code of Corporate Governance for Mauritius. It aims to measure progress in corporate governance practices among listed companies across focus areas such as board effectiveness, stakeholder engagement, sustainability and more. Of the 21 companies that participated, Terra was ranked fourth. Pleasingly, we achieved scores above 75% in the areas of Governance, Remuneration, External Accountability and Shareholders' Meetings, demonstrating strong governance and oversight.

Another governance highlight during 2022 was carrying out an update on our Board Effectiveness Evaluation exercise, which we first conducted in 2020. The evaluation reviewed the performance of the Board committees and of its individual Directors to identify improvement and professional development areas. I am pleased to report that the evaluation outcomes were generally positive. Overall, the results give us confidence that we have the right culture and people in place to tackle the tough Board deliberations required in the face of challenging and unpredictable times.

The Board remains focused on ensuring that Terra is managed responsibly and ethically, and we continually monitor the ethical standards we maintain as a Board and Group. This year, we launched a new ethics eModule on our e-Learning platform, which covers Terra's Code of Ethics and Conflict of Interest Policy. The eModule is mandatory for all permanent employees and all recruits as part of our employee induction process.

Outlook

At Terra, we recognise that talent is a critical driver of business performance. Fortunately, the Group is led by our competent Managing Director, Nicolas Maigrot, supported by a first-class management team who recognises the importance of attracting, developing, deploying and retaining talent and positioning Terra as an employer of choice. This is critical and will be a significant competitive advantage for Terra far into the future.

In the year ahead, we will use the outcomes of our employee engagement survey to identify areas of improvement supported by key actions and deliverables. We will conduct this survey every two years going forward. It will be an essential tool to assess our progress in creating an engaging and enabling workplace culture that supports talent retention and improved performance.

Partnerships and collaboration with all stakeholders will also remain important for the Group. As a Board, we will continue to emphasise stakeholder engagement and will ensure that we work alongside the management team to better serve the needs of Terra, our key stakeholders (including shareholders, investors and the Government) and the broader communities we operate in.

As we look ahead, we hope for a much more stable operating environment. However, we are wary that we have not yet seen the end of rising interest rates and their substantial impact on the cost of living. These conditions will likely affect profitability and our cash flow although the Group is not highly geared. Despite the challenges, I am confident that we have the right management structure, talent pool, people, attitude, and competencies to attain our financial, social and non-financial objectives.

The Board will remain close to the management team and ensure that they have the necessary resources to achieve the Group's short- to medium-term objectives while staying agile and responsive to change.



Appreciation

The merit for Terra's exceptional performance in 2022 must go to our highly competent management team and dedicated employees. Every employee demonstrated the ability, determination and passion to overcome what sometimes seemed insurmountable obstacles. You continue to raise the bar and exceed all expectations. I wish to convey to Nicolas, his team and all our staff and employees, the Board's heartfelt gratitude for all the achievements of the Group during such a challenging year.

I also wish to express my deepest gratitude to all our Board members and thank them for their guidance, valuable input and tireless best efforts. Yet again, they have gone beyond the call of duty, and Terra is most fortunate to have their skill, experience, and dedication.

I also wish to extend my deep appreciation to Terra's business partners and stakeholders, especially those within the Government of Mauritius, for their proactive collaboration throughout the year. Thank you for your efforts and willingness to engage with the Group for the benefit of the Mauritian population.

A special word of thanks to our shareholders who have supported us over the past years; we are glad that it was possible to return to a more appropriate level of dividend payment in 2022 after our remarkable results.

Together much has been achieved, from record results for the year to pursuing our longer-term strategies in a difficult economic environment.

Sincerely yours,



Alain Rey
Chairman of the Board

14 June 2023