STRATEGIC AGILITY & READINESS

STRATEGY

Group CEO's message | Business model | Operating environment | Strategy | Risk report

Our state of readiness is constantly evolving, always ready to adapt to the changing circumstances.

70 years: a new milestone

STÉPHANE ULCOQ
Group CEO

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Group CEO's message

70 YEARS: A NEW MILESTONE

LAST YEAR, UBP GROUP HAD WHAT YOU CALLED A 'BREAKTHROUGH' FINANCIAL YEAR. WAS THIS MOMENTUM PURSUED INTO FY 2023?

UBP Group delivered a satisfactory 15% increase in revenue and a turnaround performance in terms of net profit due to the exceptional goodwill impairment of Premix Ltd in FY 2022. Having said that, I would not characterise FY 2023 as a breakthrough year. The upsurge in imports, fuel, electricity and maintenance costs significantly impacted our core businesses locally, leading to escalated production costs and logistics expenses, and severely affecting our profit margins. However, our net result for the year benefitted from the reversal of provisions on staff-related costs, retirement benefit liabilities, inventories and expected credit losses during the last quarter of the financial year.

Our retail segment, for its part, saw a 7.9% increase in revenue but profitability suffered from reduced household income caused by inflation, while also contending with soaring operating expenses. The successive spikes in interest rates severely affected our borrowing and financing costs, which were particularly high following our recent investments in Premix, Drymix and FAST. Additionally, we incurred exceptional costs related to the due diligence process carried out for the acquisition of a group of companies in Reunion Island, which also drove down our bottom line.

As you know, UBP measures its achievements through the dual lens of its financial and non-financial performance. And although the Group's financial performance was not up to expectations, what we have achieved at the individual business level, and from a strategic standpoint, is noteworthy. Our core business locally led the way, driven in part by the consolidation of Premix Ltd (formerly Pre-Mixed Concrete Limited) as a subsidiary for the first full financial year and the acquisition of 100% of Flacq Associated Stonemasters Limited (FAST) in March 2023. Alongside this, we continued to invest heavily in training our people; we captured crucial expansion opportunities; and we innovated fiercely to improve our operational efficiency and deliver on our environmental commitments.

Not least of all is Gros Cailloux's return to profitability, marking a watershed in its story. The strong engagement of our teams injected new impetus and focus within the company, turning the business around after many years of losses, and confirming that UBP's core values - Engagement, Innovation and Integrity - are more than just words.

DOES UBP'S STRATEGY STILL HOLD TRUE, GIVEN THE COMPLEX AND VOLATILE ENVIRONMENT?

Although we are guided by a strategic vision, which sets a clear direction in which the Group is heading, strategic planning at UBP is not about having an immovable roadmap or fixed destination that must be followed under any circumstances. I believe this rigid approach would limit innovation and could lead to a failure to capture unexpected opportunities. In a world that is in constant flux, and especially in an industry that is cyclical and volatile in nature, the window of strategic opportunity is usually short. This is why we must have a dynamic and adaptive strategy that allows us to pivot to a new course of action when the situation warrants it. While we cannot fully eliminate external risk, we can increase our odds of success by focusing on the inner workings of our organisation. This means developing the agility and readiness to swiftly reconfigure processes, structures and resources for new circumstances.

Our increased shareholding in FAST to 100%, and our imminent acquisition of the group of companies in Reunion Island are two recent examples of the Group's preparedness to act decisively when unexpected opportunities arise.

Of course, this entails developing a good understanding of our operating environment; remaining close to our clients to understand their needs; having the right internal controls in place to model different scenarios and evaluate potential trade-offs; and having a culture of continuous learning that encourages us to grow from our successes and failures. These will all hold true, even when our strategic direction is called upon to shift.

WHAT WERE THE MAIN OPERATIONAL HIGHLIGHTS OF THE YEAR?

I would first like to make a distinction between our 'Grey cluster' - UBP, Premix and Drymix (our Core Business) - and the other two segments, represented by Espace Maison (Retail) and Gros Cailloux (Leisure & Agriculture). With the integration of Premix in October 2021, the 'Grey cluster' was solidified as a one-stop solutions provider able to respond to any construction need, with UBP's blocks, aggregates, rocksand and other concrete products like paving-blocks, roof tiles, pipes and slabs; Drymix's ready-to-use dry mortar and ISO-certified lab; and Premix's range of ready-mixed concrete. A strategy is being developed to promote the cross-selling of products, bring the teams closer together and position the 'Grey cluster'-UBP, Premix and Drymix (our Core Business) – as an integrated business.

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Unlike the retail business, the price of building materials, in particular cement, tends to be inelastic. Due to this, as well as our reluctance to pass on the higher production and operating costs to our customers, our margins took a severe hit. Even so, all three companies were profitable during the year and were the largest contributors to the Group's revenue increase. The strategic acquisition of FAST, which has already contributed Rs 36 million to Group revenue in FY 2023, is expected to drive further revenue and cost synergies between FAST and UBP St Julien, whose combined forces are poised to take their production capacities to a higher level.

Premix is undergoing a phase of transformation following the smooth transfer of management responsibilities from LafargeHolcim to UBP in FY 2022. Prior to our acquisition, Premix was virtually unknown to individual customers. We invested heavily in communication and marketing materials to give Premix more visibility and fuel brand awareness in a bid to position Premix as a strategic pillar for the Group. We also made considerable investments in new equipment and trucks to upgrade its fleet. Although our Capex investment rose as a result, they are a prerequisite to preparing Premix for an ambitious future.

Drymix delivered mixed results, on account of supply chain challenges and skyrocketing expenses. A deep-dive into the business, however, revealed certain areas of improvement. We took prompt action by appointing a new Production Manager to optimise the production process, and by implementing a new shift system to maximise the plant's production capacity. Improved coordination between our production, inventory and sales processes led to Drymix comfortably meeting its production target for the year.

Espace Maison had a very satisfactory year, in spite of a decrease in profitability. Excellent procurement and inventory management practices, coupled with continuous innovation in all areas, from product offerings to loyalty programmes, paid off. Espace Maison has made leaps and bounds in creating a seamless shopping experience across its retail network, ecommerce website and mobile applications, thanks, in large part, to its ability to harness data to gain valuable insights into customer behaviours and buying habits. It also placed greater emphasis on its people through a programme entitled 'How to make our people happy', aiming to combat the high employee attrition plaguing the retail industry.

Gros Cailloux's performance was boosted by favourable sugar prices, improved vegetable-growing and greenhouse activities, and the 'Enn Roupi Profi' challenge, which pushed for a return to profitability without relying on the sale of land. This challenge was taken up with great enthusiasm by Gros Cailloux's team through a series of well-coordinated actions and training sessions. The restaurant operations, which were previously ineffective and costly, were leased out to a third party, turning around the performance of Tekoma. Now better structured, with a dedicated manager for each cluster - agriculture, nursery, landscaping, and recreation & leisure - we are confident that this 'reset year' will serve as a springboard for Gros Cailloux's sustained growth.

HAS THE GROUP MADE ANY PROGRESS IN DIVESTING ITS FOREIGN SUBSIDIARIES? IS REGIONAL EXPANSION STILL PART OF THE STRATEGY?

Our regional expansion is in full swing and very much central to our growth strategy, even if it has changed course. We are still firm in our intent to dispose of both operations in Sri Lanka and Madagascar, but several factors have delayed our exit plan.

In Sri Lanka, we continued to operate in unfavourable circumstances: political instability prevailed, along with power cuts and shortages of commodities such as fuel. Furthermore, the prohibition on the import and use of explosives, which are vital for quarrying activities, has hindered our plans there. We are confident in our ability to maintain our operations in Sri Lanka until the country regains its footing, and until we find ourselves in the right conditions to resume our search for a suitable buyer.

In Madagascar, contrary to Sri Lanka, operations are at a standstill. We have been keeping our workforce on the payroll in the hope of being ready to resume activities upon securing a buyer. Having been unsuccessful in our endeavours due to the gloomy economic climate, we have embarked on a piecemeal exit, which entails the progressive liquidation of our stone-crushing activities. We have maintained our blasting activities for mining projects for the moment, but we expect to fully exit our Malagasy operation in the coming financial year.

Meanwhile, we expect to finalise the acquisition of the group of companies in Reunion Island in FY 2024, once all the conditions precedent will have been satisfied.

YOU MENTIONED THAT UBP'S INNOVATION CAPACITY HELPED TO ENHANCE OPERATIONAL EFFICIENCY. COULD YOU SHARE SOME KEY EXAMPLES OF THIS?

Indeed, we expanded the budget dedicated to Research & Development (R&D), which is opening up exciting avenues for cost savings, revenue synergies and substantial progress in our sustainability commitments. The Capitals Report (on pages 56 to 105) offers extensive details on these projects, so I will highlight only the most noteworthy innovations:

- At the Group level, we embarked on the modernisation of our IT systems, with the goal of centralising critical data from all businesses onto one core ERP, giving us end-to-end visibility into our processes. Premix and Drymix have already migrated to the new system, and the Group's other entities will follow suit in the coming years. An IT Committee was set up to steer this project.
- We successfully completed the automation of our St Julien plant using a system called SCADA, which is fully customised to our stone-crushing processes and specificities, and which provides real-time data for swift decision-making. The next step is to progressively roll out the system to all major production sites and eventually have every UBP site fully automated and digitalised.
- The Customer Care Center, which was set up in 2022 to serve UBP, Premix and Drymix's clients, was further refined to improve the feedback mechanism. Of the customers who participated in the feedback survey, 100% of them rated our service as "Satisfactory" or "Very Satisfactory". Given the volume of queries coming in each day, we are extremely encouraged by these outcomes and aim to continue using our customers' valuable feedback to elevate our service levels.
- Espace Maison further enhanced its e-commerce website and mobile app with new functionalities based on the data and feedback gathered from customers. For instance, the Club Espace Maison's mobile app now includes a warranty tracker. All of these efforts led to a 30% increase in downloads, and the Club Espace Maison's customer base counts over 133,000 loyal members.

Naturally, any digital adoption goes hand in hand with adequate change management. Continuous training and upskilling are central to our ability to fully maximise the use of these systems. We spent close to Rs 8 million in training and development, a 20% increase over the previous year, to equip our workforce with the technical skills, knowledge and digital-first mindset needed for them to develop a state of readiness in the face of opportunities or challenges.

> "Our people are the driving force behind our success and developing our talents is at the centre of our priorities."

COULD YOU SHARE MORE ON HOW THE GROUP INTENDS TO STRENGTHEN THE 'READINESS' OF ITS WORKFORCE?

Our people are the driving force behind our success and developing our talents is at the centre of our priorities. This commitment is demonstrated in the launch of The Path, a comprehensive development programme designed to provide our employees with a meaningful career path, and not just a job. Each employee first undergoes a needs assessment. The findings of this assessment form the basis for a personalised development path that is not only in line with their individual career aspirations, but also aligned with the Group's strategic objectives, such as embedding service excellence and sustainability as a mindset. Training is delivered through several mediums to give employees every chance to learn, move into new roles within the Group, and hone their management and leadership skills.

One of the biggest threats to our industry relates to retaining and attracting talent. The construction industry has historically faced labour challenges due to common misconceptions, but this has escalated into an urgent need to fill the skills gap and replace an ageing workforce. This is a relatively new challenge for us, given that the family values that prevail at UBP have always been a strong differentiating factor for us as an employer. Several colleagues have had longstanding careers with the Group, marking 30, 40, and up to 49 years of service. We introduced the Long-Term Service Award to honour team members who have had at least 10 years of employment at UBP, which applied to 530 colleagues across our businesses and brought new meaning to the phrase 'Tough times don't last, tough people do'. On behalf of the Group, we are proud to have you as part of our work family. From the bottom of our hearts, we thank you for your loyalty and for the positive mark you have left.

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This is a track record we are proud of, and one we intend to perpetuate by continuing to stay attentive to our people's needs. We are also aware that to ensure the resilience of our business and industry, we must remain attuned to the expectations of the younger generation entering the workforce, such as wellbeing, work-life balance, digital tools and teamwork. These are already important components of our organisational culture, but we are committed to doing more to create a work environment where people find meaning and purpose in their work.

The Human Capital report on page 66 details how The Path and our People strategy are positioning the Group as an employer of choice.

WHAT PROGRESS IS UBP MAKING ON ITS ENVIRONMENTAL AND SOCIAL COMMITMENTS?

UBP has always been a strong advocate for sustainability, as I have previously highlighted. In FY 2023, we increased our sustainability training sixfold over the previous year to build up sustainable behaviours and environmental sensitivity at a grassroots level. We are far from being sustainability champions, but there has been a noticeable mindset and behavioural shift within the Group, whether in the areas of product development and risk management, or in the daily actions in our head office and across our sites.

Tackling climate change is arguably one of the most important issues of our time. Rising urbanisation patterns and infrastructure needs are leading to the widespread use of cement, which is a large contributor to global warming. Our strategy is centred on reducing the carbon intensity of our products. Drymix, in particular, exemplifies the Group's strong commitment to R&D in its quest for eco-friendly products. Every product, every formulation is carefully considered with sustainability and longevity in mind.

To take our initiatives even further, we carried out a double materiality assessment of the Group to evaluate how our activities impact society and the environment, and, in turn, how we are affected by sustainability issues. We intend to assess all Group entities individually through focus groups, and use those findings to craft an integrated sustainability strategy that addresses the most material matters.

The path to decarbonisation requires creative leadership and a firm resolve to act, but no company can bring about the necessary changes in isolation. We find ourselves in an increasingly complex regulatory environment, and while we fully welcome new frameworks and norms to regulate the construction industry, some are not delivering the intended outcome due to a lack of coordination between stakeholders. As a founding member of the BMMA (Building Materials Manufacturers Association), we strongly believe in collaboration at the industry level to drive more impactful change. The development of Mauritian norms and standards for concrete blocks in 2023 is a powerful illustration of effective coordination between players in our sector and regulators to set new standards for the sustainability of the industry.

Our social commitments extend not only to our external communities, but also internally, to our workforce. True to our word, we have worked hard to reinforce our Health & Safety (HSE) practices. Each entity has its own full-time dedicated HSE officer, responsible for enforcing a culture of safety on all our sites. This includes not only installing guardrails and protective equipment, but also focusing on more preventative measures, such as medical checkups, regular site inspections and a competency test during the hiring process to stay one step ahead of HSE risks.

We strive to extend this same degree of care and empathy to our communities. We have nurtured strong ties with NGOs and community members over the years, collaborating with them to tackle deep-rooted issues such as social inclusion and education, which are two pillars for societal progress. Beyond our in-house CSR programme, we also contribute to Fondation Joseph Lagesse's Empowerment, Literacy and Rapid Response programmes, which are also aligned with the United Nations Sustainable Development Goals.

HOW IS FY 2024 LOOKING FOR THE GROUP?

The outlook looks promising. Two months into the new financial year, the companies in our 'Grey cluster' have already outperformed the corresponding period last year. We are now focusing on the following priorities:

- Prepare for the integration of the Reunion Island group of companies into UBP Group. Our governance, executive and organisational structures are being reviewed to better support our growing activities and ensure a smooth transition.
- Execute our one-stop strategy for the 'Grey cluster'. We have embarked on a programme to bring more cohesion and alignment between the teams, and ensure an integrated service across UBP, Drymix and Premix. The programme will then be deployed at Espace Maison and Gros Cailloux, with the aim of positioning UBP Group as a partner of choice for any construction or renovation project.

- Building on the success of the St Julien plant, we are targeting the automation of at least two additional plants in FY 2023.

DO YOU HAVE ANY FINAL THOUGHTS TO SHARE WITH UBP'S STAKEHOLDERS?

My optimism and confidence for the future come from our ability to constantly challenge ourselves, look at new ways to improve, and never rest on our laurels. For instance, we used this year's adversities as stepping stones to improve our financial and operational efficiency. Looking back at UBP's 70 years of existence, I am reminded of the many instances in which the Group used adversity as a positive accelerant for change. In the 1960s, following the effects of Cyclone Carole, UBP became the first to industrialise the process of block-making. In 2004, UBP pivoted its activities into the production of rocksand to support the country's construction needs. This was a necessary shift to prevent coastal erosion and protect our marine ecosystems, on which we are highly dependent for tourism.

When I joined the Group as an Assistant Works Manager back in 2000, UBP was a very different company. From a traditional building materials company, UBP has evolved time and time again to meet the needs of customers, growing into a Group of five standalone companies, each with its own value proposition and identity, and even stronger collectively. Today, UBP-branded blocks and our Premix signature mixer trucks are instantly recognised by Mauritians across the country, reminding us that UBP is deeply anchored in the local landscape. Our growth has been in tandem with the unfolding of the Mauritian story. This is a source of great pride and strength for us.

For us, celebrating the 70th anniversary of UBP is a celebration of the many people who have stood by our side along this journey, and who have been directly or indirectly involved in our growth. Our employees, who have worked tirelessly, through triumphs and setbacks, have shaped UBP into the leading company we are today. They are the heartbeat of UBP. As we celebrate this milestone together, through a series of activities and events, we wish to pay tribute to the heroes, even those no longer with us, who have made these 70 years nothing short of extraordinary. None of this would have been possible without our partners and customers, whose faith in us has always pushed us to achieve what seemed impossible; or without the oversight of our highly engaged and dedicated Board of Directors. It is even more gratifying to celebrate this milestone as the future for UBP looks bright.

On this note, I would like to thank the men and women who make up the UBP family. A special token of appreciation goes out to the team members who played a part in the spectacular turnaround of Gros Cailloux. I have been beyond impressed by the engagement of our teams, as well as the strong sense of belonging and unity that is instilled in our organisation.

Thank you to our Board members for their stewardship and for setting high standards of governance that will be critical to our growth plans. I also extend my gratitude to our customers, partners and shareholders, who continue to offer us their unwavering support.

Having come this far over the course of 70 years, let us turn eagerly to the years that lie ahead, which promise to be equally exciting and rewarding.

Stéphane Ulcoq
Group CEO

> **"Our growth has been in tandem with the unfolding of the Mauritian story. This is a source of great pride and strength for us."**

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Business model

Business lines composed heavily of “Trades” are at the heart of UBP Group and are fundamental to the success of our business model. While multiple business lines work synergistically within each of the companies of the Group, we have chosen to highlight the most significant ones that drive our value creation.

Capital definitions

Natural Capital
Inventory of renewable and non-renewable environmental resources and processes including land, minerals, air, water and biodiversity that provide natural resource inputs and environmental services for economic production.

Human Capital
People’s individual and collective competencies, capabilities and experience, and their motivation and capacity to innovate and be productive.

Manufactured Capital
Manufactured physical assets, including buildings and infrastructure, which may be purchased from other entities or internally generated for use in the provision of services.

Intellectual Capital
Organisational, knowledge-based intangibles including intellectual property, trademarks and organisational capital like tacit knowledge, systems and protocols.

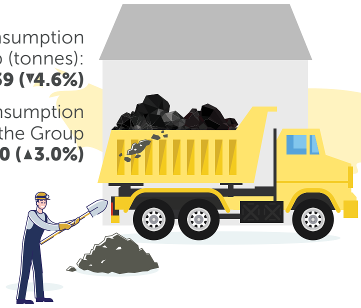
Social Capital
The institutions and relationships within and between organisations, communities, groups of shareholders and other networks. This includes key stakeholder relationships and intangibles associated with our reputation and brand, social norms and values.

Financial Capital
The monetary resources necessary and available to a business to produce and offer goods and services.

Inputs

Natural gas consumption across the Group (tonnes): **339 (▼4.6%)**

Diesel consumption across the Group (million litres): **4.0 (▲3.0%)**



Training investment (Rs million): **7.9 (▲19.9 %)**

Investment and Acquisitions
Property, plant and equipment
Capex investment:
UBP: **Rs 437.7 million**
Premix: **Rs 41.7 million**
Drymix: **Rs 20.1 million**
Espace Maison: **Rs 36.0 million**
Gros Cailloux: **Rs 22.1 million**

Cement consumption (tonnes): **113,000 (▲16.8%)**

Boulders crushed (tonnes): **▲0.82%**

12 IT Group Team members

Additional members in Club Espace Maison: **▲18,341**

Land under cultivation (ha):
Food crops: **▲14.2%**
Sugarcane: **▲6.9%**
Nursery: **▲25%**

Fertilisers (tonnes/ha): **▼18.8%**
Herbicides (tonnes/ha): **Same as FY 2022**
Pesticides (tonnes/ha): **▲11.90%**

Property, plant and equipment: **Rs 4.9 billion**
Total assets: **Rs 7.7 billion**
Payment to suppliers: **Rs 3.4 billion**

Outputs

Outcomes

Emissions per 100mm block ($KgCO_{2e}$): **1.02**
Emissions per 150mm block ($KgCO_{2e}$): **1.34**
Emissions per 200 mm block ($KgCO_{2e}$): **1.64**
Number of air quality monitoring exercises across UBP production sites: **10**
Number of noise monitoring exercises across UBP production sites: **43**

Landscapes created (Rs. million): **30.5 (▲18.2%)**

Number of public charging stations installed for electric vehicles: **3**

Number of energy audit carried out: **4**

- Integration of sustainability into Group and employee culture
- Initiation of carbon footprint assessment process
- Continuing energy transition
- Mainstreaming circularity
- Climate change action
- Potential negative impacts in terms of waste generation, energy demand and water resource consumption

Total workforce in Mauritius: **1,537**

Number of employees trained: **1,195**

Accident severity rate: **0.2**

Development and Sustainability (headcount): **1**

Training/awareness sessions provided on Sustainability (hours): **146 (>600%)**

Training hours provided: **2,203**

- Succession planning
- Strategic training for employee and organisational agility
- Fostering organisation resilience within a demographic and legal framework
- Innovation to stimulate employee wellbeing

Aggregate sold (tonnes): **▲4,4%**
Blocks sold (units): **▼7.4%**

Smart blocks sold (units): **▼35.4%**
Precast slabs (m^2): **▼14.7%**
Beams (m^2): **>1,000%**
Ready mixed concrete sold (tonnes): **▲7.8%**

Dry mortar sold (tonnes): **▲3.3%**
Vegetables produced (tonnes): **▲18%**
Plants sold (units): **▲10.3%**

Landscapes created (Rs. million): **▲18.2%**

- Proactive optimisation of operational efficiency
- Collaborative resource utilisation
- Streamlining of processes and teams
- Leveraging current assets
- Integration of ecological considerations into materials
- Efficiency gains through the digitalisation of asset management
- Increased employment for Mauritians

New trademark registration: **1**
New product certification: **1**
New IT process: **1**

Ongoing Research and Development projects **> 10**

Academic partner: **1**

Number of website visitors:
UBP: **309,242**
Espace Maison: **410,000**

Social media likes and followers:

Facebook

UBP: **32,479** likes and **33,788** followers
Premix: **8,233** likes and **9,300** followers
Drymix : **8,320** likes and **8,700** followers
Espace Maison: **117,000** likes and **123,100** followers
Gros Cailloux: **32,000** likes and **34,000** followers

TikTok

Gros Cailloux: **29,800** likes and **9,859** followers
"Espace Jardin" by Gros Cailloux: **13,400** likes and **5,136** followers

Instagram

Gros Cailloux: **1,964** followers

- Innovation for centralising business processes and enhanced process efficiency
- Ensuring added-value for stakeholders
- Synchronising IT systems
- Preserving proprietary knowledge
- Digitalisation of processes
- Countering cybersecurity leading to potential losses in agility

Customer Care Centre calls received:
UBP: **10,612 (78%)**
Premix: **1,261 calls (9%)**
Drymix: **161 calls (1%)**
Others: **1,549 (12%)**

CSR spent on ongoing projects: **Rs. 1.0 million**

CSR spent on new projects: **Rs. 1.0 million**
CSR expenditure per theme:
Education: **29%.**
Socio-economic development: **44%**,

Environment: **7%**
Exclusion: **20%**
Extra Sponsorship: **Rs 2.0 million**

Extra sponsorship per focus area:
Education: **6%**
Sports: **31%**
Poverty: **7%**
Culture: **21%**
Society: **15%**
Sustainable Development: **20%**

- Integration of Group within communities through customer care and relationship-building
- Adapting to changing consumer patterns
- Enhanced Customer Satisfaction and Loyalty

Rs 672 million	Rs 1.4 billion	Rs 800.2 million	Nil
Cash generated from operations	Total wealth created	Salaries and other benefits paid	Dividends paid

STRATEGY

Our operating environment

The international context

The global economic context followed a recessive or stagnant trend in 2023, mainly due to rising energy costs and interest rates. While household demand for new housing has contracted in OECD countries, the construction sector nevertheless maintains itself there, thanks to the backlog of infrastructure projects put on hold during the pandemic. As a result, the global demand for cement is still expected to grow by around 6% per year over the next five years (source: IMARC), driven by rapid urbanisation and public infrastructure upgrades in emerging economies. In fact, most governments have been supportive of major infrastructure projects as a means to boost their economy's productive potential, promote post-Covid economic recovery, or initiate climate change adaptation initiatives. Although the challenges related to access to raw materials (freight unavailability, energy costs and the Ukraine conflict, amongst others) are unlikely to dissipate in the coming years, the upward pressure they placed on prices should somewhat ease, without returning to pre-Covid levels. These contextual elements apply equally to all markets in the Indian Ocean region.

Other constants are emerging in the construction sector, affecting various markets to varying degrees. Once again, Mauritius has not been spared by these challenges. The following constraints are now considered in our approach to business development and risk management:

- Shortages of skilled labour, with the potential to extend the duration and cost of certain projects.

- The emergence of a fundamental trend for renovation or climate change adaptation projects, necessitating compliance with stricter environmental standards, including energy efficiency. With construction projects increasingly required to minimise their environmental impact, supply chains must be redesigned to significantly reduce the carbon footprint of materials.

- A real increase in solvency risks among contractors, as they are affected by the following:

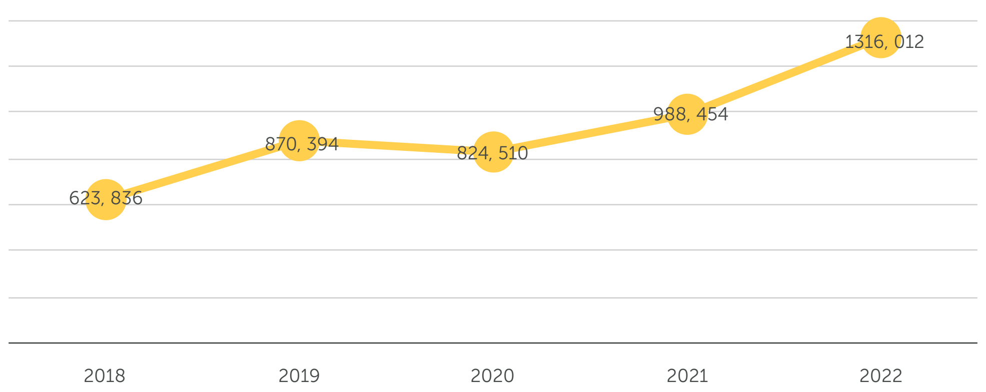
- A contraction of their margins due to the rise in the cost of raw materials and construction materials (especially for companies in the residential sector);
- Extension of payment delays, especially for projects related to public orders or development projects, thereby exacerbating their financial burdens.

In summary, the past few years have significantly transformed the commercial landscape of the construction sector. Suppliers operating in this market have not displayed sufficient agility to adjust their margins or discount practices, putting profitability under strain despite growing demand. Consequently, at the international level, the construction sector portrays a profile characterised by both a strong dependence on credit and an escalation of credit risk.

The Mauritian context

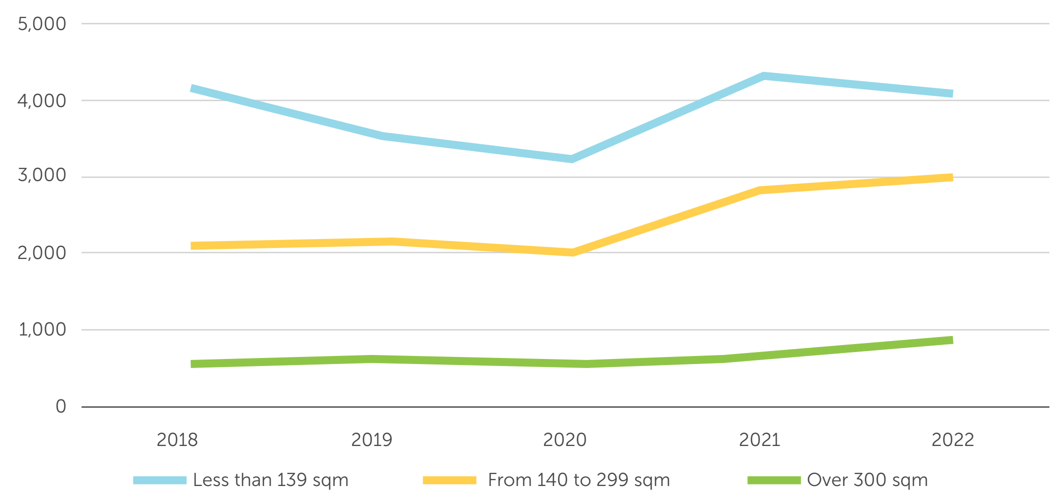
These international characteristics are also evident on a local level.
An indicator of the vitality of the construction sector in Mauritius is reflected in the trajectory of Portland cement imports, a crucial input for concrete production, which reached an unprecedented volume in 2022.

IMPORTS OF TONNES OF PORTLAND CEMENT IN MAURITIUS (SOURCE: MCCI)



At the same time, this information should not overshadow the rampant inflation affecting the construction sector in Mauritius. After a long period of relative price stability between 2014 and 2020, the construction price index has increased by about 26% over the past three years, according to Statistics Mauritius, largely driven by the rise in iron, metal fittings, labour, and joinery costs. While this reality appears to moderately impact the market for new housing construction, it is essential to remain vigilant about market trends and carefully monitor their evolution. Nevertheless, a record number of 7,891 construction permits were issued in 2022, equivalent to a built area of 1.485 million square metres, with over 12% of residences exceeding 300 square metres. The segment of larger residences appears to be resilient to the pricing context.

NUMBER OF PERMITS FOR RESIDENTIAL BUILDINGS



However, the slowdown in the small residential construction market may be confirmed, especially since inflation is increasing borrowing pressures, while interest rates are on the rise. This may prompt individuals to adopt new strategies, such as buying in the old real estate market, opting for temporary rentals while waiting for more favourable times, or exploring alternative construction materials or techniques through DIY ("Do It Yourself").

Against this backdrop, UBP Group recognises the need to remain agile and ready to be able to thrive in an era where volatility and constant change are the norm in our business environment.

Strategy

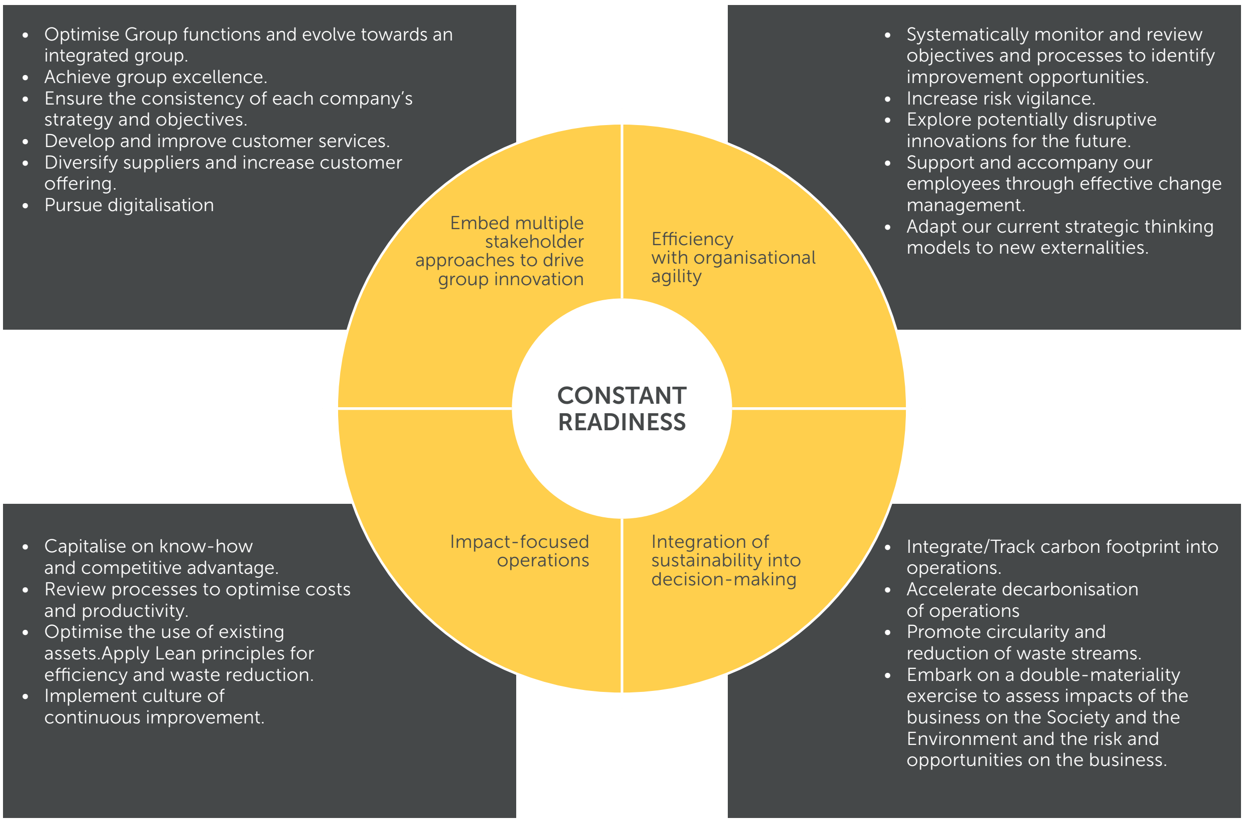
Our strategic vision: to be ever evolving and constantly ready

For the past 70 years, UBP has aspired to bring positive changes and contributions to the insular context in which it operates.

The understanding of what constitutes a 'positive contribution' has evolved over the last decades and at an accelerated pace in this world in flux. The most effective response to this changing state of affairs is to be in a state of constant readiness. This has defined our transformative journey this year, during which we strived to retain a dynamic balance within our organisation and its operations. Thus, we continue to remain focused on the strategic priorities defined over the past years.

At the heart of our strategic vision lies an agile and dynamic organisation, constantly evolving to meet the demands of an ever-changing landscape. Four strategic pillars drive UBP Group towards transformation, foster resilience and growth across its activities, and address the diverse needs and interests of its stakeholders across its operations as an integrated Group:

- Coordinating innovative strategies for stakeholder value synergies
- Improve efficiency within an adaptive framework for constant change
- Develop impact-focused operations
- Integrate sustainability into decision-making



ADDRESSING OPPORTUNITIES AND CHALLENGES THROUGH READINESS

Throughout the year, the Group exercised its state of constant readiness to overcome challenges and seize opportunities. 'State of readiness' depicts the organisation's level of preparedness to navigate the dynamic business and global landscape, while also achieving its objectives and maintaining sustainability. The organisation can be defined as being in a state of readiness when it meets a combination of several indicators:

- **Strategic alignment:** aligning business goals, strategies, and resources with the organisation's vision and adapting to market changes.
- **Operational flexibility:** swiftly adjusting processes to changing circumstances, while maintaining efficiency.
- **Resource optimisation:** efficiently using human, financial, and technological resources for productivity and resilience.
- **Workforce capability:** employees and management stand ready for change, innovation, and skill development.
- **Crisis management:** robust crisis plans in place, enabling swift decision-making and prompt action during emergencies.
- **Financial resilience:** stable finances, risk management, and economic challenge readiness.
- **Technological preparedness:** integrating technological and digital strategies for leaner and more enhanced operations.
- **Supply chain readiness:** adapting supply chain for disruptions, ensuring consistent delivery.
- **Adaptable regulatory compliance:** ability to evolve with changing regulatory landscapes and remain highly compliant, while mitigating legal and reputational risks.
- **Stakeholder engagement:** effective and transparent communication and engagement with stakeholders.
- **Opportunity and risk identification:** consistently identifying growth opportunities and risks for informed decisions.

STRATEGY

Risk report

The Group's operational environment is constantly changing, exposing the business to a range of external, operational, and financial risks.

The responsibilities with regards to risks are clearly defined for all entities within the Group such that Risk Owners are accountable for Risk Management under the supervision of the Group Risk Management Function.

Risk Management Framework

An Enterprise Risk Management ('ERM') framework and a Business Continuity Management ('BCM') plan were implemented within the Group in 2016 in order to fully identify, measure, assess and mitigate our exposure to risks.

The Group's strategic objectives were defined and the risk appetite was determined for each of these objectives based on a Group-wide approach, considering risks across all departments, functions, and activities. In view of the continuously evolving environment, the strategic objectives and risk appetite must be reviewed regularly.

RISK HIERARCHY

BOARD
Approve and maintain the Risk Management Policy.
Set and review the Risk Appetite on a periodic basis.
Maintain oversight of the Risk Management Framework.

AUDIT AND RISK COMMITTEE
Review risk reports and monitor effectiveness of risk management.
Report to the Board on risks and controls.
Discuss with the Board the status of mitigating action plan performance against the set risk appetite.

CHIEF RISK OFFICER
Review and approve risk reviews.
Approve appropriate actions to bring organisational risks within tolerance level.
Report to the Audit and Risk Committee on key risk/control indicators.

DEPARTMENT HEADS (RISK OWNERS)
Attend periodic meetings to discuss risk management reports.
Maintain oversight of their respective risk/control owners.

ACTION & CONTROL OWNERS
Identify and assess new risks and update the ERM framework.
Reassess the existing risks and send for approval.
Update the ERM framework on controls performed at the pre-defined frequencies.
Remediate control failures

3rd Line of Defence

GROUP INTERNAL AUDIT
Carry out internal audits on a risk basis.
Provide assurance on adequacy of controls across specific risk areas (including risk management).

1st Line of Defence

RISK & COMPLIANCE OFFICER
Implementation of the risk management framework

2nd Line of Defence

Risk Management Process

There are three stages in the Risk Management process, namely:

i) **Risk identification and assessment:** Risks are identified and rated based on their likelihood and impact.
ii) **Risk mitigation:** Management establishes procedures and/or controls to reduce the likelihood and impact of major risks.
iii) **Monitoring and reporting:** The procedures and/or controls are regularly monitored. Updates on risk mitigation measures, controls, and total risk exposure are communicated to the Audit and Risk Committee, which in turn reports to the Board.

Following the implementation of the ERM, a risk monitoring exercise was initially undertaken by Messrs BDO & Co in view of monitoring and reporting the key risks across the Group. Further to the control assessment, a report was submitted to the Risk Monitoring Committee (now 'Audit and Risk Committee') on three types of risks, namely operational risks, strategic risks and emerging risks. Focusing on the opportunities and risks in our evolving operational landscape, this exercise has since been pursued continuously by our Risk and Compliance Officer.

An essential component of the Risk Management process is the transfer of risks via insurance covers and the continuous improvement of our internal control system.

The key risk categories relevant to the Group remain as follows:

Strategic Risks
Risks associated with uncertainties and opportunities embedded in the Group's strategic plan and the manner in which they are executed.

People Risks
Risks associated with the recruitment and retirement of employees, on-going talent management, succession planning, relations with trade unions and regulatory bodies, and staff disciplinary issues.

Health and Safety Risks
Risks associated with all events that can cause serious injury and harm to the Group's workforce and customers.

Legal Risks
Risks linked to the legislations and regulations surrounding the operations and functioning of the Group (E.g. Competition laws, the Workers' Rights Act, Environment Protection Act, Data Protection Act, Occupational Health and Safety Act and the Code of Corporate Governance).

Operational Risks
Risk of loss resulting from inadequate or failed internal processes and procedures, human error or system failure or from external events. They include all processes and sub processes from the time the raw materials are extracted and the manufacturing process, up to the point of receipt by customers.

Financial Risks
Risks linked to liquidity, interest rates, foreign currency exchange rates, capital structure and profitability.

Technology Risks
Risks that hardware and software are not operating as intended, thereby compromising the integrity and reliability of data and information and exposing significant assets to potential loss or misuse or exposing the Group's ability to maintain a high standard in its main business processes. They include all IT and telephony systems and the use of latest technologically-prone equipment.

Business Environment and Market Risks
Risks relating to macroeconomic evolution, politics, foreign investments, and climatic conditions that are outside our control.

Marketing and Customer Risks
Risks associated with maintaining the quality and reputation of our branded products and innovation in our offer to customers.

STRATEGY

Risk report

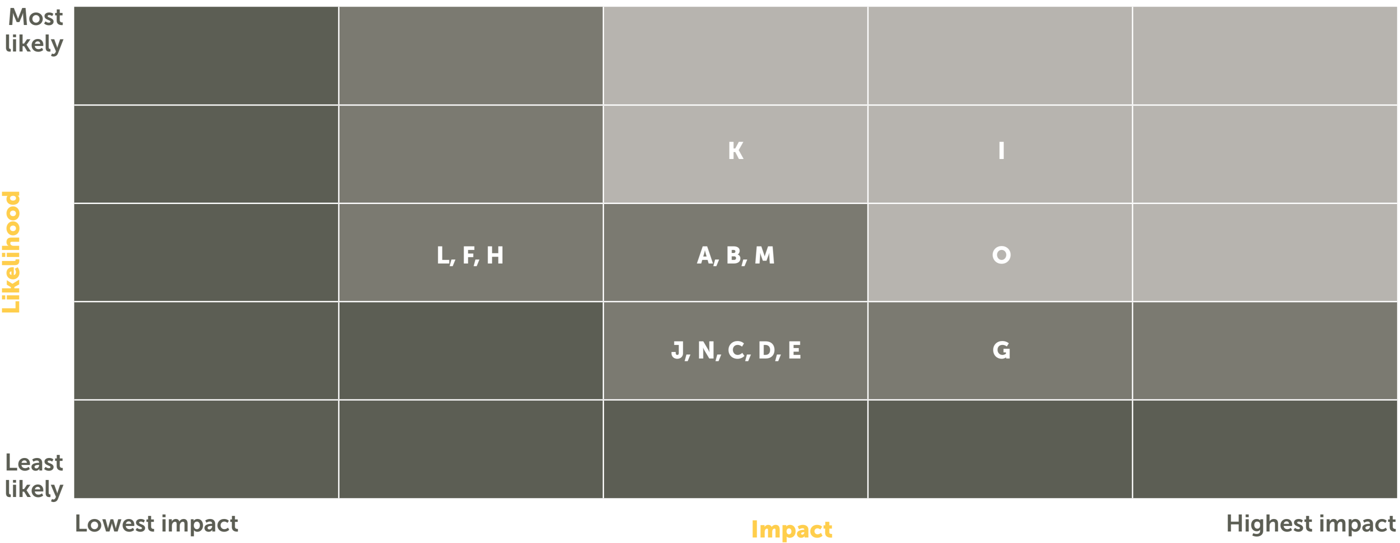
Group Risk Heat Map

In 2023, a thorough review and analysis of the Group Risk Heat map was performed and submitted to the Audit and Risk Committee and the Board for review.

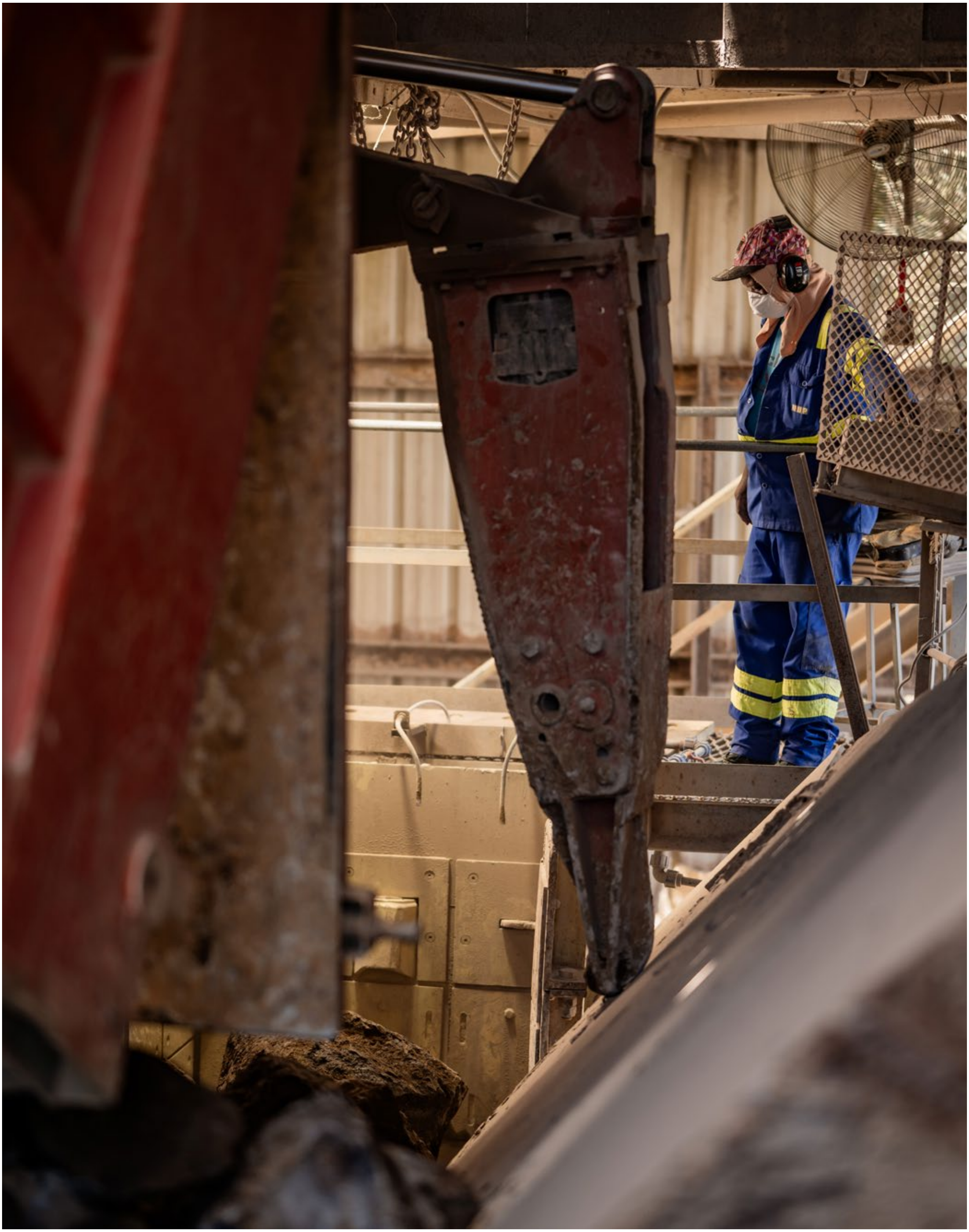
Risks are assessed in terms of their likelihood and impact. Likelihood is based on qualitative estimates of frequency of the risks occurring, whereas impact is based on a set of financial criteria and other factors like human resources, operations, and market.

The likelihood and impact of each risk before mitigating controls (also referred to as 'inherent risk score') were determined with their respective Risk Owners. Following the assessment of the effectiveness of the existing mitigating controls, the amount of risk remaining (or 'residual risk score') was then established.

The following heat map provides an overview of the risks that are within the Key Risk Categories described above and having medium or high residual risk scores:



A	*Foreign exchange risk*	**I**	*Inadequate monitoring of staff performance/productivity risk*
B	*Supply chain disruption risk*	**J**	*Failure to recruit and retain appropriate staff risk*
C	*Credit (default) risk*	**K**	*Disruption in production cycle due to external factors risk*
D	*Customer concentration risk*	**L**	*Delays in production and inability to meet customer demands risk*
E	*Competition risk*	**M**	*Cyberthreat risk*
F	*Environmental risk*	**N**	*Failure to keep up with latest information technology developments risk*
G	*Health and safety risk*	**O**	*Poor monitoring of overseas investment risk*
H	*Inadequate succession planning risk*		



STRATEGY

Risk report

Risk Monitoring

The monitoring of the mitigating actions of the key risks to the Group is discussed below.

Risk identification and assessment

Risk identification	Risk assessment	
People Risks: The risk that the Group will not be able to find, hire, and keep talented employees. *Inadequate succession planning risk (H)* *Inadequate monitoring of staff performance/ productivity risk (I)* *Failure to recruit and retain appropriate staff risk (J)*	Unavoidably, demographic changes will result in fierce competition for talents, even more quickly than planned. This also translates into the risk that candidates might be lacking in experience and skill sets required for key roles. There is also the risk that staff performance is not adequately monitored due to insufficient information on their performance/productivity.	
Health & Safety Risks: The risk that the Group will not take enough precautions to prevent harm to its personnel, subcontractors and third parties during on-site and off-site business-related operations. *Health and Safety risk (G)*	Such a risk includes the possibility of injury, illness, or death of our employees as well as reputational damage for the Group that altogether may lead to the possibility of business interruption. This also includes the risk that our personnel are not properly trained and that employees do not adequately follow policies and Standard Operating Procedures.	
Legal Risks: The risk that laws and rules governing business conduct, such as those that address bribery, corruption, fraud, unfair competition, and illegal use of personal data, are not respected. It also includes costs associated with investigations, financial penalties, and reputational harm.	***Breach of Data Protection Act 2017*** The regulation protects the privacy and rights of individuals regarding their personal data.	

Risk monitoring and reporting

	Completed	Ongoing
	• Standard Operating Procedures have been updated based on business exigencies or feedback from stakeholders.	• A Performance Management System is being implemented to reward employees based on the achievement of short-term and long-term objectives. • A training plan is deployed to employees based on their needs and requirements. • Relationships with trade union are managed closely. • Welfare incentives and activities are undertaken to increase employee engagement.
	• Additional Health and Safety Officers have been recruited during the year. Officers are now closer to employees and more regular visits are undertaken.	• Health and Safety audits are conducted regularly to ensure compliance with Health and Safety standards. • Training sessions are held on a recurring basis by both external services and our Health and Safety department.
	• A Data Protection Management Programme ('DPMP') in line with prevailing laws has been devised at the level of the Company in view of safeguarding the personal data of data subjects. • The implementation of a customer's consent form to allow cross-selling amongst entities of the Group.	• The implementation of the DPMP within the subsidiaries of the Group is underway.

STRATEGY

Risk report

Risk identification and assessment

Risk identification	Risk assessment	
Legal Risks (Continued):	***Compliance with all laws and regulations*** Lack of compliance with the evolving standards and regulatory landscape may lead to fines and penalties which could be detrimental to the reputation of the Group.	
Operational Risks: The risk of increased vulnerability to damage resulting from incidents disrupting the business operations. ***Disruption in production cycle due to external factors risk (K)*** ***Delays in production and inability to meet customer demands risk (L)***	External events (such as cyclones and flash floods) can also impede operational activities because of their temporary suspension. The negative impacts (financial, reputational, health and safety, security) of events may require the invocation of the Business Continuity Management Plan due to actual or potential interruption of business operations.	
Financial Risks: The risk that the Company may incur losses and be unable to meet its strategic goals if it fails to successfully identify market opportunities or carry out acquisitions, mergers, or divestments. ***Poor monitoring of overseas investment risk (O)***	There is a risk that acquisitions do not meet the expected results. There is also uncertainty over the achievement of the expected synergies and the integration of the newly acquired entities in our operating model, structure, and governance.	
Technological Risks: The risk that important information technology systems become unavailable, and that data is lost or altered because of computer virus, cyberattack, network and infrastructure failures, natural catastrophes, or human error. ***Cyberthreat risk (M)*** ***Failure to keep up with latest information technology developments risk (N)***	An information technology or cybersecurity incident may result in monetary loss, harm to one's reputation, safety concerns, or environmental effects.	

Risk monitoring and reporting

	Completed	Ongoing
		• We keep ourselves up to date with the latest laws and regulations. • We regularly communicate with the relevant employees about new legislations and their impact on the Group's operations whenever required. • We conduct compliance audits for all entities within the Group.
	• Business Continuity Management Plans have been elaborated in case of incidents that could lead to business disruptions.	• The Group subscribes to insurance policies to mitigate the financial impact of business interruptions due to external factors.
		• We monitor the performance of newly acquired entities (Premix and FAST) and overseas subsidiaries. • We assess and explore synergistic opportunities between entities of the Group.
	• Two separate VLANs have been implemented for management staff and human resource staffs. • A software was implemented for cybersecurity resilience. • The implementation of information technology policies is pursued throughout the Group. • Servers have been relocated to a remote site.	• We undertake preventive, detective and responsive cybersecurity checks. • We constantly monitor our network traffic for any suspicious activity. • A digital strategy roadmap has been put into place. • Financial resources are deployed to enhance information technology security.

STRATEGY

Risk report

Risk identification and assessment

Risk identification	Risk assessment
Business environment and Market Risks: The risk that the economic environment can significantly change and have an influence on demand for construction and building materials. This also encompasses political risk, which is the risk of financial, market or personnel loss occurring because of political decisions or disruptions. Political risk is also referred to as 'Geopolitical risk.'	Fundamentally, the growth (or degrowth) of the economy determines the demand for building materials. Sales volumes, selling prices and/or industry structure may all be impacted by changes in underlying demand. The Group has operations across borders and is exposed, either directly or indirectly, to the consequences of economic, political, and social instability, including currency volatility, turmoil, terrorism, civil war, and unrest. As part of the mitigating measures, the monetary policy committee has increased the repo rate which has caused a significant increase in financial charges for the year under review. More details can be found in the financial risk management section of this report.
Foreign exchange risk (A)	The Group has transactional currency exposures. The global stagflation and ongoing war between Russia and Ukraine have exacerbated foreign exchange volatility.
Supply chain disruption risk (B)	Political instability (economic and social) can impact our business environment and activities. A change in government or greater political pressure, civil unrest, and internal or external conflicts and tensions could have a direct (such as security repercussions) or an indirect (such as economic uncertainty) impact on our operations. It could also make us more vulnerable to a wide range of dangers, such as the availability of raw materials and compliance issues.
Credit (default) risk (C)	Bad debts impact the Company's ability to meet its financial obligations and distribute dividends.

Risk monitoring and reporting

	Completed	Ongoing
	• The Group has over the years diversified and expanded its activities.	• The Group has a (i) Business Development Function as well as a (ii) Research and Development professional that are responsible for the development of new market avenues. • A customer hotline was launched last year to help improve product knowledge and customer service. • Key macro economic indicators such as interest and inflation rates are continuously monitored. • Cost-cutting measures are implemented across all operations. • Cash flows and budgets are managed strictly. • At the Group level, we regularly analyse and track the political landscape to spot and foresee any unfavorable developments. • We are planning to dispose of our interests in Sri Lanka and Madagascar due to the unstable political situation prevailing in these countries. • We monitor the evolution of currency movements.
		• A list of alternative suppliers is regularly updated to ensure that there is no disruption in the supply of goods and services. • Due diligence of suppliers is performed systematically.
	• Reinforced credit assessment procedures for new credit requests.	• We constantly monitor our debtors to identify any risk of default as early as possible by reviewing their financial performance, and the contracts they have in hand, and ensuring a continuous line of communication.

STRATEGY

Risk report

Risk identification and assessment

Risk identification	Risk assessment	
Customer concentration risk (D)	The loss of key customers can have an adverse impact on the Group's revenue and profitability. A diversification of the customers portfolio mitigates the risk arising from the loss of a major customer.	
Competition risk (E)	The entry of new competitors or an increase in the market share of existing competitors would impact on the Group's revenue and overall profitability.	
Environmental risk (F)	Non-compliance with environmental standards could lead to fines and negatively impact our brand and reputation. ***Climate change impacts*** Due to climate change, there is a risk that operations will get increasingly impeded due to extreme climatic conditions that could lead to economic losses.	
Sustainability risks	Inadequate governance, environmental and social performance may lead to penalties, disputes in the areas where we operate, severe commercial interruptions, and possibly the closing of a plant. Additionally, it may affect our license to operate and limit our access to fresh resources.	

Way forward

As we are committed to strengthening and adjusting our process with each exercise, we are redesigning our risk assessment and scoring methodology. The new scoring process will provide us with new insights and enable us to address those areas which require the most attention.

Risk monitoring and reporting

	Completed	Ongoing
		• The credit status of the top clients of the Group is monitored on a weekly basis. • We continually strive to build trust with our existing customers and take their changing needs into consideration when developing our new services and products. • Strategic discussions are held at management and Board levels to analyse customer/market trends and competition. • Our Research and Development team is engaged in product innovation. • Our Communication department regularly conducts surveys. • A continuous monitoring of our environmental performance is done to ensure compliance with local norms and regulations. • Assessing solutions to enable it to be more climate resilient. Such solutions may include heightened connectivity and synergy (e.g. one subsidiary helping another store or utilising unused material).
	More details are available in Natural Capital Section of this report.	• The decarbonisation of our value chain is underway. • Renewable energy projects are being pursued. • Global Sustainability standards are being embraced.