












# OUR OPERATING Environment

Much like the rest of the world, our country and Group's financial year 2020 was dominated by the direct and indirect impacts of COVID-19. As an organisation operating in five distinct industries, our businesses were exposed to a host of challenging market conditions, shaped by the consumer, economic, cultural and social trends resulting from the pandemic.

Despite the short term negative impacts of Covid 19, the long-term perspectives for our industries remain attractive, and the Group is well positioned to seize the opportunities and mitigate the risks associated with each of these trends.













 Read more about how we responded to the pandemic on pages 46-48 and how we managed our risks on page 52.

Material trends impacting value	Main clusters impacted	Risks relating to our Businesses	Our strategic focus areas
<p><b>Trends resulting directly from COVID-19</b></p> <p>The pandemic prompted countries across the globe to completely or partially shut down their economies to contain the spread of the virus. Mauritius implemented some of the most stringent measures in the world between March 2020 and May 2020: schools were closed, with only essential services being allowed to operate, and <b>borders were shut</b> to international arrivals until 30 September 2020.</p> <p>This has had a devastating effect on the <b>travel and tourism sector</b> (one of the largest drivers of our economy, representing 19% of GDP in 2019) which was already experiencing sluggish growth before 2020. Ripple effects were felt on the construction, textile and SME sectors.</p> <p>As a result of the pandemic:</p> <ul style="list-style-type: none"> <li>• <b>Mauritius entered a steep recession</b> in 2020, with GDP contracting by approximately <b>15%</b>, one of the worst contractions in decades.</li> <li>• <b>Total tourist arrivals dropped by over 67%</b> between March and September 2020.</li> <li>• <b>Unemployment reached up to 12.2%</b> mid-2020 before decreasing to 10.9% towards the end of the year.</li> </ul>	 	<p>1, 7, 10, 19, 20</p>	 <ul style="list-style-type: none"> <li>• Ensure business continuity by focusing on employee and customer health, safety and engagement</li> <li>• Continue focusing on debt management, maintaining a strong balance sheet and developing a robust risk management framework</li> <li>• Work closely with players of the private sector and government authorities to help restore traveller confidence and reopen our borders to tourists under optimum conditions</li> </ul> <p> Please refer to the "Responding to the COVID-19 impact" section on pages 46-48</p>
<p>The world experienced a <b>supply chain shock</b> due to temporary trade restrictions and factory shutdowns in China and elsewhere. This disruption has led to bottlenecks in logistics networks, <b>product shortages (resulting in rapidly rising prices)</b> and hurdles in meeting contractual obligations. Businesses that are overly reliant on supplies abroad are being driven to build greater flexibility and resilience in their supply chains to protect themselves against future disruptions.</p>	 	<p>1, 10</p>	 <ul style="list-style-type: none"> <li>• Diversify our supplier route by transitioning to Europe</li> <li>• Increase our stock levels</li> <li>• Better prepare our clients for expected delays</li> </ul>
<p>The global economic slowdown has also <b>amplified the downward pressure on interest rates</b>, which have dropped to record lows. While this measure supports financial markets and eases the financial burden on borrowers, persistently low interest rates could decline the value of savings and drive up inflation over the long term. Additionally, low interest rates negatively impact long-term treasury bills, the valuation of life funds and pension liabilities.</p>	 	<p>1, 10, 11</p>	 <ul style="list-style-type: none"> <li>• Inject further equity into our Life Insurance business to improve its resilience</li> </ul>

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<p><b>Rising unemployment levels</b> and an <b>increased cost of living</b> have radically changed consumption patterns and spending. <b>Household spending is down</b> across industries, with Final Consumption Expenditure declining by around 14% according to the World Bank. Beyond spending less, consumers have also altered where and how they choose to spend their hard-earned money. <b>Spending in non-essential categories like</b> restaurants, transportation, out-of-home entertainment <b>has fallen</b>, and may continue falling as households expect to see their income dropping further in the coming months.</p>		1, 3, 7, 10, 21	<ul style="list-style-type: none"> <li>Adapt our value proposition in both essential and non-essential products and services to meet new market realities</li> <li>Renew focus on customer experience excellence</li> <li>Develop a customer retention strategy by offering support to our clients and tenants</li> </ul> <p> Please refer to the “Responding to the COVID-19 impact” section on pages 46-48</p>
<p>The <b>Mauritian Rupee depreciated</b> by 9.3% against the USD, 10.2% against the GBP and 12.2% against the Euro, reflecting both domestic and international financial conditions. As a country that relies heavily on imports (up to 75% of consumption) and foreign-exchange earnings to procure necessities, and whose <b>exports have declined</b>, a weak currency is particularly devastating for the Mauritian consumer. On the other hand, certain industries like travel, accommodation and real estate would in fact get a boost from a depreciating Rupee, since these services would become more affordable for international tourists (assuming borders reopen.)</p>		1, 10, 11, 19	<ul style="list-style-type: none"> <li>Judiciously manage our treasury position to minimise the impact of the depreciation of the Mauritian Rupee on our business</li> </ul>
<b>Trends unrelated to COVID-19</b>			
<p>Mauritius was placed on the EU's list of high-risk countries and the FATF's watchlist due to strategic deficiencies in its Anti-Money Laundering and Counter-Terrorist Financing frameworks. This could have far-reaching consequences on the country's financial services sector, foreign investment and its reputation as a credible International Financial Centre. It may also have a direct impact on the island's overall economy as the financial services sector remains one of the largest value-adding contributors to the economy in terms of employment and inflows of foreign currencies.</p>		1, 10, 11, 19	<ul style="list-style-type: none"> <li>Continuously monitor the evolution of the potential risk emanating from Mauritius being placed on the FATF's watchlist</li> </ul>
<b>Existing trends accelerated by COVID-19</b>			
<p>The <b>growing demand for unlimited data to access original and high-quality content</b> shows no sign of slowing down. Growth in the adoption of smartphones and higher Internet speeds are driving the market, and media providers are under pressure to meet the demand for more original content.</p> <p>The pandemic has been a major catalyst in accelerating <b>the adoption of OTTs</b>. The cord-cutting phenomenon is gaining ground as streaming alternatives provide a more affordable option and a steady dose of fresh content. Mandatory lockdowns and social distancing measures have kept cinemas closed and live events limited, pushing homebound consumers to turn to digital content providers for their entertainment needs. As a result of more time being spent indoors, <b>the consumption of content on all devices has soared</b> (Netflix alone saw 16 million new signups for its service in the first three months of 2020), leading to the proliferation of unlimited data plans across Mauritius.</p> <p>This trend is enabled by Mauritius' heavy investment in international cable connectivity, the country's support to build a national Wi-Fi network, and the eventual rollout of 5G.</p>	<p>(MC Vision/Emtel)</p>	2, 3, 10, 12, 13, 15	<ul style="list-style-type: none"> <li>Develop innovative product and service offerings, including packaging flexibility</li> <li>Continue developing new business models with increased synergies between our telecom and media businesses</li> <li>Strengthen relationships with international and local partners</li> </ul>

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<p>While demand for data has soared, so has <b>the demand for Wi-Fi</b>. However, with people being confined indoors, <b>Internet traffic is skyrocketing</b> as people work, learn and entertain themselves through bandwidth-intensive applications (Zoom and Google Hangouts) using their domestic Wi-Fi rather than the cellular network.</p> <p>This monumental <b>shift of data traffic from mobile to Wi-Fi networks</b> has dragged down <b>mobile data subscriptions and users, the sale of smartphones, as well as traditional voice calls</b>.</p> <p>Over the longer term, here lies an opportunity to support this unprecedented demand for high-speed connectivity with high-quality infrastructure and network expansion promised by 5G.</p>	<p>Over the short term:</p>   <p>Over the medium to longer term:</p>  	<p>3, 12, 13, 15</p>	 <ul style="list-style-type: none"> <li>Build on our strong telecommunication capabilities by continuing to upgrade our infrastructure and network</li> <li>Enhance our customer relationships by improving different customer touchpoints</li> </ul>
<p>Prior to the pandemic, a <b>paradigm shift towards digitalisation</b> was already underway. In 2020, in a contactless world, digitalisation stepped in to bridge the gaps left by lockdowns and social distancing measures. As interactions with employees and customers are taking place virtually, <b>operating digitally is the only way forward</b>: this means migrating operations and employees to a virtual work environment, digitising processes, seeking digital payment methods, replacing in-person meetings, keeping employees productive as they work remotely, developing omnichannel customer experiences. This has presented both a challenge and an opportunity for those who had a head start in their digitalisation journey.</p>	 	<p>2, 3, 9, 10, 12, 13, 15</p>	 <ul style="list-style-type: none"> <li>Continue developing our digital capabilities (both employee- and customer-facing interactions) to improve communication with all stakeholders</li> <li>Seamlessly shift to remote working thanks to our sustained investments in digitalisation</li> <li>Improve in our back-office processes through the effective implementation of various digitalisation projects</li> <li>Implement alternative payment methods adapted to a contactless environment</li> </ul>
<p>The pandemic has increased <b>the emphasis on Environmental, Social and Governance (ESG) considerations</b>. The socioeconomic effects have exposed the disproportionate risks on the most <b>disadvantaged and vulnerable populations</b>, beyond the obvious issues of safety and wellbeing: loss of income (with unemployment being concentrated in low-paid industries), lack of access to food and healthcare, deterioration of human rights across value chains...</p> <p>In parallel, <b>climate change</b> remains one of the biggest threats to humanity.</p> <p>This crisis has underscored the role of businesses in tackling social and environmental issues, and the importance of coordination amongst key players in supporting our communities.</p>	 	<p>1, 4, 7, 19, 20</p>	 <ul style="list-style-type: none"> <li>Raise funds to protect employees and communities at large through the Currimjee COVID Fund and contributions to the National COVID Fund</li> <li>Ongoing investment of resources (time, volunteering and funds) in our focus areas through the Currimjee Foundation</li> </ul> <p> Read more about our sustainability and CSR initiatives on pages 102-131</p>

**Sources**  
 World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.  
 PwC, Mauritius  
 Rapid Continuous Multi-Purpose Household Survey carried out by the World Bank and Statistics Mauritius.  
 PwC Global Entertainment & Media Outlook 2020-2024