

# STRATEGIC REVIEW

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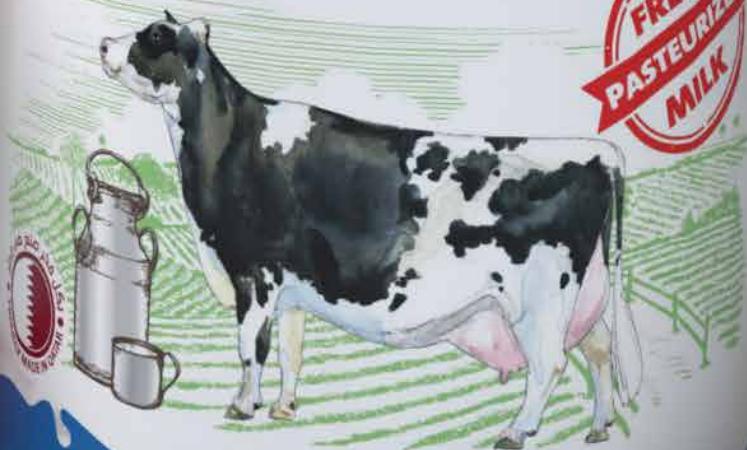


Made By Nature

100% Fresh

Milk

FULL FAT



# Chairman's Statement



**773**

(QR) million Revenue

**17.3%**

net profit margin

**in 2021**

“ We have ensured that the service to our customers, clients and the people of Qatar has been flawless, the value to our shareholders and the vision for our future are reaching new heights.

**Moutaz Al Khayyat**  
Chairman

**In a year when so many businesses felt the full force of COVID-19's devastating effects, Baladna showed how the strength of our resolve and the depth of our conviction can steer us through the most testing of times. To not only survive but positively thrive in such circumstances is a testament to every colleague who kept us on course to meet our targets, expand our reach and diversify our products. The results we have delivered would be considered great progress in any year but to create the opportunities and realise their potential in 2021 has been a momentous achievement.**

**We have ensured that the service to our customers, clients and the people of Qatar has been flawless, the value to our shareholders and the vision for our future are reaching new heights. We can all allow ourselves to take great pride in our resilience and the unwavering will to succeed.**

### Resilience and Recovery

Regardless of our successes, the inevitable fluctuations in the market due to the pandemic caused their own challenges for many of our peers and competitors. A significant rise in freight charges along with increase in feeds, raw materials and packaging materials set the course for extremely hard times. Again, Baladna's foresight and strategies of innovation and expansion provided ideal solutions to some of the market's most difficult questions for generations.

The tightening of restrictions and dramatic fall in the population of Qatar as a consequence of COVID-19 had a direct effect on many businesses in the hospitality sector. As normality began to resume, we realised the vast potential of renewing and expanding our products in the hotels, restaurants and catering sector. Baladna focussed on ensuring our quality products were competitive in the industry.

### Commitment to our Country

It is a key priority and a promise to the people of Qatar, that throughout the year our role in the nation's food security is delivered and the population has access to sufficient, safe, and nutritious food at affordable prices in abundant supplies. This is a basic premise of our own success as a company and a duty of care to the nation.

Many of our achievements last year were inspired by Qatar Vision 2030 in terms of local and international expansion, diversification, innovation, self-sufficiency and ongoing contribution to the nation's economy as a whole. Our growth in 2021 applied to international opportunities as well as domestic diversification and we are making new inroads into foreign territories which could be profoundly beneficial and open up new markets.

Our investment in the progress and wellbeing of Baladna's 1,750 plus employees has been extremely positive as we continue to combine a collective culture of respect and a drive for success. Having completed more than 20,000 training hours in 2021, we have a workforce which is more capable of working to a technical and operational level than ever before. With regards to Qatar Vision 2030, our commitment to our employees is perfectly aligned.

### Broadening Boundaries

We had a number of innovation and diversification strategies across the year which we achieved largely through internal research and development, assessing local market trends, bridging sector gaps and identifying overseas opportunities. Our anticipation of the effects of the pandemic and reaction to the subsequent economic recovery were also paramount.

As the market leader in Qatar across four separate dairy and beverage categories, our brand and production excellence provides the perfect opportunity to enter more sectors. With the new evaporated milk plant and processed cheese diversification, for example, Baladna has the prospect of not just tapping into new lines but making rapid headway as a leading producer and provider.

Looking at the new markets in terms of geography as well as sectors, 2021 was a remarkable year. We initiated discussions with Azerbaijan, Indonesia and Philippines in addition to Malaysia.

We have delivered **QR 773 million** revenue for year 2021 with **17.3%** net profit margin



The agreement with Malaysia's Federal Land Consolidation and Rehabilitation Authority will initially focus on establishing a dairy herd of 10,000 high-yielding milking cows to reduce the country's reliance on milk and dairy imports and supply local communities.

With regards to Azerbaijan, Indonesia and Philippines, we are planning to progress for feasibility studies in early 2022.

### Growth with Integrity

Baladna's transparency, integrity and governance form the pillars of our company guide our direction in all aspects of the business. We are collectively aligned with the company's directions, goals, methods and criteria, which maintain our operations and brand as a benchmark for excellence. Through an ongoing philosophy of honesty, accountability and efficiency, we have succeeded in our 2021 strategy of innovation and expansion in the knowledge that our actions are both responsible and beneficial to both our customers and the community.

As part of that governance we must also ensure that we are unified in ensuring our ambitions and our actions are not detrimental in any way to the company. In a time of expansion our enterprise risk management is vitally important and is constantly reviewed and updated in order for us to drive our operations at the pace and effectiveness we have dictated.

### Powering Sustainability

Our environmental, social and governance practices in 2021 were both wide and effective, building excellent relationships with partners and consultants who continue to provide expert advice and analysis on how to implement our sustainability strategy.

We have initiated the process of establishing a water treatment unit with the aim of creating a closed loop system for dairy effluent and improving the ecology by re-using water to create additional revenue by capturing and composting fine solids. Among our other environmental initiatives, a new effluent treatment plant with a Biogas reactor will produce gas from our factory waste to generate energy.

### A Promising Future

Next year we will be building on the enormous possibilities we initiated in 2021. We have implemented the means to diversify and expand and in 2022 we will realise that potential given to us.

We will look to new markets, new categories and new product lines to drive progressive growth and diversification across our business.

As our evaporated milk plant and can factory become fully completed, we will have a new good avenue into a new market. Our cheese capacity expansion will also be a major factor in how we increase our market share even further.

In addition, the FIFA World Cup will provide excellent opportunities before, during and after the competition - a landmark event for Qatar and for Baladna to showcase our market-leading products for the whole world to enjoy.

### Acknowledgements

I would like to thank all those at Baladna who have made 2021 such a successful year and been so resolute in the face of adversity. Every employee has played an essential role in helping us to achieve our ambitions and I am sure this will continue. My thanks also to all consumers and stakeholders for their loyalty, support and confidence that Baladna will always provide them with the highest service possible.

The Baladna management team has shown great dedication, insight and professionalism and in a time of business turmoil, they have maintained our common vision and acted to realise our unified goals. We owe our shareholders unqualified gratitude for their belief in Baladna and support in our strategies and successes. I am confident that 2022 will provide great opportunities and rewards for all.

To my fellow Board Members, many thanks and appreciation for your endorsement and guidance. We look forward to another year of growth and diversification.

### Moutaz Al-Khayyat

Chairman



# Sustainable value creation through innovation

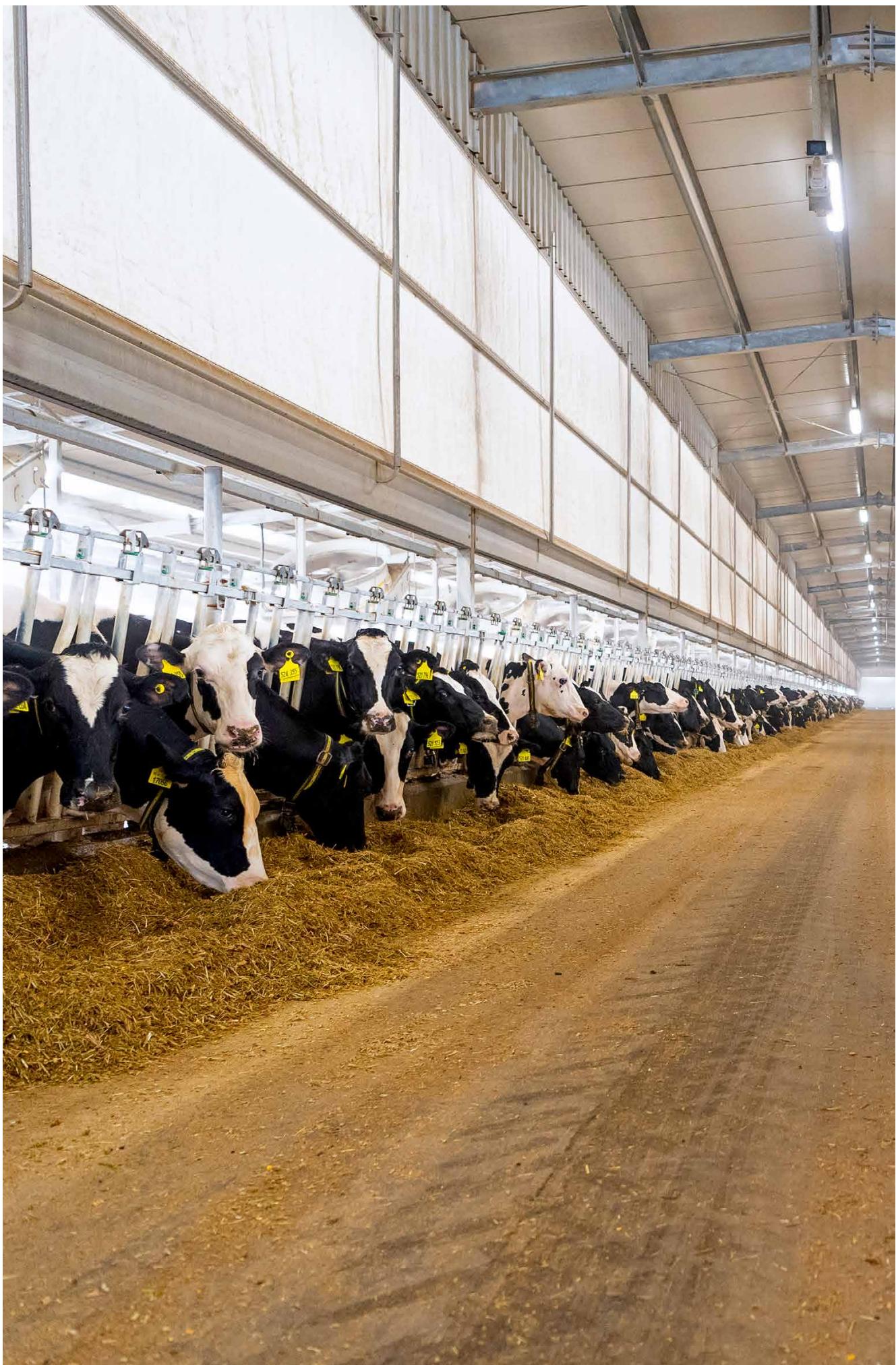
Exhibiting exceptional resilience and agility, Baladna navigated the volatility and continuing challenges of the operating environment this year to emerge stronger, maintaining industry leading profit margins and growing our market share.

Through the outstanding effort, focus and dedication of our people, we delivered on our promises to our clients and consumers, maintaining the highest standards of quality and living up to our reputation for efficient and trusted service across our growing footprint.

Through a commitment to continuous innovation, built on a solid foundation of close engagement with our consumers for deep understanding of their constantly evolving needs, we improve productivity, we enhance efficiency and strive for operational excellence.

In a year of memorable milestones, we launched new products, entered new categories and invested for the future, in order to grow our consumer base, generate sustainable value for our shareholders and ensure long-term food security for the people of Qatar.





## CEO's Review



**44**

new SKUs

**38%**

EBITDA margin

**in 2021**

At Baladna,  
we looked at this  
year as a tremendous  
opportunity to  
renew our presence  
and introduce  
new products.

**Piet Hilarides**  
CEO

## **"Securing our people, business and market"**

**Baladna delivered on its strategy with focus and determination, expanding brand leadership in our traditional products and diversifying to new dairy & juice categories. The results of our investments were good throughout 2021 and, more importantly, they have laid the foundations for many more successes in the years to come.**

## **Diversity to Overcome Adversity**

For many companies, 2021 was a difficult year. The effects of the pandemic were still rocking markets across the world, continuing to knock confidence and feed uncertainty. In the first half of 2021 the population of Qatar was impacted as many expatriate workers returned to their home countries. This had an adverse influence on the retail sector. In the second half of the year Horeca rebounded after consumers picked up their normal routine and started frequenting restaurant and catering.

Towards the end of the year, lives and businesses are beginning to return to pre-pandemic norms, although the virus is still impacting markets and supply chains. There is still a double digit market decline compared to 2020, but Baladna has recovered and recorded a revenue growth of 2% vs 2020 which was driven by a good performance in the last quarter.

At Baladna, we looked at this year as a tremendous opportunity to renew our presence and introduce new products. Our ongoing analysis and research into the many segments which make up our sector have played a large part in determining the paths we have taken and will continue to take.

Our diversification and growth in market share – driven by new categories such as cream, cheese and long-life Juice as well as the launch of 44 new SKUs – is a great achievement in a year when many businesses were restricting their output rather than investing in new lines and products. The strategy not only helped to mitigate the disruptions of the pandemic, our turnover showed growth versus 2020.

Our investment in technology has also played a large part in the drive for reorganisation and company development including sales, procurement and operational efficiency innovation. As part of Sales and Distribution, we have implemented "Route Pro Merchandising and Sales" and "SAP Sales and Operation Planning modules". In addition, we have implemented "SAP Ariba Supplier Life Cycle Performance" in order to improve our Supply Chain Process. Information Security is one of the key concerns and we have invested in latest IT security control to predict, prevent, respond, detect and monitor any security concerns.

## **A Robust Performance**

In 2021, Baladna was able to grow its top line by 2% in terms of revenue and manage a 38% EBITDA margin while the global material cost increased substantially. Total revenue for year 2021 stands at QR 773 million compared to QR 759 million in the last year same period. Our EBITDA for the year was QR 297 million which is same as last year similar period.

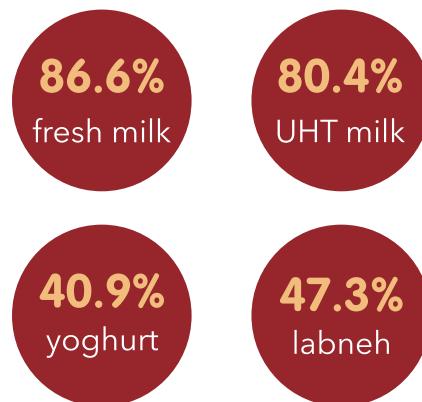
## **Capitalising on our Strong Brands**

Due the unprecedented challenges brought about by COVID-19, our net profit slightly decreased compared to 2020. We increased revenues through challenging market conditions with cream, Juice and cheese sales being the segments which had year-on-year growth at 39%, 14% and 13% respectively.

Overall, margins decreased due to the pandemic effects which was caused by substantially increased raw material prices (+8.9%), packaging material prices (+6.8%) and logistic costs (+245%). The increase in promotions and discounts to increase revenue, as well as a reduction in government compensation as per the agreement contributed to the profit pressure. In light of the challenges, Baladna has delivered a good net profit margin which only declined 1% vs 2020.

## **Market Share #1 Leader**

To achieve long term growth Baladna has invested in market share growth. This has led to the result that Baladna is market leader in its key categories:



Baladna has recovered and recorded a revenue growth of **2% vs 2020** which was driven by a good performance in the last quarter.



## Farming

Total herd reached to 23,581 which is 6.0% growth compared to the last year. Total milk production for year 2021 was 141 million liters while we are managing our yield per cow / day at the same level last year despite the extreme humid and hot weather conditions compared to last years. This is a huge achievement.

## Manufacturing, new products and processes

Investment in new lines of products and manufacturing methods have raised our operational efficiency to new levels, including our processing expansion with GEA, increased cooling capacity and the new UHT filling line. The new high total solids pasteuriser has improved our processing quality for products such as traditional labneh, desserts and processed cheeses as well as significantly increasing our capability to produce GDL feta.

Our own research and development teams along with the introduction of more sophisticated industry technology have played a major role in launching new, high-quality products and facilitating our increased production (Production rose with 5%).

However, the most significant factor in our manufacturing progress for 2021 is the construction of the evaporated milk factory which will be up and running in 2023.

## Sales, Marketing and Brands

Product portfolio management is one of the key factors for our growth and we are continuously focusing on introducing innovative and value-added products to our existing consumers as well as new target consumers. We have dedicated Research and Development team to focus on new product developments as well as adding value to the existing products based on consumer preferences. This resulted in launching 44 new products during the year whilst de-listing 11 products to optimize our portfolio.

## Powered by our People

The employees at Baladna continue to be one of our most important attributes, thanks to an innate sense of loyalty, a remarkable work ethic and a passionate community spirit. Our colleagues maintain the highest standards and give us the confidence that we can realize the strategy to achieve our most ambitious goals.

Over the past year we embarked on a journey of intense training, investing more than 20,000 hours in terms of developing productivity, management and technical capabilities. The quality of our workforce and the potential to further grow their careers is part of our mission to become a continuously learning organisation.

## Accelerating towards a brighter future

The foundations we laid in 2021 pave the way for many exciting new avenues as we manufacture new products and enter new international markets. With the opportunities to diversify even further we can raise our market share and increase what is effectively the established brand of Qatar's dairy and beverage sector. We feel confident about 2022.

The FIFA World Cup 2022 will be a great opportunity for us to both increase our sales in the short- term and promote the brand to an international audience with the possibility of longer term benefits.

In line with ongoing commitment, we will continue to drive the Qatar National Food Security Strategy 2018-2023 by ensuring that we remain as self-sufficient and cost-effective as possible, supplying the population with an abundant supply of good quality, nutritious and affordable food.

## Acknowledgements

I would like to wholeheartedly thank every member of the Baladna team for their unwavering loyalty and outstanding efforts towards achieving our shared objectives under these unique and unpredictable circumstances.

I would also like to share my deep appreciation to our Chairman and Board of Directors for their support and guidance, as well as to our all shareholders and customers for their confidence and trust.

Together, our combined efforts have seen us through a challenging and yet highly successful year, and we look forward to building on those achievements in the future.

**Piet Hilarides**

CEO



# CFO's Message



**297**

(QR) million - EBITDA

**134**

(QR) million - net profit

**in 2021**

“ Our commitment to best practices and policies in place are recognised by all stakeholders, including, most recently the Company being recognised with an award by the Middle East Investor Relations Association (MEIRA). ”

**Saifullah Khan**  
CFO

## Performance highlights

Baladna recorded a total revenue of QR 773 million for 2021, which represents 2% growth compared to the previous year. The Company achieved this growth in revenues despite a significant temporary decrease in the total retail market in Qatar, which is estimated to have contracted by around 19% year-on-year. Baladna managed to adapt to these adverse market conditions through the introduction of new product lines and by growing our market share in existing segments through higher promotions and discount programmes.

Our continuous focus on product portfolio management resulted in our total SKUs reaching 268 products by the end of 2021, compared to 235 products at the end of 2020. Out of the total product portfolio, fresh milk, UHT milk and cheese provide the highest contribution to the total revenue. In terms of revenue growth, cheese, cream and juice were the top contributors. Despite the various challenges relating to external market conditions, Baladna was able to maintain industry leading profit margins.

For the year, Baladna achieved an EBITDA of QR 297 million and net profit of QR 134 million, which represents a 38% EBITDA margin and 17% net profit margin. These margins are a testament to our operational efficiency despite the challenges we had during the year due to pandemic where feed, raw material and packaging material prices increased significantly. It is important to highlight, that government support for the current year was QR 21 million less, reflecting a planned 15% decrease compared to the previous year, confirming Baladna's strength and ability to support to the National Food Security Program while at the same time contributing to the local economy.

## Baladna's 2021 commercial and financial performance confirms our key investment highlights:

- Market leader in dairy products and beverages in Qatar
- Proven ability to identify growth opportunities and successfully execute strategy
- Excellence in product innovation and development
- State-of-the-art facilities that increase efficiencies and lower operating costs
- Integrated value chain allowing full control by management
- Strong financial track record and solid financial position
- Strategic shareholder support

## Healthy cash flow generation and solid financial position

Baladna generated operating cash flows of QR 213 million for the year, which played a critical role in the settlement of debt facilities used for capital expenditures. During 2021, Baladna started investing in new factory expansions to produce evaporated milk and sterilised cream. These investments have the potential to drive the revenue growth and profitability in the coming years.

Additionally, Baladna started investing in shares of major companies listed on the Qatar Stock Exchange as well as regional exchanges as a part of our investment strategy. Investment in shares during the year resulted in a fair value gain of QR 11 million. Net debt to total capital employed ratio stands at 39%, compared to 35% for last year. This year's increase in debt is due to investments relating to factory expansions and investments in securities.

### Key Financial Highlights

<b>Operational Performance</b>		<b>2021 12 Months</b>	<b>2020 12 Months</b>	<b>2020 13 Months*</b>
Revenue	QR M	773	759	815
EBITDA	QR M	297	297	323
EBITDA Margin	%	38.4%	39.1%	39.6%
Net Profit	QR M	134	141	152
Net Profit Margin	%	17.3%	18.6%	18.7%
EPS	QR Per Share	0.070	0.074	0.082

<b>Balance Sheet</b>		<b>31 December 2021</b>	<b>31 December 2020</b>
Total Assets	QR M	3,912	3,623
Debt	QR M	1,397	1,129
Equity	QR M	2,271	2,241
Debt to Equity	%	61.5%	50.4%

\* for the period from 02 December 2019 ("Establishment Date") to 31 December 2020

## Robust risk management

As a strategic and preventive measure, Baladna maintains strategic inventory levels for all major raw materials required for our operations. This is intended to support continuity in the unlikely event of any unforeseen supply disruptions. Risks related to our distribution capabilities are minimal, as we manage our own distribution channels without third party interventions. Exchange rate risk is also limited for Baladna, as we currently cater to the local market with minimal exports. Our main exposure is to the Qatari Riyal and the US Dollar, of which the exchange rate is pegged. Other foreign exchange rate exposure is negligible.

With regards to corporate governance, Baladna has developed a comprehensive risk register and relevant initiatives are taken to mitigate identified risks. This includes written policies and procedures developed in line with local regulations and industry best practices.

Our commitment to best practices and policies in place are recognised by all stakeholders, including, most recently the Company being recognised with an award by the Middle East Investor Relations Association (MEIRA).

## Initiatives for greater efficiency

Baladna applies the latest technologies for milking and a state-of-the-art manufacturing facility designed to drive efficiencies across our business. We constantly monitor market demand and production requirements to optimise our milk production and reduce wastage. We support the natural growth of our herd, and increase milk yield by providing comfortable living conditions and necessary vaccines. We also conduct regular health and feed testing, which contributed to higher yield of milk per cow per day of 36.6 litres in the current year, under adverse weather conditions due to high humidity and temperature compared to the previous year.

Continuous product portfolio reviews and new product launches allow Baladna to maintain an optimum product mix, supporting margin improvements and accelerating the Company's growth. Baladna has introduced 44 products during the year, while 11 products were de-listed. Continuous focus on partnerships and logistics enables access of our products to a growing customer base, through our distribution network that has expanded to cover the current Qatari retail and HORECA market, resulting in lower cost of sales per unit driven by an increase in volumes.

## 2022 outlook

In 2022, Baladna aims to continue growing our volumes in existing product lines and through the introduction of new SKUs. The evaporated milk factory and butter processing facilities under construction are expected to be completed by the end of 2022. The increase in volumes is expected to further reduce the production cost per unit through greater economies of scale.

With the scheduled FIFA World Cup, we are expecting robust revenue and profitability growth, especially in the second half of 2022.

Strategic expansion and partnerships remain key for Baladna's long term growth. We initiated discussions with partners in Azerbaijan, Indonesia and Philippines where studies are still in the initial stages in addition to Malaysia.

During the year, Baladna also opened a new company, which is expected to own any future international agriculture expansion projects, as Baladna is currently assessing options for backward integration to have its own feed farms to grow forages and meet internal demand. In the event this strategic step is determined to be value accretive to the Company and approved by the Board, it is expected to increase the security and certainty of the supply and quality of feed.

Having a strong financial position and operational cash flow generation, Baladna is in a position to invest in large-scale projects while expanding the current business into new categories and investing in growth opportunities which have the potential to provide incremental returns. Building on the strong financial foundations established in 2021 and the diverse avenues available for diversification and expansion, the management targets favourable growth in revenue and profitability for the coming year.

**Saifullah Khan**

CFO



# Our Investment Case

## Our key investment highlights

#1 leader in Dairy and Beverages in Qatar	Excellent product innovation and consumer insights program	Integrated value chain	Strong financial performance and position	Strong shareholder support and growth opportunities						
Strong #1 market share across 4 out of 8 categories...	Best understanding of the local markets through research	Efficient supply management and operations	Industry leading net profit margins and cash generation	Strategic & founding shareholders account for 49% of base						
<b>By volume</b>										
 <b>86.6%</b> fresh milk	 <b>80.4%</b> UHT milk	<ul style="list-style-type: none"> <li>Identification of market trends and value accretive products</li> <li>Product optimization through two-way customer interaction</li> <li>Creating quality brand and fulfilling customer preferences</li> </ul>	<ul style="list-style-type: none"> <li>Proximity to suppliers and clients ensures continuity</li> <li>Customer confidence</li> <li>State-of-the-art technology</li> <li>Uninterrupted supply chain and high efficiencies</li> <li>International best practice quality control processes</li> <li>Optimization of operation</li> </ul>	<p>Net profit (QARm)</p> <table> <tr> <td><b>141</b></td> <td><b>134</b></td> </tr> <tr> <td>Year 2020</td> <td>Year <b>2021</b></td> </tr> </table> <p>Net profit margins</p> <table> <tr> <td>18.6%</td> <td><b>17.3%</b></td> </tr> </table>	<b>141</b>	<b>134</b>	Year 2020	Year <b>2021</b>	18.6%	<b>17.3%</b>
<b>141</b>	<b>134</b>									
Year 2020	Year <b>2021</b>									
18.6%	<b>17.3%</b>									
 <b>40.9%</b> yoghurt	 <b>47.3%</b> labneh			<b>Founding members</b> 						
...driven by significant and highly efficient size of operations	...continuously enhancing product portfolio & innovative marketing	...resulting in excellent reach of Retail and HORECA clients	...based on strong financial position and solid balance sheet	Strengthening food security and self-sufficiency in Qatar, backed by Government support						
<b>Farm size</b> <b>2.4 million sqm</b>	<b>SKUs</b> <b>268</b>	<b>No of sales routes</b> <b>135</b>	<ul style="list-style-type: none"> <li>Strong asset base primarily funded by equity - Net debt to total capital <b>39%</b></li> <li>Moderate leverage deployed focuses on value creation for shareholders</li> <li>Excellent and immediate access to external funding, as required</li> </ul>	<ul style="list-style-type: none"> <li>Growth at the heart of Baladna's management</li> <li>Continuously assessing horizontal or vertical expansion</li> <li>Unwavering dedication to vision and mission</li> <li>Excellent track record</li> </ul>						
Total herd size <b>23,581</b>	Highly appreciated brand names created	No of customers <b>3,476</b>								
Daily yield per cow <b>36.6 liters</b>	 									
	<b>Premium</b> <b>Affordable</b>									



# Business Model

## Inputs

### Financial Capital

- QAR 3.5 billion Investment
- 34,800 Shareholder Base
- Listing on Qatar Stock Exchange

### Manufactured Capital

- State-of-the-art facilities, equipment and technologies
- Resilient supply chain
- Robust and integrated value chain
- 3,450 Points of Sale

### Human Capital

- Experienced leadership team
- +1,700 employees
- Strong corporate culture & values

### Social & Relationship Capital

- 94.2% Qatari owned
- Strategic relationship with Government of Qatar
- Reputation for quality with trusted products & brands

## How we create value



### Our Vision

We aim to be the most trusted brand of nutritional foods and healthy beverages in Qatar and to expand to new markets.



### Our Mission

We will achieve our vision by ensuring consumers' wellness by providing



### Innovation

Innovation has always been in the heart of what we do at Baladna. Our UHT milk is the first one to be produced locally, in a farm only 60 kms away from Doha, making it a preferred choice for customers owing to its freshness quotient.

## INNOVATION

Competitive advantages | Innovation and product development | Cow welfare | Economic of scale | Government supports |



### Our Segments & Brands

Fresh Milk  
UHT Milk  
Labneh  
Juice  
Dessert

Yoghurt  
Labneh  
Cheese  
Creams



Baladna is Qatar's Leading Dairy & Beverages Company.



## QUALITY



### Our Principles

- Supporting food security
- Raising the level of veterinary care
- Caring for our livestock
- Natural and fresh products
- Adherence to Qatari traditional values



### Quality

From farm to fork. Bringing fresh, healthy and nutritious food to the people of Qatar is a top priority for Baladna. Baladna was awarded ISO 22000:2005 FSMS certification, which is the highest global certification scheme for food safety and quality management systems and is recognized by the Global Food Safety Initiative (GFSI).

## Business drivers



### Our Farms

2 farms with over 23,500 head of cattle



### Our Manufacturing

State-of-the-art processing and packaging facilities



### Our Strategic Product Innovation

268 SKUs in current product portfolio across all brands

## Outputs

### Solid Financial Results

**QR 49.2 Million**

Free Cash Flow

**QR 134 Million**

Profits

**QR 297 Million**

EBITDA

**QR 1.445**

Share price

### Resilient Workforce

Low employee turnover  
Over 35 nationalities

### Operational Excellence

Operational efficiency & cost optimisation  
Product innovation (SKUs +14% y-o-y)  
Food security for Qatar

### Strong Brand Equity

Market-leading brands (introduction of budget-conscious Awafi line)  
Market share leader across key segments

**(#1 in Dairy)**

Underpinned by a strong foundation of robust corporate governance, strategic risk management and an enduring commitment to our nation and the communities we serve.

# Strategy

## Our Corporate Strategy

Our strategy revolves around establishing protocols and systems to achieve our corporate objectives. In order to achieve this, we have developed a set of goals and key performance indicators to monitor them. Our focus remains on creating shareholder value by driving optimization, maintaining products' quality, accelerating growth and strengthening the processes by continuous improvements and automation.

### The key drivers to the strategy are:

1. Growth in key categories we already operate
2. Leveraging our assets through exports
3. Expanding into other categories in home market
4. Expand geographically in new markets e.g. Malaysia
5. Drive end-to-end efficiency throughout the value chain
6. Focus on producing most superior products in the categories we operate
7. Continuous innovation and renovation to meet consumers needs
8. Maintain quality across operations by using best in class technologies
9. Active involvement and contribution to the food security program to ensure highest standards of health and safety for the citizens and residents in Qatar
10. Continuous improvement in cow comfort to benchmark milk yield with leading dairy farms in the world
11. Provide healthy working environment to motivate staff / attract best talent and be the best place to work

## Our Strategic Pillars



### People

#### Creating performance culture

- Build a lean, motivated and high impact team
- Training need analysis and ensuring core training objectives are fulfilled



### Product

#### Ensuring quality and availability

- Entrench quality culture - consistent and superior products and packaging
- Simplify shopper journey - strongly available and visible



### Brand

#### Be the preferred consumer brand

- Formalized consumer validated brand strategy framework
- Innovation - Commercial / Products / Packaging



### Efficiency

#### Drive value stream

- Optimization of systems / processes through automation
- Strong focus on cost savings and value engineering

## From grass to glass

# Baladna is setting new standards for sustainable, integrated dairy farming in Qatar

### **Challenges in sustainable dairy farming**

Global farming techniques, including in the dairy sector, are coming under increasing strain around the world as a result of population growth, geopolitical tensions, climate change, shifting consumer behaviour and a range of other factors. The challenges and inefficiencies became even more evident during the COVID-19 pandemic, as supply chains were disrupted and costs rose.

### **The case for fully integrated dairy farming**

These challenges have demonstrated the importance of producing locally to serve nations and communities, and integration is the key. Large-scale integrated dairy farming provides the solution to inefficiency and supply chain risk. Its goal is to produce the highest quality milk at the lowest cost per litre, using the principle of comprehensiveness and central management to generate maximum economies of scale.

This approach provides 'grass-to-glass' productivity, security and provenance in the manufacture and delivery of dairy produce. The farm produces the grass, which feeds the cows. The farm in turn produces, processes, and distributes the milk, thereby controlling the entire supply chain and ensuring efficient, profitable and sustainable production.

### **Baladna is leading the way for the Qatari dairy industry**

Baladna's commitment to integrated dairy techniques has delivered a rolling herd average of 36.6 litres across our Qatari operations, only three years after start-up. We continue to bring our integrated methodology to new markets, with initial discussions with our foreign partners in Azerbaijan, Indonesia and Philippines in addition to the Malaysian project.

Governments globally, not least across the developing world, must do all they can to embrace integrated dairy farming. It is the future of sustainable and cost-effective dairy production, and Baladna has the capabilities and will to be a trailblazer in this important space, for our industry and nation.

Our herd of

**10,000**

dairy cattle in Malaysia will deliver 100 million liters of fresh milk in the first year of operation for the local population.

# Operating Review

During a year of continued disruptions and challenges, Baladna once again demonstrated our strength and resilience to maintain operational continuity and protect our people and, while continuing to innovate, build on our track record of operational excellence and maintain market leadership, laying the foundation for continued growth and diversification moving forward as Qatar's first fully integrated dairy farm.



**44**

**Baladna maintained our market leadership across a range of categories - including milk, yogurt and labneh - while launching 44 new products**

Baladna succeeded in building on its strong performance during 2020 to achieve further strategic progress and memorable milestones during this year. Our farms operations achieved had an excellent year, driving self-sufficiency while significantly increasing capacity, capabilities, output and animal welfare, in order to provide the necessary foundation for business excellence and growth.

Our manufacturing operations have driven substantial progress during 2021 by introducing sophisticated new technologies to increase production volumes, enhance efficiency, manage costs, and ensure superior quality,

consistency and high product performance. We also started construction of our new evaporated milk factory that will create additional value for the company once fully completed in 2022.

Over the course of the year, Baladna maintained our market leadership across a range of categories - including milk, yogurt and labneh - while launching 44 new products to further diversify our product portfolio, leveraging customer data and research to continue to enhance consumer choice and position the company for sustainable success in the years ahead.

## A Market Leader

Revenue (QR mn)



Fresh Milk  
**86.6%**  
Market Share

- Market size: QR 200 million
- Market volume: Down 12% in 2021
- Retained strong #1 position

2020

238

-6%

2021

223



UHT Milk  
**80.4%**  
Market Share

- Market size: QR 133 million
- Market volume: Down by 13% in 2021
- Retained strong #1 position

2020

204

-6%

2021

191



Laban  
**45.9%**  
Market Share

- Market size: QR 91 million
- Market volume: Down by 14% in 2021
- Remains a significant growth opportunity

2020

48

-6%

2021

45



Juice  
**18.4%**  
Market Share

- Market size: QR 205 million
- Market volume: Decreasing by 22% in 2021
- Remains a significant growth opportunity

2020

47

14%

2021

53

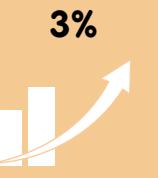
## A Market Leader

Revenue (QR mn)



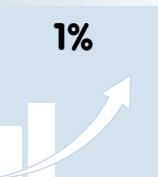
**Yoghurt  
40.9%  
Market Share**

- Market size: QR 121 million
- Market volume: Decreasing by 11% 2021
- Remains a significant growth opportunity



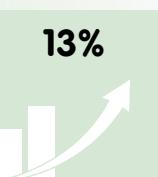
**Labneh  
47.3%  
Market Share**

- Market size: QR 17 million
- Market volume: Down 21% in 2021
- Remains as market leader



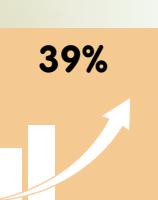
**Cheese  
23.5%  
Market Share**

- Market size: QR 188 million
- Market volume: Down 27% in 2021
- Remains a significant growth opportunity



**Creams  
26.2%  
Market Share**

- Market size: QR 43 million
- Market volume: Down 25% in 2021
- Remains a significant growth opportunity



## Operating Review

# Farming



2021 was an excellent year for our farming operations in terms of output, expansion, sustainability and animal welfare. We made great strides in self-sufficiency, cutting costs and improving overall efficiency in eliminating the need to replace our stocks, which also makes a major contribution to Qatar's food security.

Through our sustainable growth strategy, we focused this year on our goal to provide world-class facilities to maximise our long-term production and profitability potential. The headway we made in 2021 has already shown we are on course to achieve that target and expand even further in 2022, despite the continuing impacts of the COVID-19 pandemic on our operations.

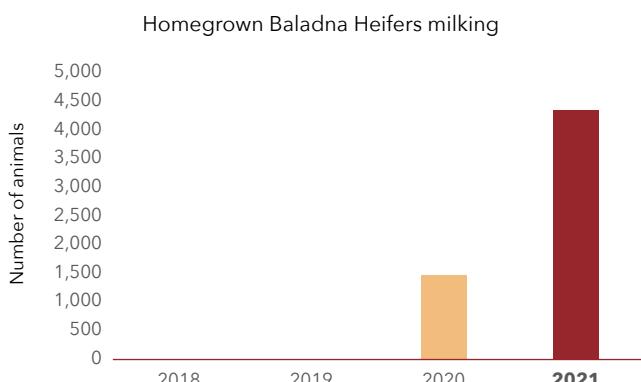
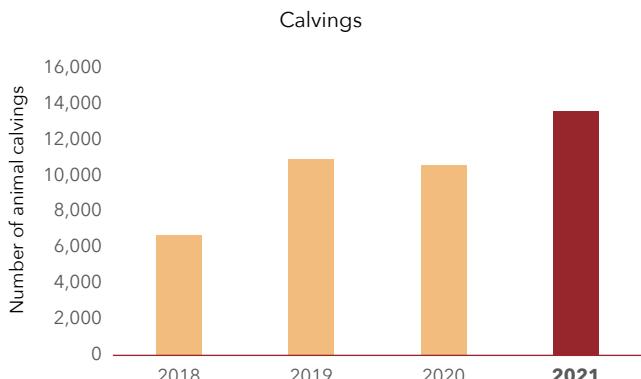
As we broaden our capabilities and capacities, we have also made concerted efforts to care for the environment which sustains our operations. We understand our reliance on the natural world and as part of our working practices have put into place a number of initiatives to ensure that we play as positive part as possible in maintaining that balance.

## Driving self-sufficiency

In order to maintain and strengthen Baladna's position as the clear leader in Qatar's dairy and beverage sector, the success of our farming operations is at the very heart of our business and the progress we make.

Our strategy from the beginning of 2021 was to provide a greater quantity of products with a higher quality than ever before. To achieve that, we introduced several major initiatives, the most significant of which is the ability to calve our own heifers, which were born and bred in Qatar.

This represents a great step forward, as we effectively become a self-supporting dairy unit without the need to purchase and replace new animals. There are profound long-term implications, as we increase our herd sizes, decrease operating costs and look towards expanding our production levels and further diversification.



## Overcoming changes and challenges

Many of last year's successes were a result of refining and reassessing existing processes, although the completion of larger scale projects, including two new milking barns, have added significantly to our future production potential.

We also benefitted from our investment in terms of our livestock welfare as we witnessed the hottest summer in four years. Despite the extreme conditions, our essential cooling systems and recent acquisition of building management systems functioned perfectly, allowing us to maintain the wellbeing of our herds and reach our optimum production targets.

## Record breaking production

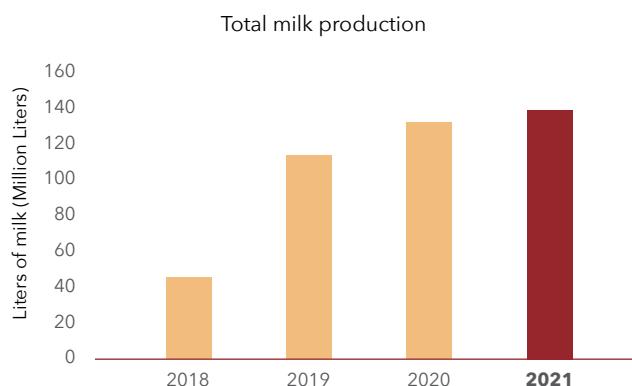
With a total herd size of 23,581, we are close to achieving our capacity of 24,000, maximising our facilities and optimising our output, which in 2021 stood at 36.6 litres of milk per cow per day. The combined size of our two farms now stands at 2.4 million sqm, providing ample space for our operations to continue producing yields which cater to the vast number of dairy products.

Year	Year-end Herd Size	Max Capacity
2018	14,866	24,000
2019	19,345	24,000
2020	22,250	24,000
<b>2021</b>	<b>23,581</b>	<b>24,000</b>

Baladna supplies to the country, the region and beyond. With a current share of the milk market standing at 87%, we are constantly developing our farming resources to grow that share even further and meet the ever-increasing demands that come with Baladna's expanding portfolio.

Despite the significant challenges of COVID-19, by the end of 2020 we had met our farming targets, reflecting the agility and innovation of the Farming Unit. Throughout 2021, we set our sights even higher and set new benchmarks for the future.

There was strong growth in output over the previous year and a 25% increase in total milk production since pre-pandemic levels. Since 2018, we have increased that output by nearly 238% from 42 million litres to more than 141 million. We are more productive now than we have ever been.



In line with our ongoing management of our herd size, we increased animal sales in 2021 compared to last year, which resulted in a 53% increase in revenue from animal sales to reach QAR 24 million in 2021. With our world-class facilities and ever-evolving infrastructure, our operations will continue to grow in the years ahead.

### Disappearing footprint

Our commitment to our natural environment has always been a core concern to Baladna, and during 2021 we initiated several major developments to minimise the impact of our operations on our surroundings.

We embarked on a project to reduce our carbon footprint by collecting fine solids from the farm's wastewater which will reduce methane gasses by a massive 70% as well as increase the compost quantity for sale by 30%. In addition, we are working on a system which will allow us to clean and re-use our wastewater, reducing our freshwater consumption by approximately 40%.

### 2022 outlook

As we continue to grow and become more self-sufficient, Baladna farms will provide the natural resources which have become synonymous with health, nutrition and affordability. State-of-the-art techniques and progressive operations mean that we will be able to expand our production in line with new demands and diversify into new lines.

In 2022, we will launch an organic farm to cater to the rising 'from grass to glass' demand, which is becoming increasingly popular, presenting another opportunity for Baladna to lead the market. Animal health and welfare is also high on the agenda as we upgrade our cooling facilities and continue to ensure our livestock live in a stress-free environment.

Over the past 12 months, we have reached record levels of production and herd levels, supplying the natural resources which make us the most recognised dairy and beverage brand. Our customers understand that there is no compromise on Baladna quality, which remains our commitment as we move forward with confidence and ambition.



## Operating Review

# Manufacturing

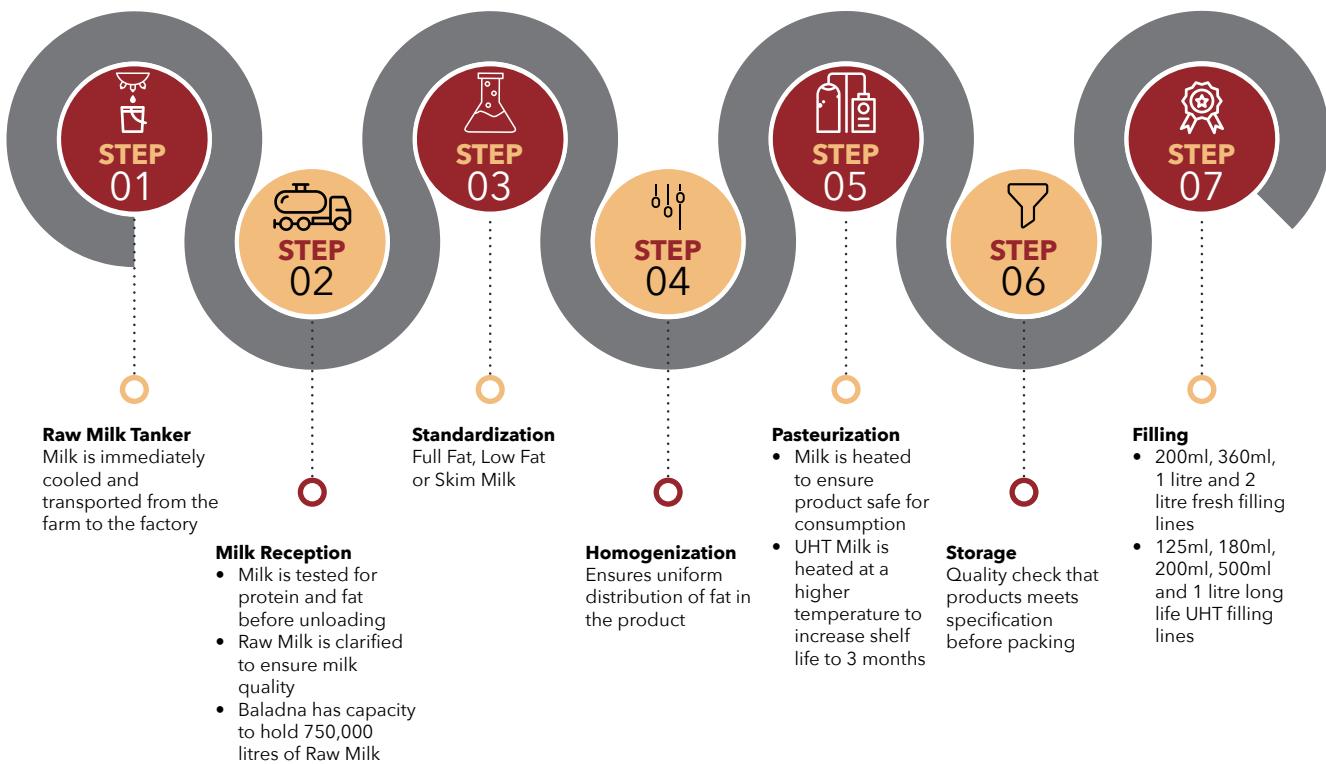
Despite the continuing impact of COVID-19 on our operations, our strategic focus in 2021 revolved around increasing output of our established products, introducing new lines and ensuring we operated within budget, all of which we achieved with great success. As well as being a year to remember for expansion into new markets, we have also created the infrastructure for future growth. New technology, industry innovation and our own initiatives have helped us to enhance our flexibility and capacity, which in turn have led to developing key channels.

In addition to technical investment, we have also focussed on our human resources through training, assessments and succession planning at operator and technician levels, which has also been a great contributing factor to increasing output and diversification.

## Overview of Baladna's dairy processing plant

Extensive range of products made possible through state-of-the-art facilities

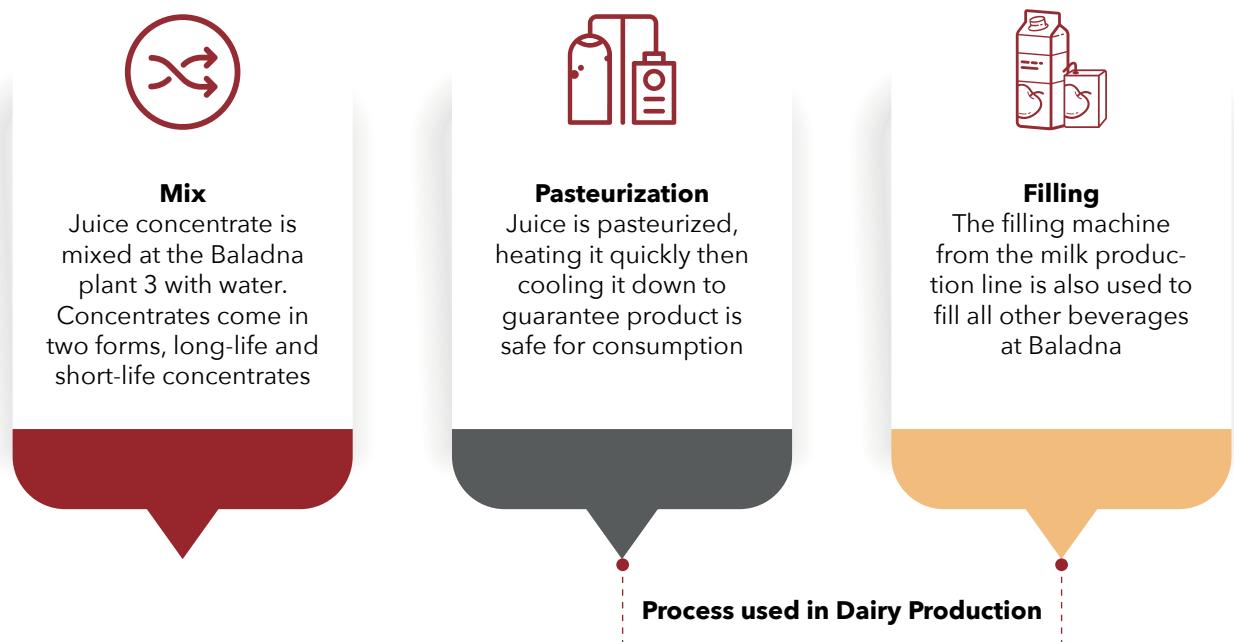
### Facilities and Milk Process



# Overview of Baladna's Juice Processing

**Value creation and achievement of synergies through utilization of existing facilities to produce juice**

## Facilities and Process



- Baladna juice products are **produced within the existing facilities and benefit from synergies with the dairy production facilities**

## Putting Plans into Practice

As the undisputed leader in Qatar's dairy and beverage sector, Baladna's priorities were to continue broadening our production and portfolio. It was a year which began with ambitious targets and came to a close with impressive achievements. Our growth extended to almost every aspect of manufacturing and production from increased capacity to new processes, with the result that we realised those targets and expanded both our geographical and market reach.

This was thanks in part to our processing expansion with increased GEA cooling capacity and one of the most prominent breakthroughs of the year, the new UHT filling line which creates tremendous opportunities for the recovering hotels, restaurants and catering sector as well as the mass export market.

Mr David Stuart started as the new GM Manufacturing in December 2021 and will continue with the improvement activities throughout Manufacturing that have been put in place.

In terms of development and innovation, more sophisticated technology and processing methods have played a major role in our manufacturing. We now have the capacity to use oil, cream and butter as fat substitutes, providing greater flexibility to deliver existing and future products, in line with one of the company's key priorities to offer our clients a single point of contact for a greater range of goods. And through the new high total solids pasteuriser, we have improved our processing for products such as traditional labneh, desserts and processed cheeses as well as significantly increased our capability to produce GDL feta.

## Total production for 2021

Product category	(KG/LTR Mn)
Fresh and UHT Milk	75.2
Yoghurt	11.0
Laban and Ayran	8.5
Cheese	4.2
Labneh	0.7
Fresh and UHT Cream	1.0
Other Dairy Products (Such as Custard, Desserts, Ghee etc.)	0.6
Chilled and Long Life Juice	13.3

Baladna is constantly looking to enhance our product mix by adding additional items to our portfolio. In 2021, we introduced 44 SKUs, including new product lines, such as Karak Latte and Espresso Latte, and added variations to existing lines, such as cream and cheese products.

## New products in 2021

Product category	SKUs
Fresh Dairy	11
Long Life Dairy and Creams	6
Cheese	10
Chilled and Long Life Juice	17

Thanks to new processing lines, we have been in a position to introduce new SKUs to our consumers and thanks to our benchmark of good manufacturing practices we have seen a considerable increase in customer satisfaction.

While we delisted 11 products to optimise the portfolio, in total, we are now manufacturing 268 items, thanks in part to our processing expansion with GEA, increased cooling capacity and the new UHT filling line.

With construction already underway for our new plant for the production of evaporated milk, we are planning to introduce butter and move Cheese Products to the new plant which will again increase capacity and efficiency.

## Meeting Targets

We made it our mission to raise the bar for our key performance indicators last year and improved the tracking of their accuracy through the latest business analytics service software. In achieving those, one of our greatest accomplishments was reducing products Loss in Process (LIP) from 6.5% to 4.3%. Alongside this, we improved considerably on manpower costs and streamlined budgets accordingly.

Our KPI Criteria:

- Improving skill levels through training, competency assessments and succession planning at an operator/technician level
- LIP targets
- Overall equipment effectiveness tracking
- Introduction of string cheese process
- Enhanced capacity of processed cheese
- Cold store capacity increased

In closely tracking and monitoring our equipment effectiveness, we have been able to identify even further where certain savings can be made or efficiency improved. By reaching and exceeding those key performance indicators throughout 2021, we managed to broaden our horizons in terms of products to market.

## Creating a Sustainable Circle

We have always been conscious that our business is reliant on our environment and our intrinsic resources. Our products are inherently natural and we have our immediate surroundings to thank for that.

We believe that we need to care for those precious commodities and are grateful that they provide us with an ongoing means to ensure the people of Qatar are provided with clean and healthy dairy food and drink. As part of our plans to give even more back to our natural surroundings, we are currently installing and commissioning a new effluent treatment plant with a Biogas reactor. This will allow us to generate gas from our factory waste that can in turn be used to generate energy. Baladna has an ongoing policy to maintain a healthy and sustainable environment and through this reactor, we will make even more progress.



## 2022 Outlook

In the coming 12 months, we will continue to expand our portfolio in categories as well as individual products across a wider market. Eastern Europe and Asia in particular are expected to be key destinations for Baladna growth and the manufacturing expertise and equipment that come with it. The new factory for full production of

evaporated milk and butter will also be a significant factor in growing the capacity of our new lines.

Our ultimate goal is to provide healthy, safe and affordable consumables to our customers and with our continuous improvement in efficiency and quality, we will deliver that not just next year but every year.

## Operating Review

# Sales and Distribution

As the largest vertically integrated dairy and beverage company in Qatar, Baladna operates the biggest and most modern fleet of trucks for chilled distribution in the nation. Our market-leading distribution infrastructure and capabilities deliver over 260 trusted and nutritious Baladna and Awafi products to over 3,400 customers and contact points across Qatar – around the clock and every day of the year.

Baladna embarked on a major transformation of its sales team and processes in 2021, under the leadership of our newly appointed General Manager Sales. We launched a recruitment drive early in the year to refresh our sales organisation, primarily focusing on attracting key talent to bolster our sales and merchandising teams. This coupled with the successful implementation of Baladna's new sales and merchandising System, RoutePro, resulted in a dramatic improvement in our sales performance, with a massive 33% reduction in wastage and an 11% improvement in sales efficiency.

Our modern trade channel was also a key focal point for our business in 2021. In close collaboration with all our leading retail partners, we developed joint business plans and invested in our in-store visibility and secondary touch points, further strengthening our brand equity.

Outside Qatar, we focused on extending our brand presence and prominence through our Export Division, increasing the number of countries where we export our products from two countries last year to a total of eight countries as of the end of 2021.

Overall, despite the extremely challenging operating environment, which as a significant market contraction of -19%, ongoing COVID-19 restrictions and the largest population decline witnessed in recent years, the commercial team continued to create substantial value for the business and deliver growth heading into 2022.



## 2022 Outlook

In the coming year, we will continue to capitalise on the major update of our systems and team that was successfully delivered in 2021, as we seek to capitalise on the positive momentum in the improved trading environment of late 2021. Supported by our investments in our modern trade partners, with in-store branding set to be rolled out in an additional 24 stores and increased participation in retailer promotional programmes, Baladna is poised to grow at above market rates and achieve increased household penetration.

Our focus to ensure the freshest products available at all times in stores will be maintained, giving our consumers the best possible experience, as freshness on shelf is key driver within the dairy category. In the modern trade Deli segment, where our market share is above 50% and growing, we will accelerate growth through the efforts of our dedicated sales team, as we further develop key relationships with the Deli Section Heads and ensure full distribution of our growing cheese portfolio.

Traditional Trade is also a priority for our business, as it represents a large portion of our retail sales and is a key customer channel for top ups. Our enhanced sales

system will increase the availability of our products in this channel, focusing on core staples such as milk, yoghurt, juice and cheese. We will also target improvements of our operational efficiency in this channel by 10% in 2022.

Beyond the borders of Qatar, we will build on the successes of 2021 to continue to drive increasing exports in the year ahead. We seek to double our exports by expanding our product portfolio through these newly appointed distributor network.

Finally, the FIFA World Cup set to kick off towards the end of 2022, which will see over one million visitors descend on Qatar. This global event represents an outstanding opportunity to drive growth in the second half of the year for our HORECA team. There has already been a boost in sales, as the majority of tenders and contracts were secured for the event in 2021, but we have established a dedicated, cross-functional team to ensure that we maximise the full potential of this unique opportunity. Our HORECA channel will also benefit from the launch of our new eCommerce Sales App in early 2022, which will provide our HORECA customers with a user-friendly tool to order our products in real time with greater speed and efficiency.

## Operating Review

# New Products

2021 was a year of unprecedented challenges. Despite the challenging environment Baladna successfully launched 44 new products under our main Baladna brand and our value Awafi line including 11 Fresh dairy products, 6 long life products 10 cheese products and 17 juices.

We continue to target greater penetration by launching juice in different size in both Baladna and Awafi. Another major product development was releasing Karak Latte and Espresso Latte in Coffee category to capitalize on impulse sales opportunities.

### New Product Launch in 2021

<b>Product Category</b>	<b>Q1 2021</b>	<b>Q2 2021</b>	<b>Q3 2021</b>	<b>Q4 2021</b>
Fresh dairy	-	8	1	2
Long-life dairy and Cream	-	6	-	-
Cheese	4	3	3	-
Juices	8	3	6	-
<b>Total</b>	<b>12</b>	<b>20</b>	<b>10</b>	<b>2</b>

### Product Development: A Strategic Function

Developing new products is crucial to ensuring the success and sustainability of our business and supporting the food security of our nation. Therefore, Baladna's New Product Development Programme is integrated into the business and is staffed by a highly experienced team of product experts experience in leading regional and multinational food and beverage companies.

# Baladna



Our Baladna family is growing

# Awafi



New members of the Awafi Family

## Operating Review

# Covid-19 Impact And Response

The global Covid-19 pandemic continued to affect the global and Qatari economies, albeit to a lesser extent when compared to the previous year.

Robust control measures were implemented during 2020 and these were maintained throughout 2021. The controls included:

- Temperature screening our facilities and personal protection equipment (PPE) sourced and distributed to all.
- Remote working was encouraged for all suitable roles across our operations, and we continued with a variety of remote operational functions including team meetings, data access and business approval processes.
- Recruitment was also initiated in order to source local replacements for personnel who were unable to return to work.

Our COVID-19 Business Continuity Plan remains in place in readiness for possible future escalation in international and/or local COVID cases caused by new variants of the virus.

### **COVID-19 Business Continuity Plan: A Phased Approach**

<b>Taking Control</b>	<b>Core Protection</b>	<b>Strategic Realignment</b>	<b>Operational Reorganisation</b>	<b>Monitoring and Control</b>
COVID-19 Crisis Team formed under a dedicated Coordinator	All visits/external projects may be cancelled based on current conditions	Additional staff accommodation identified	Strengthened existing protocols	Retain robust controls
All travel (inbound / outbound controlled based on current conditions)	Critical staff retained on-site; all others to work remotely if required	Plans developed for rapid decentralization of accommodation if required	Additional protection established at our farms and factory	Resume external projects under new controls
Continual COVID-19 awareness training initiated				Supporting customers with re-opening plans
PPE equipment secured and purchased; associated protocols implemented, as well as temperature and ETHERAZ checks				

# Risk management

Baladna Enterprise Risk Management (ERM) has been running for just over one year. During the last twelve months the business environment has continued to be volatile and challenging, the effective management and mitigation of risk has become more important. Baladna's ERM methodology has helped the Leadership team avoid and reduce the impact of any potential risks to the Company and its ability to execute strategy.

Baladna's methodology to manage potential business risks is aligned with recognised industry standards and best practices based on the COSO<sup>1</sup> Enterprise Risk Model for its Integrated Framework and ISO<sup>2</sup> 31000 for its Risk Management principles and guidelines.

The methodology is reviewed regularly and, where necessary, adapted to ensure it evolves with the Company's business needs, thereby allowing Baladna to manage risks effectively and efficiently, supporting the achievement of short and long term objectives.

Baladna's senior management uses these risk management principles in the course of setting strategy and making decisions. Management then plans, organises and directs the performance of sufficient actions to provide reasonable assurance that the Company's objectives can be achieved while ensuring that associated risks are kept within the agreed risk appetite at all times.

## **Risk definition**

Baladna defines risk as "the possibility of an event occurring that will have a negative impact on the strategic or business objectives of the Company." Risks are evaluated via a combination of the consequences of an event and the likelihood of its occurrence.

## **Senior management and oversight**

Baladna's senior management team is responsible for implementing Risk Management policies, procedures and practices across the Company, while the Audit Committee is responsible for oversight of the effectiveness of Baladna's Risk Management systems. To this end, senior management relies primarily upon the Leadership Team and the operational reporting lines to manage day-to-day risks, based upon direction from senior management.

<sup>1</sup>Committee of Sponsoring Organisations of the Treadway Commission

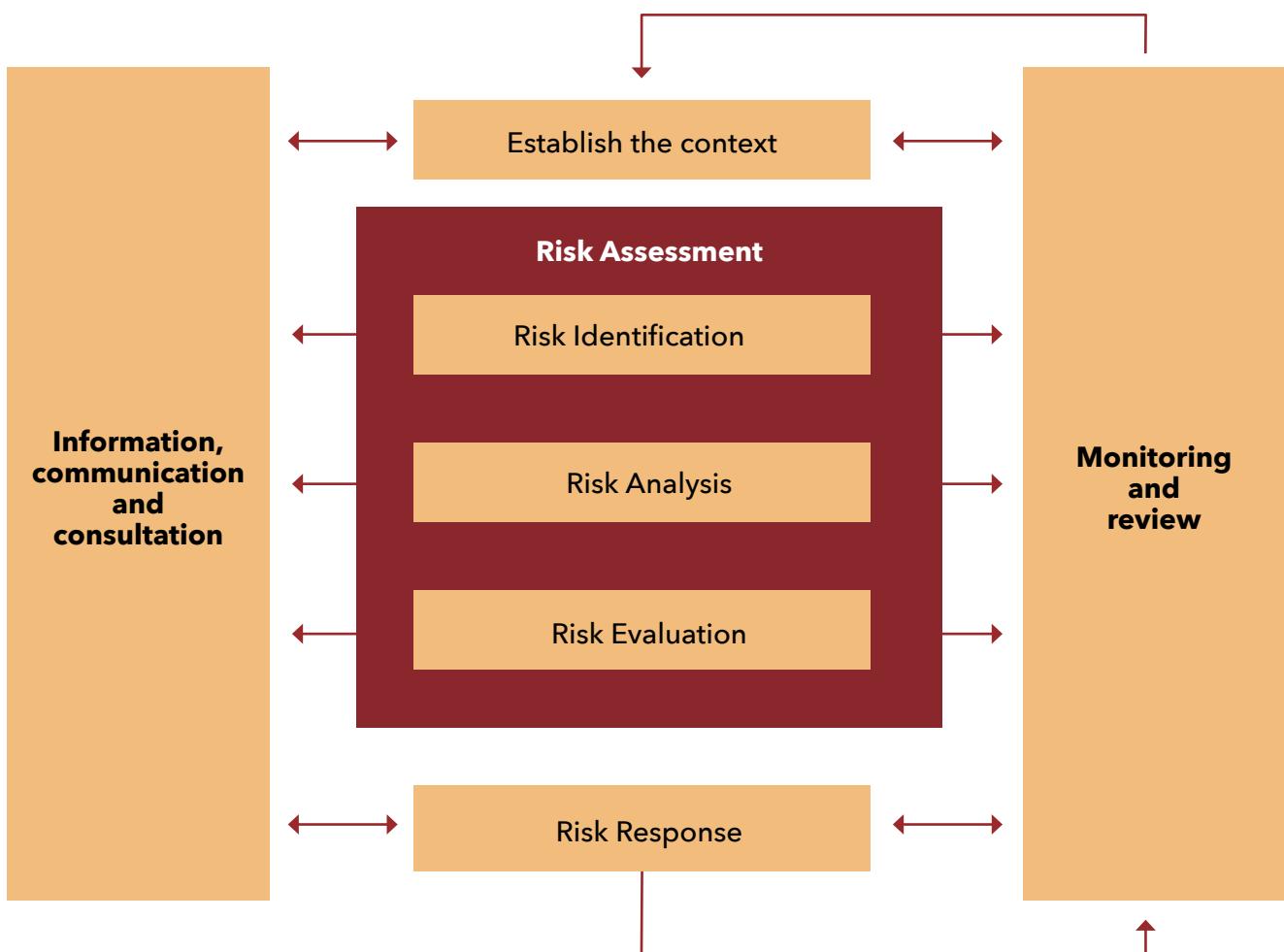
<sup>2</sup>International Organisation for Standardisation

## Approach

The Baladna Risk Management Process is aligned to the COSO model components and the process defined in ISO 31000. This cyclical process is supported by Baladna's Quality Department through the provision of education, training and monitoring, review and assessment. It is also supported through guidance to business management teams and the use of an ancillary toolset for recording, analysing and reporting on risks.

Procedures that include competitive monitoring, training, risk prevention and protection, along with the initiatives of specialised departments, such as the Quality, Health and Safety Department and Information Security, all contribute to the identification, analysis and management of risks.

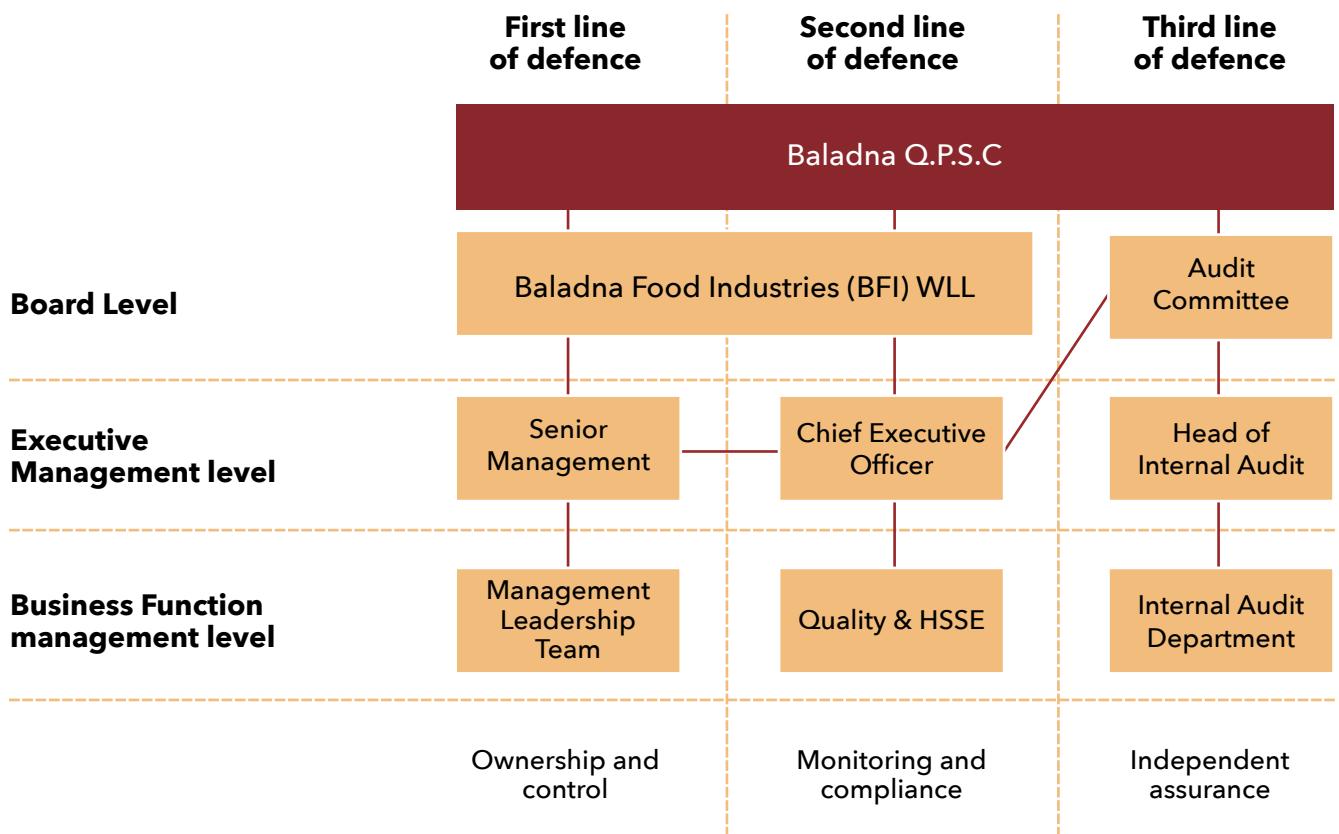
## Baladna's Risk Management Process



## Managing risk

Aligned with industry recognised and adopted best practice, Baladna operates a three lines of defence model to ensure accountability across the Company for governance, management and reporting of risks.

### Baladna's Three Lines of Defence Model



### Risk monitoring and reporting

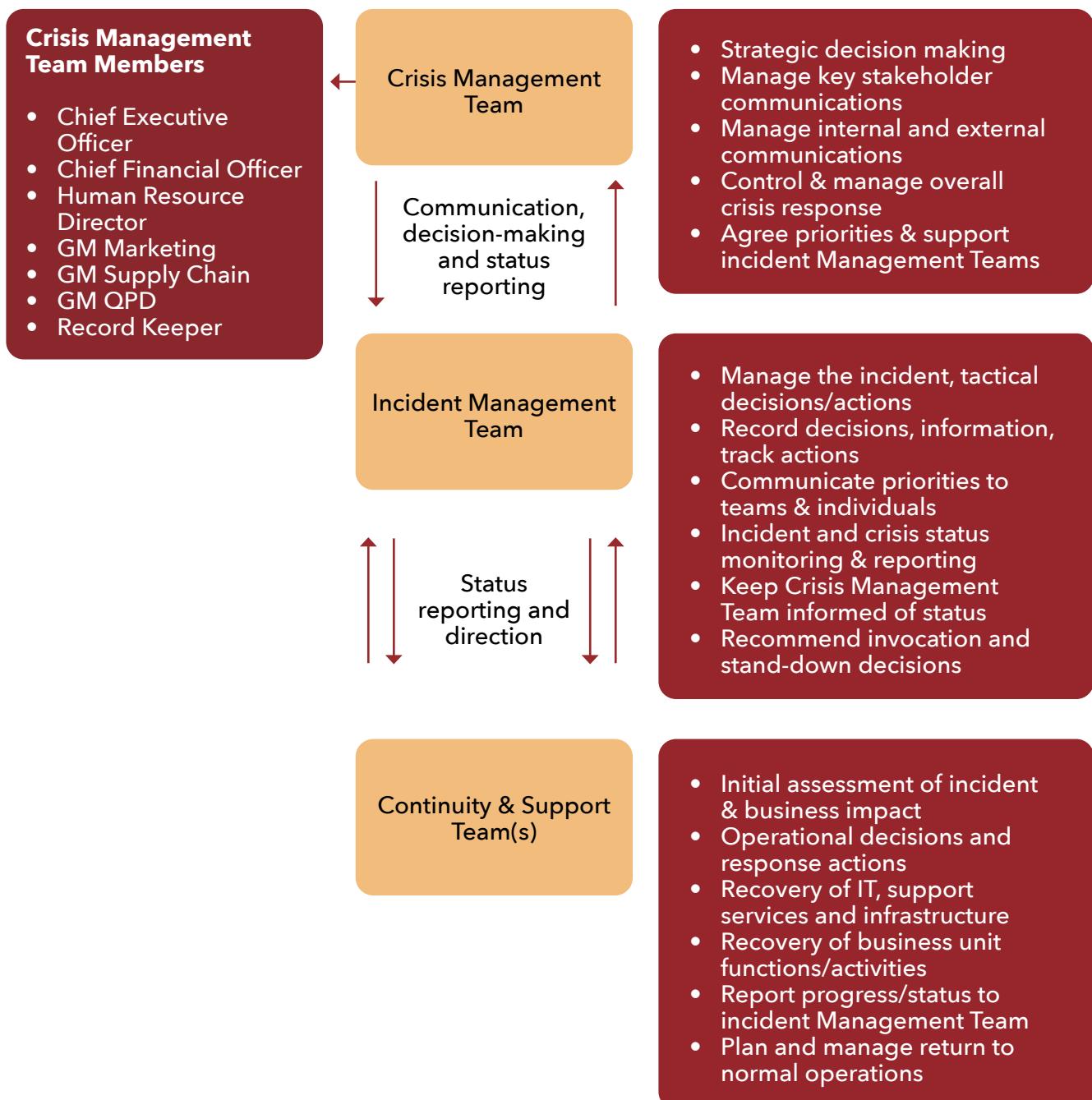
Baladna's business risk register is reviewed quarterly by the Baladna Leadership Team for each business area. It is then consolidated and challenged by the Quality Department. The Quality Department presents the most significant risks that Baladna faces to the

Company's Chief Executive Officer and Leadership Team. A map of Baladna's Principal Risks and risk mitigation plans is reviewed and assessed, and this work serves as the basis for the presentations made to Baladna's Audit Committee.

## Baladna's crisis management structure

Baladna has developed a major incident and crisis management protocol, which can be activated if an abnormal or unstable event threatens the Company's strategic objectives, reputation or ongoing viability.

The approach to these types of incidents is based on industry standards and best practice. It incorporates a three-tiered response system to ensure rapid decision-making and action.



# Our People

**The commitment of our staff to show exceptional resilience and strength in the face of a challenging operating environment caused by the COVID-19 pandemic has been invaluable. Their ability to adapt to these ever-changing circumstances has been admirable, and it is thanks to their wholehearted support and dedication that we have maintained and strengthened our position as the leader of the dairy and beverage sector in Qatar.**

## A caring employer

It has always been our highest priority to ensure the safety and well-being of our people, providing them with the support they need and acting as a fair and just employer. This has never been more important than during the last two years, as the impact of the COVID-19 pandemic has disrupted the lives and routines of every member of our team.

Our outstanding workforce of more than 1,750 people has rewarded this commitment. The standard to which they performed has been a source of great pride for Baladna, and our retention and recruitment a testament to their satisfaction and engagement.

During 2021, we ensured that our staff was as protected as it could be through a comprehensive immunisation

programme. Working on a structured campaign with the Qatari Government, we were able to achieve a 99% fully-vaccinated workforce. It was an outstanding result which showed the company's ability to act swiftly and the employees' trust in Baladna as their chosen vaccination site.

As well as the effects of the pandemic itself, many organisations found the restraints of adapting to a 'new normal' were some of the greatest challenges they had faced in generations. Inevitably, no companies escaped the ravages of COVID-19 but thanks in large to the employees at Baladna, we were able to overcome the most potentially damaging obstacles and kept the production and distribution activities moving efficiently and effectively all year long.

Our outstanding workforce of more than

**1,750**

people has rewarded this commitment. The standard to which they performed has been a source of great pride for Baladna



## New opportunities

As Baladna continues its expansion in new products, new territories and new markets, there will obviously be a need for greater human resources, in terms of both numbers of employees and expertise. The Memorandums of Understanding with partners outside Qatar may well accelerate the need to restructure other business divisions and, by its very nature, our own. The imminent arrival of large-scale events such as the Qatar FIFA World Cup 2022 will also create a number of HR openings.

It is a direction we are enormously excited about and will provide us with the opportunity to provide new innovations and solutions to major new developments.

Our responsibility to ensure the smooth running of staff procedures already covers all aspects of the company's operations. From farming, manufacturing and sales to distribution, customer service and research, all services must be standardised and provide the greatest benefits to our teams. Our remit also caters to non-production employees, including health and safety, sustainability and CSR.

## A culture of common goals

We have always believed that the most effective way to retain our workforce is to make our environment a place where every employee, regardless of their status or rank, feels included in Baladna's operations, ambitions and philosophy. Our values are consistently incorporated in everyday activities and our people appreciate that they work in a culture of respect, reward and recognition.

This common ground has the effect of collectively working towards the same goals and the desire to achieve our objectives. With regards to productivity, those values directly affect our employees' performance as their productivity rises and business goals are supported.

Throughout 2021, Baladna continued its policy of recognition of our staff's efforts and attainments and regularly showed its gratitude to those team members who went above and beyond expectations. Awards and certificates were not only a sign of our appreciation of an individual's achievements, but they were also a great incentive for their colleagues to reach new heights.

To help employees realise their full potential, we provided an extraordinary +20,000 training hours throughout the year. It was an ambitious target for 2021 but our mission to upskill our workforce in terms of productivity, management and technical capabilities proved a huge success. Our ethos of learning, development and engagement has been fundamental to the progression of Baladna as a company and our workers as a whole.

As well as a holistic approach to our staff in terms of Baladna as a single entity, our individual departments also played a part in taking on a more individual approach. Monthly activities were organised in order to facilitate team-building as well as informal lunch gatherings and non-work related events to encourage bonding.

Among these, national holidays and special occasions were celebrated, including Ramadan, Diwali, Christmas and New Year's and for employees staying in company accommodation other events such as Eid sports were also provided.

Baladna provided  
**+20,000**  
training hours  
throughout the year

We do not make assumptions that these activities or any other measures we introduce are beneficial to our employees; we have a very special relationship with our workforce and we constantly listen to their opinions and proposals. Baladna has an active open-door policy where team members can voice their concerns or express their views as it is vital to us that we have stable and content workers and that they feel they can trust us and will be heard.

Regular feedback, satisfaction surveys and suggestions boxes are among the many ways we can measure the success of our strategies and implement new initiatives.

## Our contributions to the nation

Many of Baladna's strategies will continue to be driven by the Qatar Vision 2030. Our growth and commitment to enriching the nation's economy is paramount. Likewise, our ongoing activities to serve as a champion of diversity and sustainability will have a profound effect on our commercial direction.

We strive to be an employer of choice for our existing and future workforce and will maintain our efforts to recruit and mentor more local talent to support the company's targets and contribute to Qatar Vision 2030 themselves.

## Future ambitions and actions

For the coming year, we will be focusing on talent management in accordance with the expansion and diversification of Baladna's strategy for 2022. We are not looking to merely maintain a strong status quo, we will be playing a pivotal role in helping the company to achieve its growth targets.

With this development comes the need to prioritise succession management and develop our own department to face the new opportunities and challenges we will encounter. The company's employees are a linchpin in achieving its ambitions and we will build on even more expertise and experience to support that role.

We are confident that our exceptional employees will once again adapt to new changes in new markets and increase efficiency and quality delivery.

Working on a structured campaign with the Qatari Government, we were able to achieve a

**99%**

fully-vaccinated workforce. It was an outstanding result which showed the company's ability to act swiftly and the employees' trust in Baladna as their chosen vaccination site.

# Sustainability

Baladna's commitment to corporate sustainability and ESG is deeply imbedded in our strategy, operations and corporate culture, providing a foundation for our long-term growth and value creation for our business, society and nation.

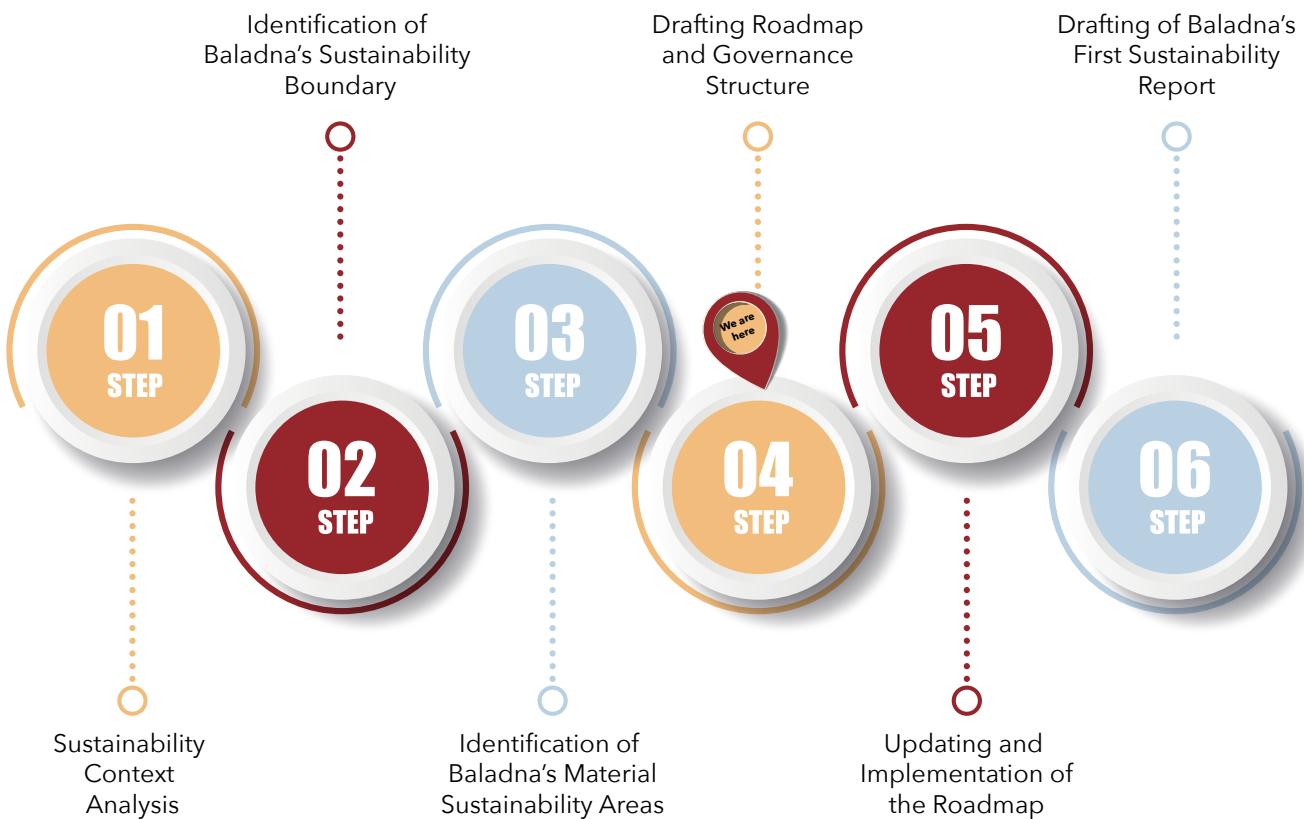
Through our robust approach to corporate governance and risk management, we conduct our business with integrity and comply with all applicable regulations, while striving to meet international standards and best practices.

During 2021, we took significant strides in institutionalising our overall approach to sustainability, while continuing fulfil our mandate as a responsible corporate citizen to minimise our impact on the natural environment, catalyse positive change for our society and fulfil our role in helping Qatar to achieve its commitments.

## Our Sustainability Framework and Roadmap

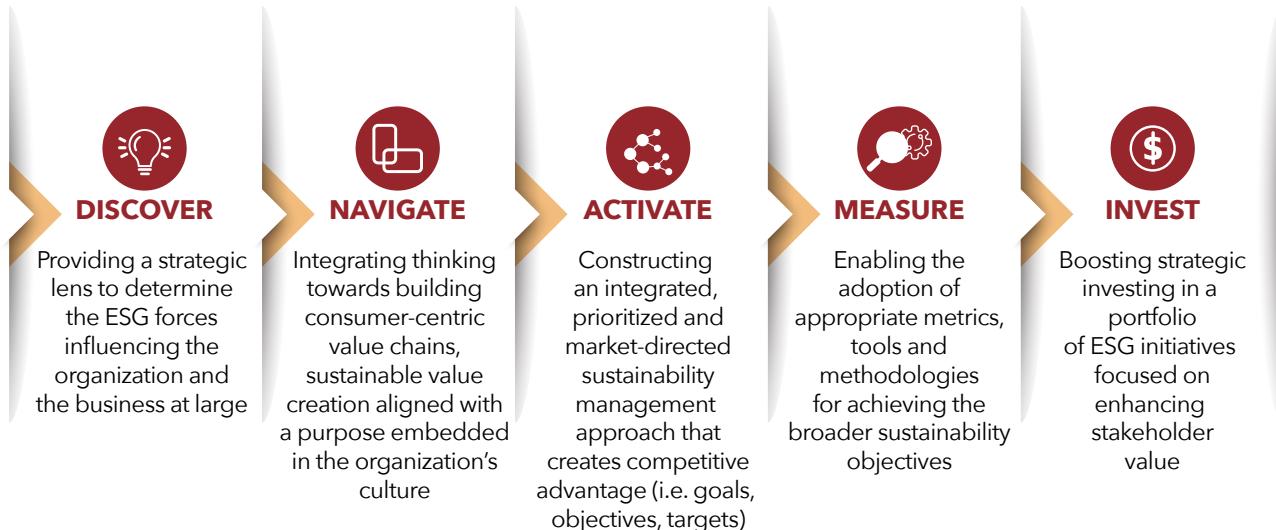
Baladna is on a strategic, long-term sustainability journey to fully understand topics of material importance for our business and all our stakeholders, and then building a comprehensive Sustainability Strategy and Framework, with associated initiatives and commitments, to fully leverage our resources and capabilities to create a more sustainable future for our business, community and environment.

During 2021, we took significant steps in this journey by assessing the current state ESG maturity level, benchmarking against comparable peers, and identifying the material sustainability topics. Through this process, Baladna is currently developing its sustainability framework and roadmap for the next 1-3 years.

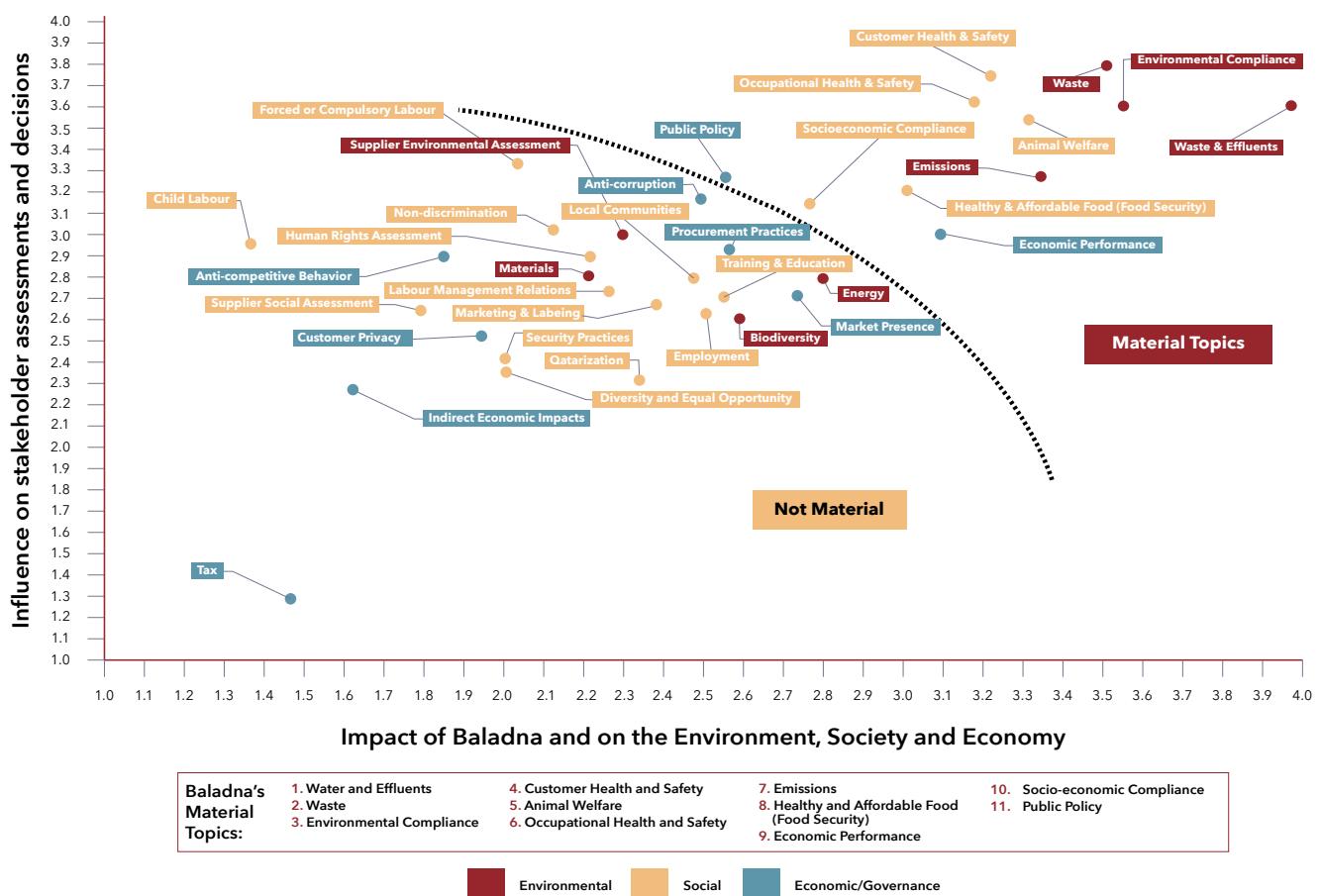


By developing a sustainability framework and a 3-year sustainability roadmap that elaborates on Baladna's strategic approach to sustainability management, Baladna will demonstrate its maturity in addressing sustainability challenges and how it plans on enhancing its sustainability performance year-on-year, achieving a triple win of economic, social and environmental gains for Baladna and its stakeholders.

Through this comprehensive process, Baladna will be properly positioned to:



As of year-end 2021, Baladna has engaged its internal and external stakeholders to successfully identify and map its material topics as per the below materiality matrix:



In the year ahead, Baladna will build off this solid knowledge base to progress our journey, implement our sustainability roadmap, develop our framework and move towards our first sustainability report, in order to align with best practices and keep all our stakeholders updated on our progress.

## Contributing to Qatari Society

As a pillar of the community in Qatar, Baladna remains dedicated to acting as a force for good for the government and people of the nation. Each year, we carry out a wide range of activities and initiatives, in line with this commitment, applying our time, energy and resources to sponsor and support worthy causes and organisations.

During 2021, we sponsored **Al Rayyan Football Club** to promote a healthy, active lifestyle for the people of Qatar through football and other sports. Al Rayyan Sports Club is a Qatari multi-sports club in the city of Al Rayyan fielding teams in a number of sports, such as football, futsal, basketball, volleyball, handball, athletics, table tennis and swimming. We also sponsored **AI Bidaa Football Club** to further promote football in the country. Furthermore, we Sponsored the 1st Al Thukhira Paddle Championship organized by Al Thakhira Youth Center as a main sponsor to promote new sport & healthy lifestyle among youth.



## Dadu and Baladna signing ceremony



حفل  
توقيع  
دُّدُّ  
وبالدنا



Baladna is a founding family member of **DADU, Children's Museum of Qatar** to support culture, literacy, and education for children. The museum aims to provide innovative child development settings and resources to support children, families, and educators to thrive and contribute to a sustainable future.

As a founding family member of Dadu, Baladna is contributing to a collective endeavor to enrich the wider community. Their backing and generosity support the museum to assist future generations to reach their full potential through tailored programs that optimize learning outcomes for children at each stage of their development."

As part of the collaboration, the Children's Museum of Qatar and Baladna plan to deliver online workshops for children aged 7 to 11 years old over the summer. The workshops will entail hands-on experiments in which children can learn how to make butter and biodegradable plastics.

Baladna also sponsored **Al Jassem Magazine for Children**, a positive publication for spreading and promoting culture among the children of all ages through the monthly national children's magazine called "Jassem Magazine."





To further support Qatari culture and heritage, Baladna sponsored **Emir Sword**, an annual Prestigious event organized by the His Highness Sheikh Tamim bin Hamad Al Thani, the Emir of Qatar. The event bring a great mix of local culture and tradition. Horse Racing is a tradition which had been followed for many generations in Qatar. In addition, we sponsored the **Qatari Society of Al Gannas**, a cultural association for hunters. Al Gannas represents Arab hunters in international and regional contests, organising events and providing support. The association includes the best facilities and equipment required for hunting, and encourages research and studies in the field.

Finally, Baladna supported a leading national foundation by sponsoring landscaping and irrigation work at **Qatar Foundation**, a non-profit organisation made up of more than 50 entities working in education, research and community development.

### Dreama

**The Orphans Care Center 'Dreama'** has signed a partnership agreement with Baladna. Under the agreement, Baladna will provide products carrying the Dreama logo alongside the Baladna logo, and part of the profit from this product will go to Dreama.

The initiative comes as part of Dreama's efforts to extend partnerships with businesses and companies

operating in Qatar to support its activities in the areas of childcare and children's protection and rights.

Dreama was established in 2003 under the patronage of Her Highness Sheikha Moza bint Nasser to contribute towards achieving Qatar's vision of human and social development. Since then, the organization has played a vital role in providing care to orphans, children of anonymous parents or those who are deprived of natural families by providing programs to integrate them into the society and working with surrogate families, the statement noted.

### World Doctors Day

Supporting the local community in relief and development services, Baladna extended its support to **Qatar red crescent society** through providing its dairy and juice product range on periodic basis. This included being part of 'Thank you doctors and volunteers' event 'held on World doctors Day.

### Baladna Schools Educational Visits

Extending local support towards educational institutes, Baladna invites various schools for informative tour to Baladna farms and provides its Dairy/ Juice products to schools on request. Featuring on school magazines through ads has also been one of the key activities.

## KidzMondo

Providing our support towards the education, Baladna continued to up with KidsMondo Doha which is an international edutainment park for children between 2 and 14 years, featuring a self-sufficient City built for, and managed solely by Children who will be known as Kidizens. Children will be attracted to go through the different establishments, while providing them with a mental and physical voyage of investigation, exploration and adults' role play led by highly qualified team of more than 115 educators, Kids will learn the complexities of the adult professional world.



## Baladna park and visitors hall

Baladna Park is one of the top tourist attractions in Qatar. Tourism has been identified by the country's leadership as one of five priority sectors integral to **diversifying Qatar's economy and to increasing private sector participation**. You can learn about farm life in Qatar, and experience it. It is open to the public and has become popular with families and students, from an educational perspective.

Enjoy different educational and fun activities, watching cows being milked, indulge in Arabic inspired cuisine, play in the park different playgrounds and feed animals in the Animal zone. Baladna park gives everyone a chance to participate in their favorite outdoor activities in a peaceful nature wonderland..

Baladna Visitors Hall, given the opportunity to see the live milking of the cows through the state of the art milking facilities.



## Protecting the Environment

The protection of our environment is an important part of our sustainability Practices. We acknowledge our responsibility as a dairy company to respect the environment in a sustainable way by keeping it clean and preserve the natural resources.

As the leading dairy and beverages producer in Qatar, Baladna aims to grow the business while reducing our impact on environment. We are committed to reducing greenhouse gas emissions, using resources efficiently and minimising our environmental footprint.

During 2021, Baladna established **state-of-art composting facility**, with the primary objective of reducing emissions of the greenhouse gas methane from dairy waste management. By composting organic waste (animal manure) and then selling it to agricultural facilities and farms for use as a fertiliser, these facilities and farms are able to reduce the application of chemical fertilisers and promote low carbon sustainable agriculture practice in the country.

Baladna's new composting facility includes specially designed organic waste collection system complete with pits, dewatering screens, screw press, composting area and turner to aerate and therefore support the compost process. The facility is designed to treat around 47.9 kt of waste annually and produce about 12.16 kt of organic compost per year, which is projected to result in an overall greenhouse gas reduction of annual CO<sub>2</sub> emissions of around 38,402 tCO<sub>2</sub>e each year.

Applying environmentally-sustainable technology and processes, the new facility is expected to contribute to key sustainable development objectives, including promotion of sustainable agriculture, ensuring sustainable management of water, promoting full and productive employment and decent work for all, ensuring sustainable consumption and production patterns, and combating climate change by avoiding methane emissions into the atmosphere.

Baladna initiated a major project in 2021 focusing on minimizing our environment footprint. Our commitments in this respect include establishing a **new water treatment plant** that aims to eliminate the odors generated from the open lagoons, this initiative will create closed loop system for dairy effluent to improve the ecology by reusing water in cooling and flushing systems.

The System includes an initial separation step with 22,000 m<sup>3</sup>/day and recirculating 12,000 m<sup>3</sup>/day for barns flushing, floor cleaning and operate the sand manure separation process. The balance of 10,000 m<sup>3</sup>/day will be treated in MBR system followed by Polishing Reverse Osmosis plant and producing water which is going to replace the potable water used currently in the soaking and cooling systems.

The Project has been awarded to VEOLIA Water Technologies - the global leader in optimized resource management. This project marks a major milestone in the sustainability plan of Baladna and is considered as a major pillar for an environmental need for Al-Khor area.

In our commitment to the nation and its environment, Baladna pledged to **plant 5,000 trees**, in line with the 2021 "Sustainability" theme and in support of the government's efforts to reduce air pollutants and carbon dioxide emissions.

This initiative comes in further support of the nationwide campaign to plant 1 million trees, with the aim to preserve the environment, being one of the key pillars for the Qatar national vision 2030 and reinforce green growth across the nation. It also supports the Qatar's commitment to implement the Middle East Green initiative, "Desert Greening" that aims to defy the environmental challenges by advocating the importance of preserving the environment, and the important role of planting trees as a bottom line to the initiative, leading to a better quality of life eventually.

