Nestlé South Africa

Back to basics in overcoming our challenges

Sullivan O’ Carroll
Chairman & MD
18 September 2014
Johannesburg
98 years in South Africa

- A wholly owned subsidiary of Nestlé Switzerland
- The first Nestlé products arrived in South Africa during the 1870s with local production in 1927 in Estcourt
- Today, we have 3700 people with BEE Level 4 status all aligned to one common goal “NOURISHING SOUTHERN AFRICA”
- 9 world class Factories
- 3 Distribution centres
- Producing many of SA’s best loved brands and products
<table>
<thead>
<tr>
<th>Category</th>
<th>Products</th>
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<tbody>
<tr>
<td>Cereals</td>
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<tr>
<td>Coffee and beverages</td>
<td>Ice cream, Nutrition, Pet care, Professional</td>
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<td>Chocolates</td>
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<td>Dairy</td>
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<td>Food</td>
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<td>Health Science</td>
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95% of our products are produced locally
Factory Investments and Contribution

- Investment in world class Technology and product development

- Job creation throughout the value chain
  - 10 000 HA (12100 soccer fields) of maize for Glucose, supporting 2200 people
  - Supporting +200 Milk farmers
  - Developing emerging farmers in milk and Chicory

- Training & Development, SETA/TVET

- Source of Supply to the rest of Africa

- R4 billion in local procurement
Operational Challenges that Nestlé Faces

- **112** Water and Electricity disruptions this year at our plants;
  - Production Stoppages
  - High levels of waste
  - Higher running costs, reducing SA competitiveness
  - Quality and health risks particularly with Infant Nutrition
  - Low supply/out of stocks for consumers
  - Jeopardizing investment in Factories in SA
  - Limiting growth potential for Africa

- **R110 million** pa for Electricity

- **R50 million** investment in Generators, taking away from capital investments in capacity and technology

- **R20 million** pa for Municipal Services

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**R187 Million Lost!**
Nestlé engagement with Municipalities

- 10 March 2014 - Ministers’ of Trade & Industry, Water Affairs, Energy expressing concern on the reliability and predictability of services
- May and July 2014 - Meeting with Minister Davies
- DTI formed task team (Eskom, and other key stakeholders), undertook visits to Babelegi, Harrismith, East London factories
- 2 September 2014 - Results at high level on
  - Averted Harrismith electricity cut off (Thank you Minister!)
  - Commitment of actions to assist with water pressure and energy reliability
  - Recruited key Municipality official to collaborate with Task Team to address issues
- Pending issues
  - Improved roads near factories
  - Municipal tariff increases (30%)
  - Water provision during refurbishment (MIG)
Challenging Environment
World Class Factories in Rural Areas

Growing Rural Employment
Govt and Nestle Commitment to New Factories
Nestlé recommended Way Forward

- **Collaborative** Engagement in addressing key issues
- Improved and more frequent *engagement/communication*
  Quarterly meetings proposed
- **Alignment** on future business and community developments
- **Preventive** measures and ongoing *maintenance* of infrastructure
Growing Sub Saharan Africa Together

SA Trade moving north

Possible future economic union (COMESA, EAC, SADC)

Total Delivered Cost is Key:
- Duties
- Distribution

Nestlé
Good Food, Good Life
Creating Shared Value

RURAL DEVELOPMENT & WATER

SOCIO-ECONOMIC DEVELOPMENT

NUTRITION & RURAL DEVELOPMENT

WATER
In Closing

....Ultimately working together for a better South Africa.... and improving the quality of life for all

....so we can continue to tell our good story