

Nestlé South Africa

Back to basics in overcoming our challenges

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Chairman & MD
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Johannesburg



Good Food, Good Life



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



95% of our products are produced locally



Cereals

**Coffee and
beverages**

Chocolates

Dairy

Food

Health Science

Ice cream

Nutrition

Pet care

Professional



Factories spread across the country



Footprint In Southern Africa



GAUTENG:

- 1. Babalegi**
Creamers, Cereals (CPW),
Food (MAGGI)
- 2. Clayville**
Ice-Cream
- 3. Bryanston**
Head Office
- 4. Longmeadow**
Distribution Centre

NORTH WEST:

- 5. Potchefstroom**
Creamers

FREE STATE

- 6. Harrismith**
Infant Nutrition

KWAZULU-NATAL

- 7. Estcourt**
Coffee and Beverages
- 8. New Germany**
Distribution Centre

EASTERN CAPE

- 9. East London**
Chocolate

WESTERN CAPE:

- 10. Mossel Bay**
Dairy
- 11. Belville**
Distribution Centre
- 12. N'dabeni**
Pet Food (wet)

13. SWAZILAND

14. LESOTHO

15. NAMIBIA

16. BOTSWANA

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

**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 Babelagi, 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



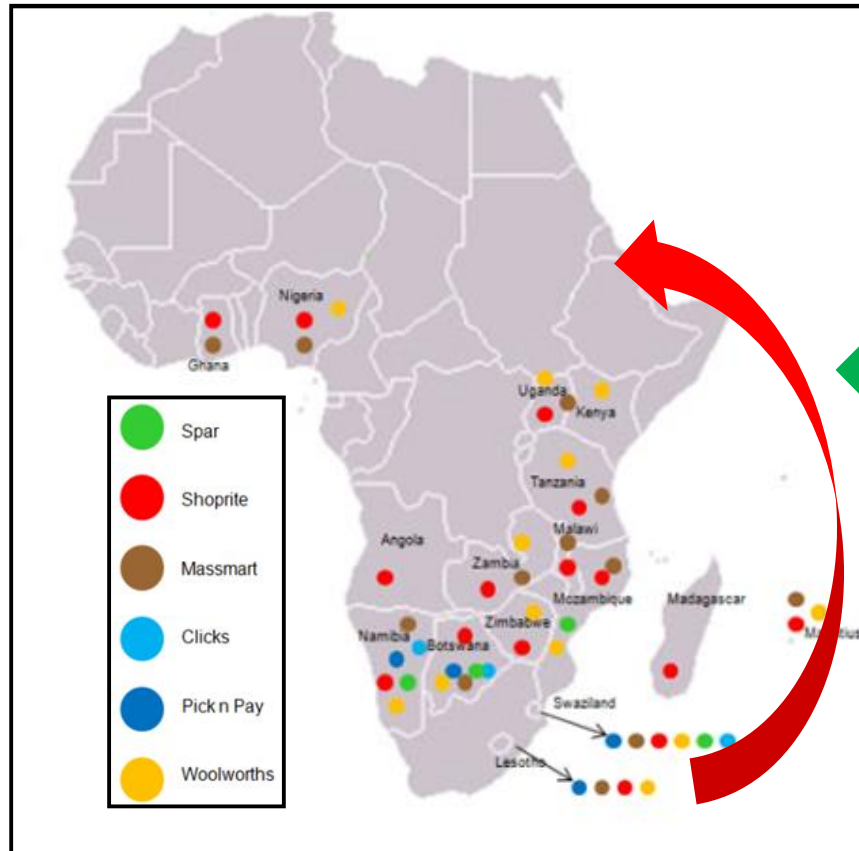
- **Collaborative** Engagement in addressing key issues
- Improved and more frequent **engagement/communication**
Quarterly meetings proposed
- **Alignment** on future business and community developments
- **Preventive** measures and ongoing **maintenance** of infrastructure



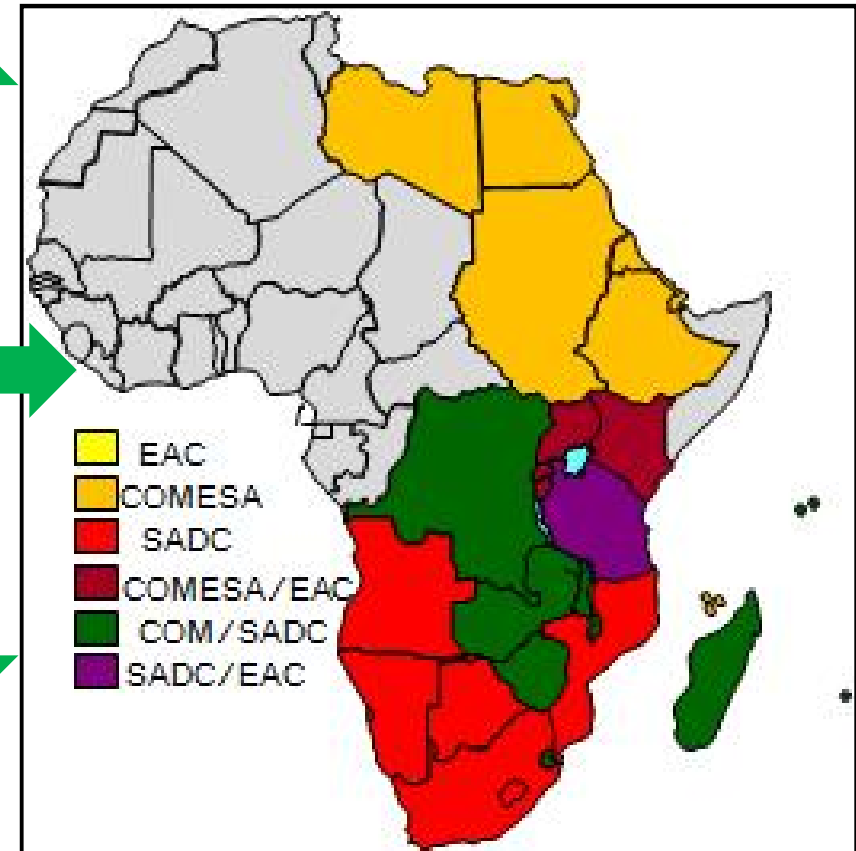
Growing Sub Saharan Africa Together



SA Trade moving north



Possible future economic union (COMESA, EAC, SADC)



Total Delivered Cost is Key:

- " Duties
- " Distribution



Creating Shared Value

RURAL DEVELOPMENT & WATER



SOCIO-ECONOMIC DEVELOPMENT



WATER

NUTRITION & RURAL DEVELOPMENT



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

