

Covid Crisis

COMMUNICATION #2

Sempermed USA
Clearwater, Florida
Date: 07/21/2020
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Covid-19 is having a significant impact on the global supply chain for PPE. As a global glove manufacturer, we are also feeling the effect of the pandemic. Unfortunately, the strain on the supply chain will be felt well into 2021. To keep you informed of the changes occurring in this dynamic situation, we will issue a monthly communication covering the topics of manufacturing lead times, inventory impact, allocation protocol, and pricing.

➤ Inventory Impact:

- An unfortunate consequence of the significant increase in world-wide demand has been the reduction in higher-weight products. With finite raw material availability in the world, factories have moved to produce more products in the 2.7-gram to 4.0-gram range. There are now fewer gloves being produced in heavier specifications today than last year; which allows more gloves to be produced overall. In addition, many products are no longer being produced in the size XXL. If this trend continues, it is highly unlikely that heavy specifications, size XXL, and possibly even unusual colors or specifications will continue to be available in the marketplace in the near future.
- Due to the increased production lead times, there will be rolling back-orders for some products expected in the months ahead. The product affected this month is: **Grip Strong Vinyl-GSVF**.
- Because factories are reducing the number of SKUs they manufacturer, and decreasing the weight of the gloves being manufactured **SemperShield Nitrile-SSSC** will be temporarily unavailable, as it is out of production until further notice.
- Longer term back orders will occur on the following items with backorders beginning in July on some sizes: **Grip Strong Latex-GSLF** (currently out of stock), **StarMed Black nitrile-SMNB**, and **StarMed latex-SM**.
- Order processing time may appear slower than usual if it is necessary to wait for containers to arrive into our DC's so that purchase orders can be filled in one shipment.

➤ Order Processing

- As product deliveries are delayed, we are offering options to expedite order processing.
 - If there is an item(s) on your order that is not in stock in your servicing distribution center, we are offering options to our customers to pay the freight in order to have the items shipped sooner from an alternate distribution center.
 - If you are not interested in this option and we are expecting a delivery within the month the order was placed, we can hold the order to wait for the inbound item(s) or cancel the pending items off of the order to expedite shipment.
 - If we are not expecting an immediate delivery within the allocation month, then the items would need to be cancelled off the order as we cannot hold allocation outside of the shipment month.
 - If the order originally was 70+ cases and a cancellation puts it below 70 cases, and above 50 cases, the order will still qualify for prepaid freight. If your order falls below 50 cases it will no longer be eligible for prepaid freight.
- We are doing all that we can to support your needs in lieu of the product shortages and delays in the supply chain. We appreciate your continued business.

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➤ **Manufacturing Lead Times:**

- Lead times have extended for all materials due to increased demand at the factory level.
- The current disposable glove demand is exceeding the production capacity creating a shortage.
- The global shortage is causing delays in distribution center and container shipments, as well as increased pricing in the global marketplace.
- Factories are scheduling orders and requiring commitments into the second half of 2021 and early 2022.

➤ **Allocation Protocol:**

- A separate SemperGram Product Update Bulletin was issued on July 19, 2020 with details regarding allocation changes for our **StarMed Latex (SM)** and **SemperCare Latex (SCLT)** brands.
- Be sure to keep your credit account current and within your specified payment terms, as monthly allocations may be forfeited if your account is on credit hold.
- Allocations are month-specific and cannot be transferred to subsequent months.
- Monthly allocation POs may not be processed early. While you may submit your POs to your Sempermed representative ahead of time for review, customer service is not accepting or processing orders prior to the designated month of allocation.

➤ **Pricing:**

- Due to overwhelming demand, prices are rising at a rapid, significant, and unpredictable rates.
- Unprecedented increases are occurring on a monthly basis.
- Separate pricing communication will be sent out as needed. Your salesperson will contact you with your specific and individual pricing when it is changing.