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## Covid-19 - Update and the longer-term effects to business one year on

To whom it may concern

We hope you, your Families and Colleagues are all keeping safe and well.

We are receiving requests from customers for an update on the Pandemic and if there is any risk to their Supply Chain as Covid -19 resurfaces in differing geographies. TR has 32 sites in 18 countries, so we have first-hand information regularly being communicated back to our Operational Executive Board who meet weekly, which alerts us to any areas of concern that requires action.

Unfortunately, the rollout of vaccines is not consistent around the world therefore TR are still embracing hybrid working and maintaining the safety protocols that we have had in place from the outset. Staff who can easily work from home are doing so and staff in our manufacturing sites and warehouses are working staggered shifts to reduce the number of people in an area. This has been working very well and we are very grateful for the support or our colleagues during this time. We are not dropping our guard and are respecting the regional or national rules in each of our locations subject to specific Country rules.

This week has seen a new wave of Covid strike India particularly hard, and the scenes we see on our televisions are heartbreaking. We have 3 locations in India and colleagues based there who are thankfully all safe, but we know first-hand how devastating this is for people in certain Regions of the country. Inevitably thoughts turn to business as we are being asked by a number of companies if this will affect their supply chain. We do have key vendors in India and the products that we source are usually brass machined parts which India is renowned for. We are in close contact daily with our Indian vendors and will alert any customers using these parts long before we anticipate a supply issue so that we can work together to resolve.

In our December communication we described the situation then as a “Perfect Storm” due to the emerging issues in Asia. *“A Perfect Storm definition is where a combination of events and circumstances create an unusual situation. The ripple effect of the Covid pandemic continues, and we are also experiencing lengthening lead times, in particular from Taiwan, as certain grades of steel used in the manufacture of fastenings are in short supply. This stems back to short term working with cutbacks on production at the steel mills in Asia when consumption was low during the pandemic, and it has taken some time to fill up the pipeline.*

*What came as a surprise is that since August and September many companies' production consumption has returned to pre Covid levels. Many have also been pulling forward new production builds that were cancelled during Covid, and the mills and wire processors are therefore struggling to cope. This is unprecedented and we are working hard with our own factories in Asia and our vendors to support our customers as this latest scenario has unfolded".*

Unfortunately, as this situation has continued, and as a consequence lead times have been extended again due to increased requirements and further steel shortages. As this demand has risen so have prices and we are experiencing sizeable increases in raw materials and inevitably in finished product. This situation is unprecedented and is a direct effect of the Pandemic manifesting itself strongly a year later, and we have no option but to commence pricing discussions as we cannot absorb the levels of increase that are being passed down to us. We see no sign of this situation easing for many months. These increased costs are further exasperated by the container issues and increased shipping times due to either lack of containers or port congestions. Currently containers on average are costing us 4 times more than a year ago.

Other commodities such as microchips are having the same challenging issues too causing manufacturing plant closures around the World. Therefore, it is a difficult time.

As ever whilst we are managing all of these Covid related issues we will continue to work closely with you. We are reviewing our stock levels daily, particularly on special parts, and we will continue as we have done throughout this Pandemic to work hard to mitigate any supply issues. If we have any concerns, our Teams will inform you in time to work on a Plan B.

This has been a tough year for us all since the start of the Pandemic and by working together we will get through this latest situation.

Yours sincerely  
On behalf of **TR Fastenings Ltd**



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