



Contingency Planning – China and Taiwan situation

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To whom it may concern

We are receiving requests from customers who are concerned about the recent events and the escalating political tension between Taiwan and China.

These communications vary, but essentially all are asking us in different ways for a contingency plan should the situation worsen. As part of normal trading we review risks to our business on a frequent basis and have business continuity plans in place. Nothing of course fully prepared any of us for a global pandemic, a war in Europe and the unprecedented aftereffects. In 2020 we further tightened up our risk assessments and as a Board we now have a Risk Committee in place. We have regular workshops, scenario planning and observe and respond quickly to any new concerns e.g. Taiwan and China. This latest topic has already been discussed and addressed by various disciplines within TR, and contingency plans are in development.

We have weathered the storms of the last 3 years and our resilience has ensured that we have maintained supply to customers despite the challenges.

We have two high volume TR manufacturing sites in Taiwan producing cold forged fastenings, and therefore we have good first-hand intelligence, and we get regular feedback. The same applies to our key AVL (Approved Vendor List) many of whom we have been trading with for over 25 years. These vendors have been asked how they could support us should there be a blockade for example. This depends on whether this would be a short-term issue or something more protracted. Out of interest Taiwan exports over 1.7 million tons of fastenings to other Continents. Over time Taiwan has been seen as being one of the best places in the world to manufacture fastenings for their quality of product and at a commercially acceptable price. Many of the parts we supply to our customers are to specific customer drawings, requiring forging tooling that is not transferable to other manufacturers. Many of these parts have a PPAP, and safety critical parts that may have even been subjected to crash testing or homologation. These parts would be hard to quickly resource to other vendors outside of Taiwan, as there is not the capacity in the world to resource the 1.7 million tons that the fastener industry has a requirement for.

Contingency Plan

- We had already taken actions last year to create additional manufacturing capacity within our Group outside of Taiwan. Currently we have 7 manufacturing sites and we have created additional capacity in our facilities most notably in TR PSEP Malaysia and in TR VIC in Italy.
- We are in the process of communicating with our vendors in Taiwan to seek support if we need additional volumes producing quickly to increase our stock holding.

- This includes ancillary vendors to both our own manufacturing sites and vendors e.g. heat treatment, plating finishers, and patching companies.
- We are in discussion with our freight forwarders should there be a blockade or military action that could prevent sailings. Air freight is an option, but our product is generally very heavy, and the cost would be prohibitive. Capacity would be consumed very quickly by companies such as the chip manufacturers. Taiwan produces 65% of the world's microchips and they would no doubt swiftly secure the available air freight capacity.
- We currently have on average 12 - 16 weeks stock of all specials, with product on the seas and in WIP so see little immediate danger if any conflict was short lived.
- Each of our 34 locations have collated their customer data on parts that are manufactured in Taiwan and we are interrogating these lists from a risk point of view.
- Since Covid our Global Supply Chain Director and his team have been researching alternative supply partners in other areas of the world. On-shoring has been a hot topic with customers who are requesting that their supply chains be more localised which may of course come at a higher price.
- Taiwan has been closed to external visitors since the start of the pandemic. Finally, our Global Supply Chain Director and his team can travel to Taiwan in early September with the intention of having detailed supply discussions with 30 key vendors. Getting travel visas and having to quarantine for 4 days on arrival has been difficult, but it was deemed business critical. They will be there for a month and will be feeding back relevant information to the Board.
- A consideration and a practical solution would be for customers to increase their stock holding with us outside of normal trading terms. We would of course require that this stock be underwritten and a ship by date agreed. Essentially, we could hold 'gold stock' of critical parts. The downside for TR is that this would consume our cash and therefore we would need to have redefined and shorter payment terms agreed.
- We are open to discuss any aspect with you to ensure the integrity of your supply chain

Please do make contact if we can be of further assistance.

Yours sincerely



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