Q&As on the supply chain situation due the Corona virus (COVID 19)

Current situation

The health and wellbeing of our employees is our top priority. To date, none of our employees have been infected by the Corona virus. NCAB Group Factory Management employees in China have resumed operational activities from our Shenzhen office, following completion of the Central Government imposed quarantine period, and will continue to operate in accordance with local Government recommendations with regards to travel and workplace health practices. Employees in our companies in Europe and US are working remotely from home as the local authority recommendations/directives requires.

Air: Still a high number of cancelled passenger flights to/from mainland China and Hong Kong. Airline flight schedules may change at short notice to comply with regulatory directives or operational requirements. Less cargo capacity available and airlines announced PSS (Peak Season Surcharge), causing increased freight cost and affecting lead-times. We are working closely with our global and local logistics partners to book and utilize shipping capacity.

Sea: Shipping lines have earlier announced extensive blank sailing programs (cancellations) for their vessels, which continues in April. This reduces ocean freight capacity out of China. We might see congestions problems at ports and a tight situation as cargo volume increases. NCAB goods are going out of Hong Kong, which is less affected at the moment.

Rail: Rail services continue normal operations. More and more European countries introduce border controls, which might cause delays in transit times.

Express: Longer transit times from China and Hong Kong. Cost increases; from April the Express service companies apply Emergency Situations Surcharges/Peak Surcharges.
What is the operational status of our factories?

Many employees have returned to work within our China factories and this trend continues to improve, with many also reporting that operational capacity follows the same trend with an average of 85% being seen across the factories. Of course as operational capacity improves, then so does the ability for our factories to build product and ship.

Lead times are not yet back where they were pre-Lunar New Year, but they are stable. As previously communicated, the lengthened lead times are to help balance the ability to continue to complete the backlog orders and also build a high volume of new orders that are being loaded with the factories.

We are also in a position now, where the majority of our main factories are re-opened to visitors remaining onsite, and as such we have seen that our factory management team are beginning to get back into the routines of onsite QC, albeit with a continued cautious approach. Yet, again, encouraging signs for a continuing strong recovery for our Chinese supply chains.

Whilst the situation has improved in China, it is our supply chains based in Europe and the United States of America, typically utilised for prototype orders, that are facing their own COVID-19 challenges. Our partner factories in these countries are running at high levels of capacity utilisation as they have been supporting urgent demands during the Chinese Lunar New Year and also as part of the total supply chain solution for NCAB. In addition, they are beginning to see reductions in workforces impact operational capacity and therefore output.

What is the impact for PCB deliveries?

Whilst our ability to achieve our normal levels of delivery performance is improving, our approach regarding prioritisation and close, daily communication with factories continues. This focus is driving the ongoing recovery as demonstrated in our weekly delivery performance metrics.

Some challenges will continue as we move through April, but the improvement from our main factories in China will continue to translate into sustained delivery performance.

Those factories based in European and United States of America are advising of lengthening lead times for new orders and potential delays impacting previously confirmed dates. However we have seen many instances where products critical for certain medical applications and other essential products are being given the appropriate levels of priority where possible.

What does NCAB do to assure I will get my deliveries?

Production:
Our Factory Management team in China remain in close contact with our factories both on operational and management level, negotiating and booking capacity to gain production priority – some of these activities are explained below:
• Following up on rules and statements from Safety Supervision Bureau.
• NCAB order lists updated and provided to the factory dedicated production teams - these are continuously reviewed / followed up daily along with general factory production schedules to ensure prioritization for NCAB orders.
• NCAB Factory Management discussing with senior management / owners within the factories to ensure prioritization.
• Weekly delivery performance follow up at factories to evaluate performance.

Logistics:
We are working closely with our global and local logistics partners to book and utilize shipping capacity and to obtain a more accurate forecast with regards to order books. As products are ready and shipping capacity available we will ship as soon as possible.

What are the risk of transmission from shipments?

According to: World Health Organization (WHO)

Is it safe to receive a package from any area where the COVID-19 has been reported? “Yes. The likelihood of an infected person contaminating commercial goods is low and the risk of catching the virus that causes COVID-19 from a package that has been moved, travelled, and exposed to different conditions and temperature is also low.”

Source: https://www.who.int/news-room/q-a-detail/q-a-coronaviruses

How can NCAB secure supply chain security for future orders?

Working closely with our factories to get priority support, we will do all we can to get competitive yet realistic lead times for future orders. Customers can help by placing orders up to June so we can get those orders in the production plans.
In the event of customers are forced to temporarily close down operations, we are prepared to work proactively and support in any way possible when operations resume to secure deliveries and production planning. We encourage an open and close communication.

Who do I contact to get more information about my deliveries?
If you have any questions or concerns, please contact your local contact person at NCAB.
https://www.ncabgroup.com/contact/
How does NCAB monitor the Corona virus outbreak to lessen potential impacts?

NCAB has established a Corona virus task force, led by the CEO comprising the Group management team. The Group communicates regularly and meets minimum twice/week or more as the situation requires. The Group discusses and approves actions, addresses risk scenarios and planning, ensures employee safety procedures are in place etc.

What does NCAB do to contribute to protection of employees and population against the virus?

NCABs local companies, in China, US and Europe follow local province recommendations and requirements on what measures to take to prevent the spread of virus and protection of employees.

**China – Factory management**
To monitor and reinforce the action plan is implemented, NCABs organization in China has formed a dedicated team, responsible for daily actions to prevent the virus from spreading. Examples of actions are keeping staff body temperature records and assure masks are worn by all NCAB employees at all times both in the office, in our factories and traveling to and from work. Continuous disinfection of surfaces, office space, work stations, phones, and other public areas. Instructions to all employees regarding guidelines for travel / hygiene.

Working hours for our Factory Management team have been adjusted so that whilst our office is functional, our employees are able to travel outside of the peak rush hour times.

**Travel ban**
Further necessary measures to keep employees safe and work proactively to prevent a possible spread of COVID-19 is cancelling all business trips to/from infected areas until further notice. Employees and/or people in their vicinity are required a quarantine period (working from home) of 2 weeks after returning from a trip or longer if required/recommended by local health authorities. We follow the development and act accordingly.

**Visitors in local offices**
When visitors visit our offices we secure that they do not have a cold or any symptoms of a cold or have not been in an infected area. If they have, they cannot enter the office.

**Employees working remotely**
If the situation in the local area/office and/or recommendations/directives from local authorities requires, employees will work remotely for a temporary period. IT solutions are secured so that the service level to customers will be kept. Digital meeting tools such as Webex, Skype are used to communicate effectively with customers and suppliers.