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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. 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.

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 May. 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?

Most of our factories are up to 90% operational capacity and beyond with regards to available resource supporting production. In fact, when we consider utilisation rates within the factories, we can see that most of our factories, across our approved supply base, are running at very high capacity utilisation rates as 5G product ramps up in China.

Lead times, remain extended with many factories as they seek to use the lengthened lead times to help balance the higher production pressure and achieve the confirmed dispatch dates for the high volume of new orders that are being loaded. However, we are seeing weekly, incremental improvements and expect this to continue, albeit at a slow pace.

The vast majority of our main factories are re-opened to visitors, and as such we have seen that our factory management team are back into the routines of onsite quality control along with regular onsite follow up meetings by both quality and logistics teams. We continue to monitor and adhere to local recommendations as part of our cautious approach.

Our supply chains based in Europe and the United States of America, typically for prototype orders, have seen capacity utilisation begin to return to normality following high demands for urgent orders from the medical sector. Yet, with many countries still facing some level of social distancing, for example with schools remaining closed, factories continue to experience challenges in maintaining work force levels across all shifts and as a result this is impacting operational capacity in some cases

What is the impact for PCB deliveries?

Whilst our ability to achieve our normal levels of delivery performance is improving week by week and our lead times are also beginning to show weekly improvements, they remain outside of a level that we are wholly content with. NCAB is continuing our approach regarding daily follow up with the factory production teams and prioritisation along with regular on site visits to follow up on activities which are aimed at delivering the continued recovery in term of the performance we wish for.

Some challenges will continue as we move through May, some factories will face more than others, but improvements will be achieved.

Those factories based in European and United States of America are generally more flexible yet they continue to advise of the adjusted lead times for some orders as they manage utilisation and output.

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 meeting 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.

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, Teams and Skype are used to communicate effectively with customers and suppliers.

Post covid19

We are proactively planning for a secure and safe environment for when employees return to work/office. Actions, preparations and routines for employees to feel safe returning

Sources:

World Health Organization: <https://www.who.int/news-room/q-a-detail/q-a-coronaviruses>

Center for disease Control and Prevention: <https://www.cdc.gov/coronavirus/2019-ncov/faq.html>

European Center for disease prevention and control: <https://www.ecdc.europa.eu/en/home>