

# Disposable Gloves

Important Information - Regarding Pricing



**SCIENTIFIC  
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SUPPLIES**

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Brussels, May 28th, 2020

Dear Valued Partner,

Since the global outbreak of the COVID-19 pandemic, the global demand for PPE solutions, for single-use face masks and examination gloves has increased dramatically.

Furthermore, we see new actors enquiring for single use gloves to safely reopen their facilities and operations to protect employees and customers.

This leads to a global demand increase that outweighs the global supply capabilities for the foreseeable future influencing availability and market prices for these PPE solutions.

This goes as far as public auctions organized by some manufacturer to allocate their products to the highest bidder.

To secure our existing capacity with our contract manufacturers for our customers, we will adjust our selling prices accordingly. We hope that some of these increases will remain temporarily and we will adjust those as market dynamics normalize.

Please download our new pricelist valid as of July 1st, 2020.

We recognize this is not an easy message to receive and will require actions from all of us to amend existing pricing agreements. We will continue to monitor all market dynamics and adjustments to serve our customers in their best interest.

We appreciate an open dialog with our valued partners to manage these challenging times and ask you to reach out to your Ansell representatives for any open questions.

Stay Safe!

Marcus Heimann



Sr Director, Marketing  
EMEA HGBU SHSS

Didier Vincent



Vice President  
Regional Sales EMEA – India Medical

To: All SHIELD Scientific distributors - Worldwide

Subject: **Supply Chain update and 8% price increase**

Date: 4<sup>th</sup> May 2020

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Dear Customer,

A month ago, we issued our first Covid-19 Information letter to update you on the situation in Malaysia and the impact it is having on our mutual business.

Today, we are facing a second wave of unprecedented demand and we are constantly seeking creative solutions to meet the 300% increase in requirements from our distribution partners.

During the first wave of the global COVID-19 pandemic, the world economy was virtually at a standstill. There are now signs across the globe that businesses are shaping up for life post COVID-19. This means that the smallest business is obliged to equip its workers with gloves to protect them from the Coronavirus. Despite our focus on the laboratory and cleanroom segments, we are not immune from these global pressures that are now impacting on the entire glove industry. Accordingly, we have been obliged to implement various measures to address these challenges.

### **1) SUPPLY CHAIN SURCHARGE**

As a reminder, the supply chain surcharge was set up to cover the following temporary extra costs:

- An increase in the cost of PPE, plus the implementation of sanitization and operating protocols that are now mandatory in all factories and businesses in Malaysia.
- An increase in the cost of sourcing packaging material from outside Malaysia.
- The increased cost of moving packing activities to an offshore location.

These extra costs have not disappeared. Following feedback from several Master Distributors about the administrative difficulties of managing a surcharge, we have decided to cancel the surcharge and integrate it into the price increase.

### **2) PRICE INCREASE**

SHIELD Scientific is announcing a general price increase of 8%, which will be effective for all shipments scheduled to depart from Port Klang (Malaysia) from June 1<sup>st</sup>, 2020 onwards. You will very soon receive an updated price list.

All products are impacted and there are no exceptions. This price increase has become inevitable because the current global economic climate does not allow us to delay it any longer for the following reasons:

- Introduction of a 10% increase on the minimum wage in Malaysia in 2020.
  - The Social Distancing requirements in the factories have generated a loss of productivity with a direct impact on product costs.
  - Packaging material prices have increased on average by 20 %.
  - The purchase price of PPE (mainly masks and disinfectants) to protect the factory workers has increased by up to 500 %.
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To: WHOM IT MAY CONCERN

Subject: **SHIELD Scientific supply chain information**

Date: 15<sup>th</sup> June 2020

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Dear Madam/Sir,

We would herewith like to update you on the situation in the glove industry and the impact that it has on our mutual business.

Over the past six months, the global glove industry has undergone three phases. We are currently experiencing the third phase:

**PHASE 1: CHINA LOCK DOWN**

During the first phase, the glove manufacturers in China were impacted and much of the accelerating glove demand shifted from China to other countries in Asia.

**PHASE 2: MALAYSIA LOCK DOWN**

During this phase, many governments including the Malaysian government implemented some form of movement control and output restrictions on the manufacturing industries. Accordingly, as glove demand worldwide increased at an unprecedented level, the Malaysian glove industry was subjected to limits that cut production by 50%. It took until 28 April 2020 for this output restriction to be lifted. By this stage, demand far outstripped supply so that lead-times began to move from 105 days to 150 days. The negative consequences on the supply chain were deemed to be not recoverable, as the glove industry is unable to respond quickly to hikes in demand. In short, from 28 April 2020 glove demand has continued to vastly exceed production capacity.

**PHASE 3: UNPRECEDENTED WORLDWIDE GLOVE DEMAND**

Despite the stabilization of the COVID-19 pandemic in Europe, daily new cases worldwide are still rising. Glove demand in the Americas and India is at record breaking levels. As a result, glove manufacturers across Asia are facing demand that is up to two times higher than is the norm. Normalized lead-times have extended to 200-400 days and average selling prices are projected to increase by 40-50% over a period of 4 months.

This is as now the “new normal” for the glove industry and it has become a real challenge for glove users, distributors and manufacturers that rely on contract-manufacturers to secure glove supply. Though specialty gloves for laboratory, pharmaceutical and electronic industries are not directly impacted by the higher glove demand, the inflated selling prices for examination gloves make it less interesting for the industry to manufacture specialty gloves. As a result, the glove supply chain is under significant pressure and due to this “Force Majeure” situation, lead-times and pricing in the upcoming months will become more unpredictable than has been the case in the previous decade.

We can assure you that all team members at SHIELD Scientific continue to seek measures to mitigate against these challenges. We have opted for novel logistic solutions to maximize our supply to the market. We are also looking to find alternative solutions for customers in urgent need of gloves.

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22<sup>nd</sup> May 2020

## **Covid-19 – PHL Disposable Pricing June 2020**

Dear Customer,

Following on from previous communications regarding unprecedented level of demand on Disposable PPE, we continue to work tirelessly to manage our global supply chain, to enable us to maintain continuity of supply wherever possible. We continue to prioritise the NHS and other front - line services and unfortunately customers will still encounter disruptions.

Despite the efforts of our experienced supply chain, we continue to face challenges in securing future supplies of disposable gloves and workwear.

As a result, we continue to experience exceptional increases in manufacturing costs, which ultimately affects our ability to maintain current pricing levels ongoing. This is of course regrettable but will be necessary to maintain continuity of ongoing supply.

Due to the exceptional level of increases we face; we have made the difficult decision to suspend all Trade Agreements from 1<sup>st</sup> June 2020 and revert to a fixed price list.

We continue to manage current supply through an allocation process where stock is available.

Please contact our Customer Service department for details of your stock allocation.

Please accept our apologies for any inconvenience caused but in the current climate we are prioritising ongoing supply of product.

Can we remind you; we still have stocks of many reusable products we can offer as alternatives for certain applications where appropriate and when supply of disposables cannot be achieved. Our sales team are available to discuss these options

If you have any questions regarding this communication, please do not hesitate to contact your local Area Sales Manager to discuss further.

Kind Regards,

Neil Wilson

June 2020

Dear Customer,

## **The Disposable Glove Market**

The global disposable glove market remains volatile as the effects of Covid-19 pandemic continue to be felt worldwide.

Raw materials and printed packaging remain in short supply as a direct result of the increased global demand for disposable gloves - a key piece of Personal Protective Equipment (PPE) in the fight against the virus.

Our production facilities have remained operational throughout the pandemic however to ensure the safety of the production teams, staff levels have been temporarily reduced to 50%.

Our manufacturing partners continue to work closely with their respective Governments to ensure all staff have access to a safe working environment and the correct PPE.

As a direct result of the increased pressure on the entire manufacturing supply chain, the cost of disposable gloves has increased significantly.

We have closely monitored the supply and pricing of disposable gloves from the beginning of the pandemic and absorbed several increases to date.

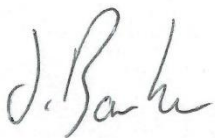
Unfortunately, manufacturing costs continue to increase and are showing no signs of reducing. Our containers arriving from 1<sup>st</sup> June 2020 onwards are affected by these increases to a point where we can no longer offer our customers the price stability usually associated with our brands.

Accompanying this letter are details of your new prices which take effect immediately and include all back and forward orders.

Until such time as stability returns to the market, it will be necessary for us to notify you of pricing at the time each consignment of product is imported.

I trust the above meets with your understanding and thank you for your continued support.

Yours sincerely,



James Barber  
**Commercial Director**  
Barber Healthcare Limited

## June 2020

Pricing remains extremely volatile at the present time due to a number of external factors causing significant increases to the manufacturing costs associated with the production of disposable gloves.

The largest cost increases are being experienced in bulk raw material and printed packaging stocks. Increased staffing costs and improved PPE provision for staff at the manufacturing facilities are also playing a major role in the increased costs we continue to experience. Accordingly, we are unable to offer any form of fixed price period and are costing product on a container by container basis to ensure we accurately reflect the changing market without applying additional cost burdens onto our distributors.

We took the commercial decision to absorb two increases we incurred April '20 and May '20 respectively, however the further increases applied to goods arriving in June '20 were simply too great to absorb and led to us applying immediate increases to all customers. I can confirm that, of the major suppliers within the UK market, we were one of the last, if not the last, to apply an increase and continue to remain amongst the most competitive in the market to date.

Until such time as restrictions currently in place that prevent us from investing in new production lines are lifted or the global demand for disposable gloves reduces significantly I cannot see when product availability or price stability will return to the market. It should be noted that there is no indication from the raw material manufacturers that additional capacity is going to be made available as the feeling is that the demand will not remain at these levels for a length of time that would allow investment to be recovered from the addition of larger production facilities.

Please rest assured that we will only apply cost increases where absolutely necessary and will pass on any decreases as soon as possible.

Kind regards,

James Barber  
**Commercial Director**  
Barber Healthcare Ltd