SIEGWERK

05/04/2020 Einblicke Insight

Status of raw material supply and business continuity at Siegwerk due to the Coronavirus (COVID-19)

This statement provides an update on the rapidly changing status of Siegwerk's global supply network as it relates to the continued spread of the Coronavirus (COVID-19).



Coronavirus Spread Planet

To anticipate any potential disruptions caused by Siegwerk site closures, as well as other potential disruptions in the supply of raw materials or logistics, a central business continuity team has been operating, in conjunction with strong local business continuity teams which are headed by the local Siegwerk Managing Directors. These teams have been proactive in the following areas:

The Food and Pharma industry has been designated as a system relevant industry.

- Specifically:
  - The US Department of Homeland Security noted the essential nature of the food and pharma industries in their "MEMORANDUM ON IDENTIFICATION OF ESSENTIAL CRITICAL INFRASTRUCTURE WORKERS DURING COVID-19 RESPONSE" of March 19, 2020
  - German Federal Minister for Food and Agriculture highlights the criticality of the food chain including its supplier industry encompassing food packaging and declared it a system relevant industry on March 20, 2020
- System relevant industries have a special responsibility to maintain normal operations to deliver critical products associated with the safe distribution of food and medical products.
- We recognize the importance of this industry in the current crisis and we are fully committed to fulfilling our role to ensure communities continue to be supplied with food, water, personal hygiene products, medicines and medical equipment.
- Siegwerk is seeing unprecedented demand for ink and is running its production facilities at peak levels while adhering to recommended practices designed to keep our employees safe and healthy.
- In every country Siegwerk operates, we have secured, or are in process of securing, the official government confirmation of being part of a system relevant industry.
- We are working with our partners and suppliers to ensure they fulfil their role, and can support us in fulfilling our role, in this critical global supply chain.

Our Global Purchasing and Procurement teams are continually monitoring raw material inventory levels and supplies.

- **China:**
  - For our Chinese suppliers the supply situation has now largely stabilized, although our local crisis management team continues to closely monitor the

overall Chinese industry in the event of further disruption.

- **India:**
  - There is now an increased risk of supply disruption from India, as the Indian government has extended its nationwide lockdown until May 18 to control the spread of COVID-19.
  - Siegwerk inventory levels are sufficient to manage the announced supply stop from India, under normal demand conditions.
  - Nevertheless, the situation in India is highly complex and dynamic, and supply and transport may take longer to recover once the India industry re-starts.
  - We are securing additional inventory from alternative suppliers outside of India in case of further extension of the India supply disruption, but this may come at higher prices.
  - The Siegwerk India and the central crisis management teams are closely monitoring the current developments resulting from the recent government decisions.

- **Europe:**
  - The supply situation in Europe is currently secure, although there are many strict lockdowns being put in place across the region including travel restrictions.
  - There are currently bottlenecks in logistics caused by shortages of drivers and long delays in cross-border transport leading to delayed shipments and increased prices.
  - The stated aim of the countries of the European Union is to keep business and transport routes open, however it is possible that there are isolated and temporary outages or supply disruptions.

- **Critical shortages:**
  - Certain global raw materials such as alcohol are impacted in terms of price and availability as demand for these products has peaked due to their disinfectant properties.

- Our central crisis management team is in constant communication with colleagues around the globe to manage any risk of a disruption of supply from Siegwerk to the market.
- We have in place a global network of alternative supply sources for all raw materials, and can switch our sources between suppliers, as required.
- Consequently, for all raw material suppliers our Global Purchasing and Procurement teams are continually monitoring operating levels and any potential risk of isolated business disruption.

- **Logistics and transport disruptions:**
  - We continue to monitor our robust global logistics network and have developed back-up suppliers in the event of further border closures or broader transportation disruptions.

- **Price developments:**
  - Select price increases can be anticipated due to COVID-19 market disruptions; the most critical raw material being alcohol.
  - Due to the industry shutdowns in China and India, disruptions to freight and logistics, and many other isolated supply disruptions, we are not always able to avoid price increases without increased risk of supply disruption.
  - Our focus is on avoiding any business disruption to our customers but the situation remains highly dynamic and complex.

All measures and teams will remain in place until the COVID-19 disruptions stabilize and business continuity returns to normal.

Because each site and each market situation is different, our local sales and technology teams will continue to be our customer's best point of contact on supply-related concerns.

Managing the overall global supply picture, as well as local market anomalies, ensures Siegwerk is fully engaged and able to proactively react as the impact of

COVID-19 on the supply chain evolves. Every Siegwerk facility has a Business Continuity team in place to manage the developments.

Our employees' safety is our utmost concern. To mitigate the risk of infection from COVID-19 as much as possible, Siegwerk has suspended global travel. Employees are encouraged to use virtual meeting tools as an alternative and to work from home whenever it makes sense and their job responsibilities allow.

The company has implemented strict hygiene measure and has asked employees to avoid meeting / working in large groups. Fortunately, many of Siegwerk's production facilities around the world are decentralized in their layout, with many separate facilities for different functions and categories of work. This allows for easy separation of people and more easily allows for working in smaller groups.

In addition, within each separate facility the local Supply Chain Management have implemented strict separation of shifts to ensure business continuity in case of illness, and are managing the impact of employee absences due to school closures and self-isolation requirements. Additional workers have been trained at all key sites and are able to backfill any shortages in critical onsite SCM staff.

To help you in understanding the complete landscape, see below a brief Q+A.

Questions and Answers:

Q. What is the status of Siegwerk's current inventory?

A. For now, global inventory and order levels at Siegwerk are sufficient to support normal operating levels and the risk of business disruption caused by disruptions in supply has significantly reduced.

Q. Is the lead time on orders impacted by the COVID-19 situation?

A. Siegwerk raw materials and production capacity are able to support normal operations. However, the ability to process rush orders needs to be discussed with the local sales team as the situation at each site may be different.

Q. What measure do you have in place to thwart panic buying from your customers?

A. Siegwerk constantly monitors customer orders which are placed outside of ordinary business and buying patterns in order to be able to supply all of its customers. Of course we are aware that in some instances there will be increased demand from certain customers.

We will do all that we can to satisfy the increased individual demand, but our policy is to balance orders to ensure we continue to supply all of our customers in these unpredictable times.

Our local Siegwerk sales and technology teams will continue to be our customer's best point of contact on supply-related concerns.

Q. What percentage of raw materials are sourced from China and India?

A. Siegwerk sources materials from suppliers across the globe to fulfill customer orders. A large percentage of the global raw material supply comes from China and India and our global and local teams are in direct contact with all suppliers to ensure the continued supply. In most cases where product is supplied from China and India, alternative sources are in place from other countries.

Q. Does Siegwerk source materials from other high-risk regions?

A. Other areas of serious spread of COVID19 are not causing major supply

disruption.

However, this remains an unpredictable and rapidly changing situation and our Purchasing and Procurement teams will continue to monitor developments closely.

Q: In the event of Industry shutdown ordered by a national government, will you be able to continue operating?

A: Siegwerk is a key supplier to the packaging industry which supplies the food, water, pharma, personal hygiene, medicine and medical equipment.

In most national and federal states there is appropriate legislation to recognise that these industries are designated as a system relevant industry. Siegwerk maintains close contact with the relevant industry bodies and national and state governments to ensure the right to continue to operate at all times.

Siegwerk is an ink supplier dedicated almost exclusively to the packaging market and without ink, the packaging cannot fulfil its purpose of ensuring that essential and critical supplies for food, pharma and hygiene reach the final consumers.

Siegwerk also communicates with its key suppliers to ensure their support to keep our supply chain open during this unprecedented and challenging period.

Q: In the event of manufacturing site shutdowns or large impacts to your production workforce what is the ability to transfer production / ship products from alternate sites?

A. Each Siegwerk site has established a business continuity team which is in place in the event there are site-specific concerns related to COVID-19. In the event of government-ordered manufacturing site shutdowns we are in contact with local

authorities where necessary to ensure Siegwerk continues to be seen as a part of the critical infrastructure.

At the sites that remain operational, the key focus is the rigorous implementation of strict hygiene and physical separation measures to avoid a full site being impacted by the spread of COVID-19.

Siegwerk's many production facilities around the world are decentralized in their layout, with many separate facilities for different functions and categories of work. This allows for easy separation of people and more easily allows for working in smaller groups.

Siegwerk sites continue the build-up of intermediate and finished goods inventories to cover any risk of short-term disruption of supply.

Q: Who do I contact if I have more questions or concerns?

Please contact your local sales representative for any question or concerns in relation to the local supply situation.

Media contact



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