



**Gexpro Services**  
9500 N. Royal Lane, Suite 130  
Irving, TX 75063

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Dear Valued Customer,

Gexpro Services remains committed in doing everything within our control to maintain a robust and full supply chain capable of supporting our customer demands through these fluid times. First and foremost, we are focused on the health and safety of our employees, customers, and suppliers. Gexpro Services has implemented several temporary policy changes that include limited business travel, restriction of visitors at our sites, telework for non-essential employees, and implementation of site industrial hygiene protocols and symptom checks to mitigate the associated risks of COVID-19.

Gexpro Services has reviewed and continues to monitor national, state, and local Executive Orders and United States Government guidance related to the COVID-19 pandemic. As indicated in the United States Department of Homeland Security's Cyber and Infrastructure Security Agency ("CISA") August 18, 2020 publication, Guidance on the Essential Critical Infrastructure Workforce: Ensuring Community and National Resilience in COVID-19 Response Version 4.0, CISA defines workers needed to maintain the continuity of critical manufacturing functions and their associated supply chains as essential workers. Gexpro Services, in the performance of its production inventory management systems and supply chain services, supports critical manufacturing infrastructure business sectors that include medical, transportation, energy, communications, food & agriculture, and the defense industrial base. Therefore, per CISA's Guidance, Gexpro Services' supply chain services business is deemed an essential critical infrastructure business, and its employees supporting these functions are exempt from national, state, or local mandates to shelter in place or stay at home or other similar restrictions, in the performance of its business activities. As we begin the gradual re-opening of our facilities based upon local positivity rates, employee density in a given location, vaccine completion %, and other factors, we currently have 14 of our 27 facilities open to both essential and non-essential employees, on schedule for a company-wide re-opening by September 2021.

Since the end of January 2020, we have diligently worked with key suppliers to evaluate impact at the factories in our global supply chain. We are also continuously evaluating any constraint on intra-country logistics, ocean shipping lanes, and air cargo as these restrictions can impact shipments in the affected regions. Below is a summary of the current supply chain impacts and status of our key supplier partners:

- Gexpro Services Sub-Supplier's Current Production Rate in Impacted Regions:
  - Asia – 100% (\*see note below regarding Ningbo Port)
  - Europe – 100%
  - Middle East – 100%
  - N Amer – 100%
- Global Ocean Logistics – Vessel space allocation has become a challenge as global container demand exceeds vessel capacity. Even urgent sailings secured for 300-500% premiums are delayed up to four weeks at origin ports. Overall transit times have extended by six to eight weeks due to capacity constraints at origin, labor shortages, extreme congestion, and a lack of equipment to move containers at US ports. Industry experts predict the space constraints and

rising costs will persist through the end of 2021. Just yesterday, a COVID outbreak shut down the Meishan Terminal at China's Ningbo-Zhoushan Port, one of the world's busiest container ports, and heightened concerns that the rapid spread of the delta variant may lead to a repeat of last year's shipping nightmares. All other terminals besides Meishan have been operating normally. The port is actively negotiating with shipping companies, directing them to other terminals, and releasing information on a real-time data platform. To minimize the impact, the Port Authority adjusted the operating time of other terminals to help clear clients' shipments.

- Global Air Logistics – Strained due to limited commercial flights to/from US. Costs are 3-5X higher than normal and transit times extended.
- Product Costs & Lead Time Extension – A weakening US Dollar, coupled with raw material price escalations has led to an increase in product costs, specifically out of the Asia Pacific and with large import distributors in the US. US and Mexico manufacturers are also being challenged with raw material lead time extensions and price escalations. Volatility in the raw material market has resulted in some manufacturers refusing to quote new opportunities and/or limiting quote validity to one week or less. Depending on the product type, material composition, and country of origin, product costs are increasing by 7-100%. As countries across the world emerge from lockdowns, demand for products has skyrocketed and factories are at capacity. Manufacturing lead times have extended 60-90 days. Gexpro Services is factoring the lead time and transit time extensions in its planning to minimize disruptions in the supply chain.

In collaboration with our account managers and customers, we have prioritized critical items and maintained delivery schedules by working together with each customer to evaluate stock levels and upcoming forecasted demands. As any potential disruption is identified, we are using reasonable endeavours to recommend alternate expedited shipping methods, manufacturers or comparable parts, if necessary, that will keep any additional costs related to mitigating the disruption reasonable for our customers.

This continues to be a dynamic situation and we will strive to keep you informed as more information becomes available. Your local Program Manager or Inside Sales contact will have the latest information on any parts potentially impacted.

Best regards,



Megan Rios  
Director, Sourcing & Procurement



Jeff Cline  
Vice President, Quality