

February 26, 2020

Customer Advisory: Regional CEO update on Coronavirus

Dear Customer,

We have put together a deck of slides to illustrate, the global impact COVID-19 has on the world economy and manufacturing industries in general and specifically for the logistics side.

We trust you find the information self-explanatory, informative and helpful.

The deck has been compiled on the basis of;

- Snap-shots of global and local news flashes and consolidated into a condensed deck, illustrating the magnitude of the COVID-19 outbreak in China and globally.
- The deck shows the high level of dependencies most countries have on the second largest economy of the world and certainly by far the biggest and most important producer of raw materials and finished goods globally!
- China is and will remain a super power for many years to come but certainly corporations will review their future sourcing strategies once dust settles, not to have all eggs in the same basket.
- Besides the short term market effects with higher rates, longer lead-times due to supply shortage may occur.
- There will be long term financial effects on manufacturing and logistics industry, as an example the airline industry is estimating a total loss of USD 30 bio for 2020, cargo business excluded.
- At the end of the deck, we have also summarized a few tips and recommendations from SGL point of view of actions to implement to mitigate the supply chain impact and to ensure a smooth and best way forward to interact with concerned internal and external stakeholders.
- Finally, there are a couple of slides about SGL, allowing anyone having specific questions to reach out to us 24/7.

Enjoy the reading!

Yours sincerely,

Rickard Ingvarsson
Scan Global Logistics Pte. Ltd.
CEO Asia & Global Head of Airfreight

An aerial night view of a city, likely Dubai, showing a dense skyline of illuminated skyscrapers and a complex network of highways and overpasses. A prominent red diagonal line runs from the bottom left towards the top right, crossing the cityscape.

Insights from the Logistics Industry in Times of Great Uncertainty

**SCAN GLOBAL
LOGISTICS**

UNCOMPLICATE YOUR WORLD »

Rickard Ingvarsson / Søren Peter Gaarden
February 24, 2020

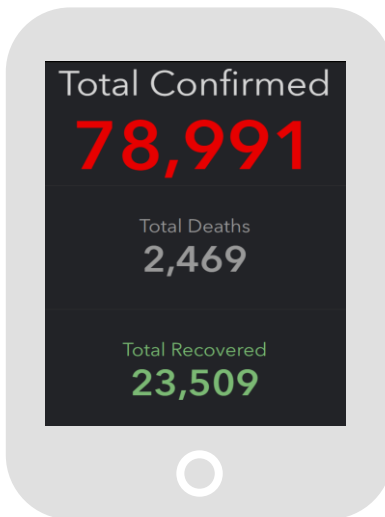
AGENDA

- Update on current impact for Corona virus on transports and logistics in China and the region
 - COVID-19 impact & challenges – Facts
- How can you secure a smoother process and where to focus
 - Our advice and recommendations
- What will the future bring?
 - What to expect short and long term
- Q&A
- Appendix
 - About SGL

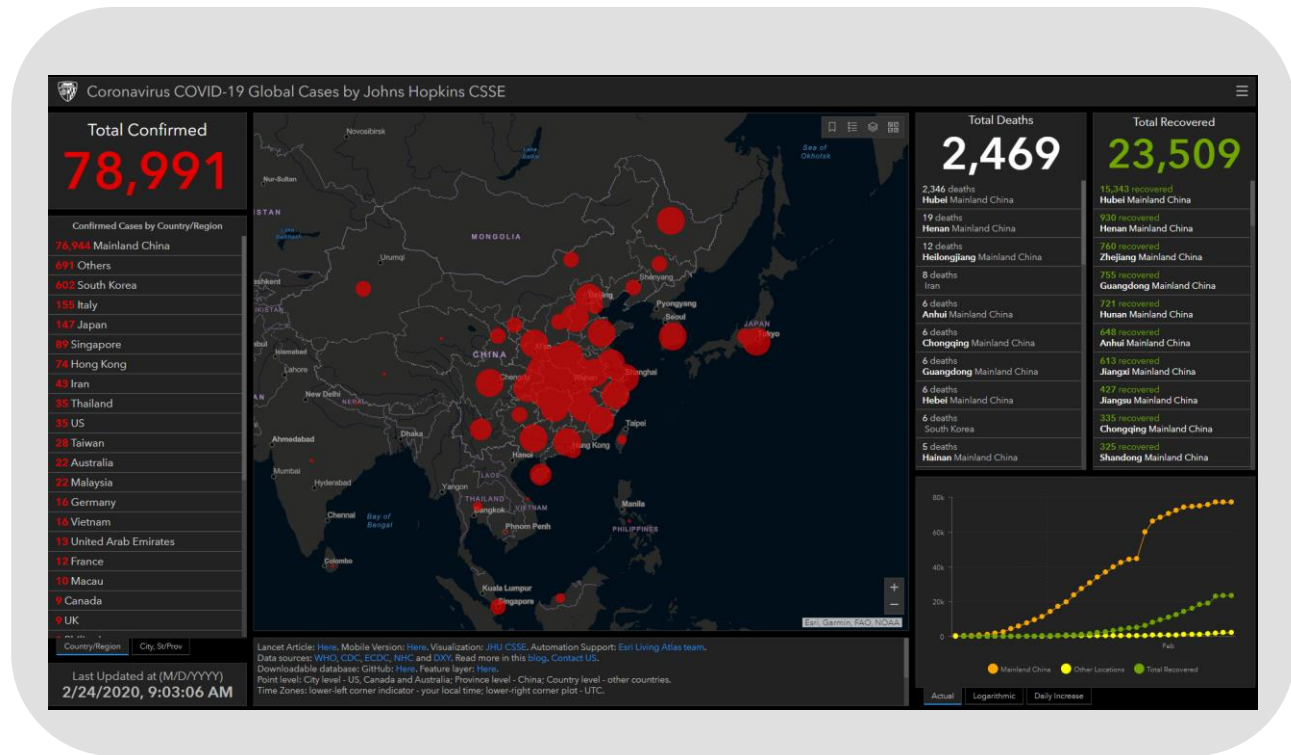
Keep Track of COVID-19 Global Cases

by Johns Hopkins CSSE

Mobile Version



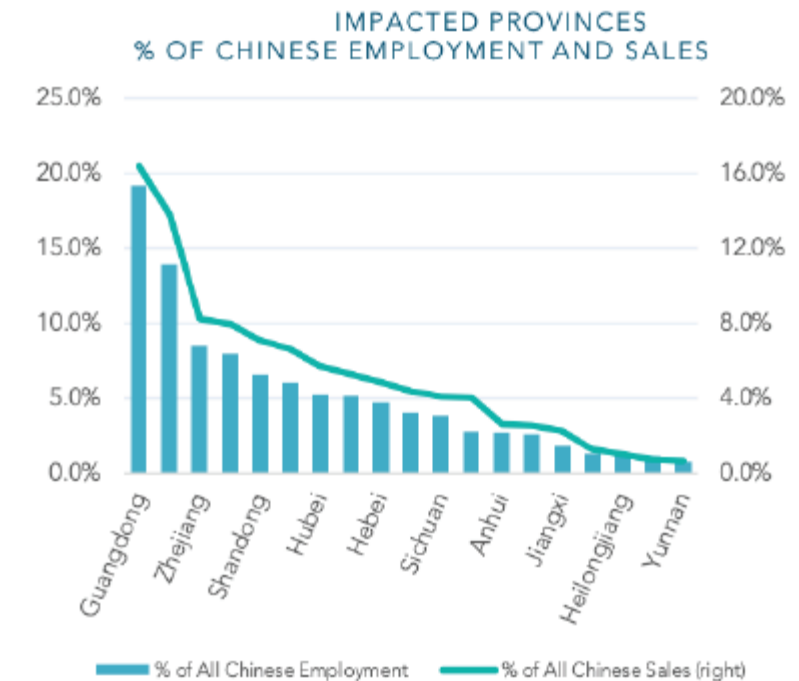
Desktop Version



Source: <https://gisanddata.maps.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6>

Impacted Origins

- The most impacted provinces account for over 90% of all active businesses in China, roughly 50.000 businesses are foreign branches or subsidiaries
- Guangdong, Jiangsu, Zhejiang, Hebei and Shandong provinces accounts for **50% of total employment and 48% of total sales volume for China's economy**
- More than **50.000 companies** (163 in the Fortune 1000 list) have **one or more tier 1 suppliers** in the impacted region and at least **5 million companies** (938 out of the Fortune 1000 companies) **have one or more tier 2 suppliers** in the impacted region
- Chinese economy makes up about 20% of the global Gross Domestic Product (GDP)! If, containment is delayed beyond summer 2020, the **global GDP growth may be impacted by 1%**

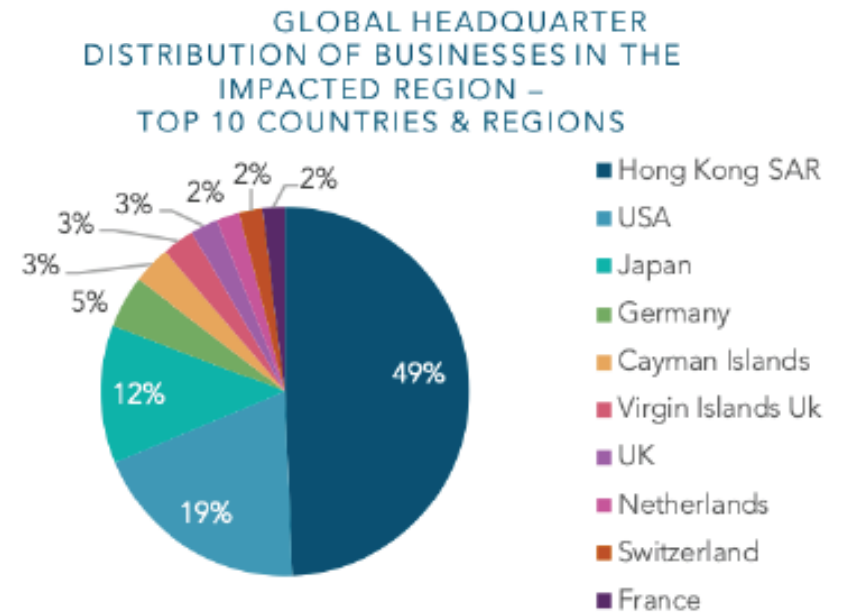


SOURCE: Dun & Bradstreet (February 5, 2020)

For more detailed info pls visit our website on www.scangl.com to read the latest updated and detailed customer advisory for all transport modes

Impacted Trading Partners

- **Highest dependency** on the impacted region include e.g. USA, Japan, Germany, UK and Switzerland
- Over 17.000 corporate headquarters are in the ground zero province of Hubei.
- Branches and subsidiaries in Hong Kong, USA, Spain, Germany and UK alone, have **total employee base of at least 1 million** employees and **generate over USD 2 trillion in sales**



SOURCE: Legal Linkage, Dun & Bradstreet (February 5, 2020)

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China's Global Share of Industries

Industrial sectors vulnerable to the outbreak – Manufacturing

Sectors	Chinese GDP as % of global GDP (productivity)	Chinese gross output as % of global gross output (supply)	Chinese cons. as % of global consumption (demand)	Chinese share of global exports (trade integration)	Chinese % of intermediate good exports (supply chain)
Computer, electronic, optical products	29%	49%	38%	30%	28%
★ Electrical equipment	44%	59%	54%	28%	21%
★ Other machinery and equipment	32%	47%	44%	28%	14%
★ Textiles, apparel, and leather	48%	58%	46%	41%	32%
Furniture, safety, fire, other	16%	27%	18%	34%	10%
Other non-metallic mineral products	44%	58%	57%	29%	21%
Rubber and plastics	25%	35%	38%	18%	14%
Basic metals	38%	52%	46%	1%	7%
Mining and quarrying	14%	25%	29%	1%	1%
Chemicals	27%	42%	40%	12%	9%
Paper and paper products	22%	30%	30%	11%	8%
Other transport equipment	20%	30%	30%	9%	21%
★ Pharmaceuticals	22%	35%	39%	4%	5%
Motor vehicles and trailers	27%	33%	33%	5%	7%
Coke & refined petroleum products	21%	22%	23%	7%	5%
Food, beverages, and tobacco	30%	33%	34%	7%	4%
Fabricated metal products	18%	30%	29%	0%	19%
Wood and wood products	31%	40%	34%	19%	9%
Printing and media	16%	26%	25%	11%	4%
Agriculture, forestry, and fishing	33%	31%	32%	4%	1%

Low High (by metric)

Sectors particularly prone to risk (e.g., computer, electrical equipment, textiles, non-metallic mineral products, basic metals) due to **high share of global output, consumption, exports, or intermediate good exports, indicating supply chain risk**

CURRENCY	SPOT RETURNS (%)
Indonesian rupiah	0.74
Hong Kong dollar	0.18
Philippine peso	0.12
Vietnamese dong	-0.27
Indian rupee	-0.31
Taiwanese dollar	-0.69
Chinese renminbi	-0.71
Swiss franc	-1.80
Canadian dollar	-1.96
Malaysian ringgit	-2.15
Turkish lira	-2.27
British pound	-2.75
Japanese yen	-2.78
Argentine peso	-3.01
South Korean won	-3.53
Euro	-3.82
Singapore dollar	-3.87
Thai baht	-4.58
Australian dollar	-5.51
New Zealand dollar	-5.93

COVID-19 Impact on Transports



- **Capacities reduced** dramatically
 - **Air services** is still available though **5.000 tonnes** or equivalent to 50 x 747 freighters **of daily capacity** has been taken out of the market globally
 - **Ocean 1.67 mio TEU** has been pulled out since Lunar New Year globally
 - **Rail capacity** is **reduced** by roughly **70%** both West Bound- and East Bound European traffics
- Biggest hurdle **shortage of truck drivers** combined with roadblocks and restrictions
- Chinese factories **not expected to resume** full production for another few weeks
- Local government regulations and restrictions changing rapidly

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COVID-19 Impact on Transports



- **Priorities given to aid & relief cargo**
- Inbound charter & commercial rates to China increased by 100's of % (cont. upwards)
- Outbound rates remains stable but expecting a fast ramp up coming March
- 30 airlines has suspended their services to/from China until end of March
- **From Beijing capacity to the Nordics reduced by 70% from Shanghai 50%**



- More than 50% blank sailings ex China in February compared to last year
- Ocean carriers are still implementing extra blank sailings, reducing transpacific eastbound (TPEB) capacity by an estimated 25% and **China-EU capacity by as much as 60%**
- Port congestions, specially for inbound reefer equipment
Carriers adding USD 1.000/container in congestion surcharges

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Airlines Revenues Set To Take a **\$30bn Hit** Due to COVID-19

Feb 2019 vs. Feb 2020

Thousand tonnes per day (%) change

Reduction in Widebody belly capacity



Source: Seabury Capacity Tracking database, Seabury Consulting analysis (February 2020)

Reduction in Freighter capacity

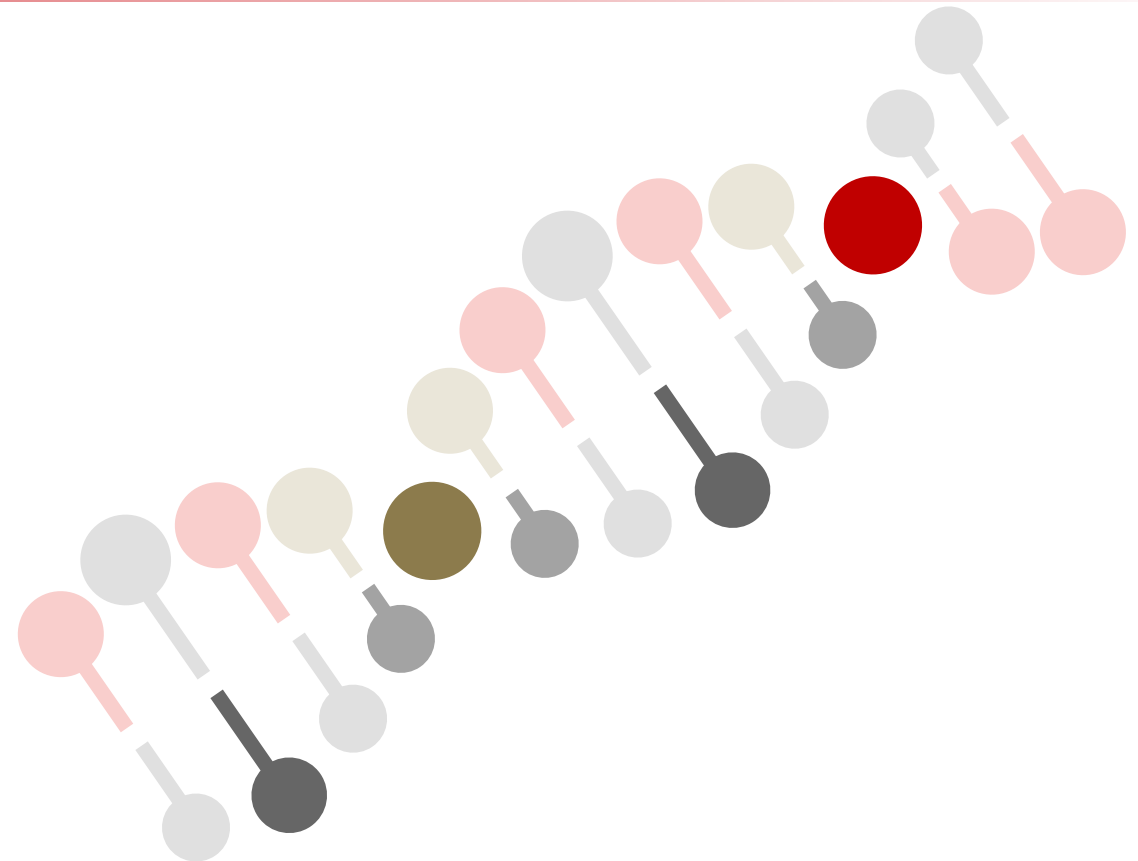


First on Ground

IT IS IN OUR DNA

SGL has a track record of **more than 45 years** of successful co-operation with some of the worlds largest NGOs and humanitarian agencies, with complex nature and challenging regions and often with poor infrastructure and instability.

Related to the outbreak of COVID-19, we have transported **masks and protective suits into China** for one of the **world's largest humanitarian agencies**.



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Our Recommendations To Ensure a Smoother Process



Immediate action and contingency plans incl. ensure safety of employees



Proactively share knowledge in a speedy manner to stakeholders



Gather facts and provide detailed and regular Customer Advisories



Seek alternative solutions, expect longer lead-times and higher costs



Continuous monitoring of risks and assessment of business partners



Communicate your needs clearly and transparently



Align internally between departments and your suppliers



Planning and forecasting is key



Prioritize and ensure high decision authority for speedy arrangements



Work with experienced suppliers



Assess the outcome and do risk mitigation for the future

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What Will The Future Bring Short- and Long-term



Rate increases



Delays due to backlogs and capacity constraints incl. IMO 2020



Competition rise for the limited Tier 1 or 2 suppliers within China



Diversification of sourcing strategies

Table 1: Top Products Imported from China and Possible Alternative Supplier Countries

PRODUCT	POSSIBLE ALTERNATIVE SUPPLIER COUNTRY
Electrical machinery, equipment, and parts	Brazil
Nuclear reactors, boilers, and parts	Chile, Singapore
Furniture and parts	Mexico
Toys, games, and sports requisites	Mexico, Brazil
Plastics and article made of plastics	Mexico, Brazil
Motor vehicles and parts	Chile, Colombia, India
Apparel and clothing accessories	Brazil, Canada
Optical, medical, and surgical instruments	Colombia, Brazil, India

SOURCE: UN Comtrade and Dun & Bradstreet (February 5, 2020)

Other Possible Alternative Supplier Countries	
Product	Country
Fashion and Retail	Cambodia, Myanmar, Bangladesh, Ethiopia
Electronics and gadgets	Taiwan, Vietnam, India and Mexico

Q&A



Q: Do you have any advice for shippers in order to keep transport cost down?

A: Look for alternative options to move your cargo thru e.g. multimodal or deferred services etc.



Q: How long does SGL expect that transportation sector will be effected?

A: We expect that the ripple effect will last well at least into end of Q2.



Q: What is the greatest threat to the transport sector in China at this time?

A: That reopening of factories will result in another peak in infections with government imposing further restrictions on transports.



Q: What is the regional impact on supply chains?

A: China is a key supplier of components for assembly lines across Asia hence there will be impacts due to dependencies of raw materials coming from China.

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**IF LOGISTICS GIVES
YOU A HEADACHE
WE SPECIALISE IN
PEACE OF MIND.**

UNCOMPLICATE YOUR WORLD »»

If you want to know more, sign up for our newsletter and visit our website on www.scangl.com



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**SCAN GLOBAL
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An aerial night view of a city, likely Dubai, featuring a dense cluster of illuminated skyscrapers and a complex, multi-level highway interchange with light trails from traffic. A prominent red diagonal line cuts across the scene.

APPENDIX

**SCAN GLOBAL
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Our Customer Feedback to COVID-19 actions

"SGL team had been involved in a communication group via WeChat to report the news to my team, updating tracking report and communicating with co-loaders for necessary actions. I acknowledged the good attitude and positive activities from SGL team in comparison with other partners, which makes me feel the **SVIP treatment**.

We suffered a huge challenge last week for picking cargo and felt anxious once the goods stopped moving without enough truck capacity. Given this condition, SGL team has been giving a **great effort** to look for the truck resource so that we are able to catch our dispatch plan and avoid claiming from our supply chain team."

"I really appreciate all the great efforts from you and your entire CN team in the past days to make things happen and ensure our normal operation in such a special period.

You have proved to be a **reliable partner under big pressure** and let's continue to work together and overcome the challenges.

THANKS is not enough to express my gratitude."

"Here we have to thank for Scan Global gave our fully support. And in China, also in Hubei, they have a **great many of social connections**.

Thanks to their support, we solved transportation now."

Servicing you from more than 100 offices across all continents

WHO IS SGL?



Our Purpose

"We exist to make the world a little less complicated"



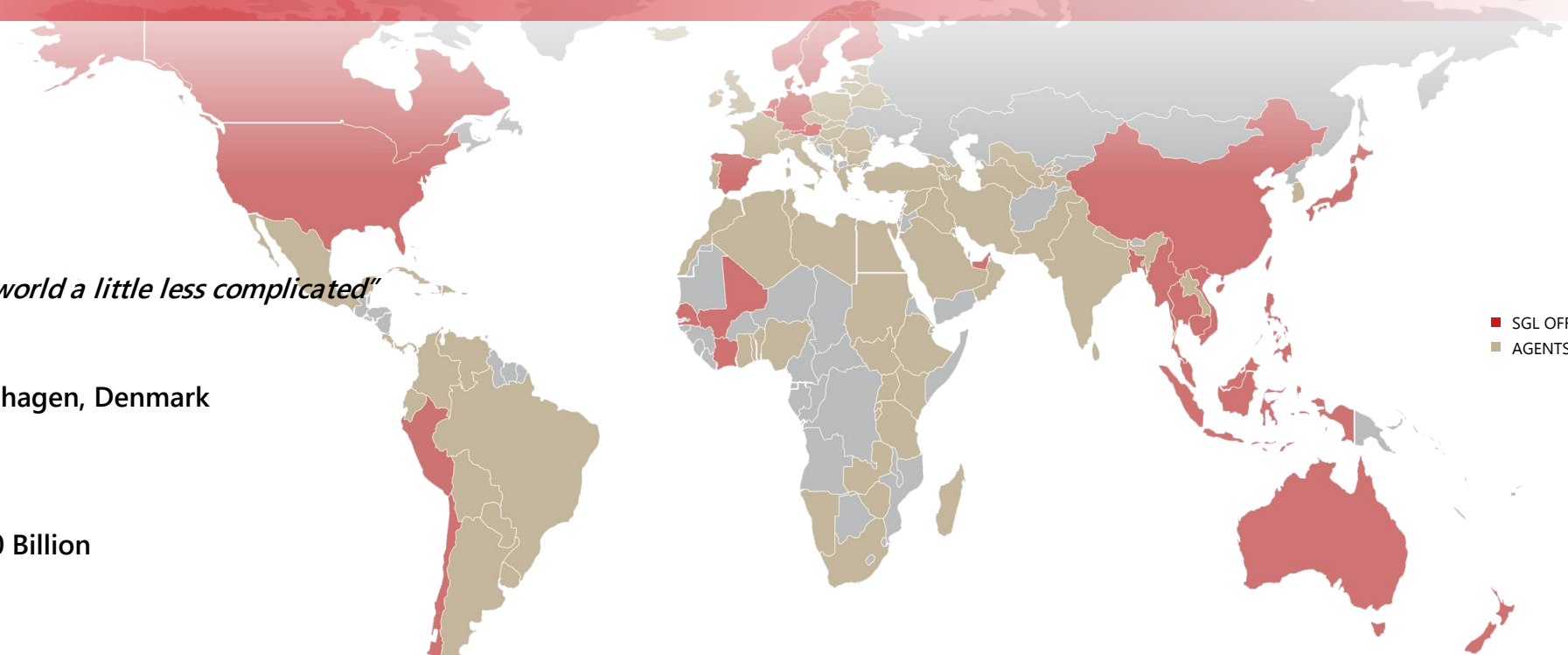
Headquarters in Copenhagen, Denmark



Turnover 2018: DKK 6.0 Billion



Employees: +1700



Americas

- 4 Countries
- 43 offices

EMEA

- 13 countries
- 36 offices

Pacific

- 3 countries
- 7 offices

South East

- 12 countries
- 27 offices



SEA
FREIGHT



AIR
FREIGHT



SURFACE
TRANSPORT



AID &
DEVELOPMENT



INDUSTRIAL
PROJECTS



WARE-
HOUSING



CUSTOMS
CLEARANCE



COURIER

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SCAN GLOBAL
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CORPORATE SOCIAL RESPONSIBILITY

All employees must adhere to SGL's code of conduct

SGL adheres to UN Global Compact's ten principles in the four areas of:



Human rights



Environment



Labour



Anti-corruption

In a world with an increased need for sustainable solutions, SGL aim to act as a partner for our customers

Environmental management system seeks to ensure that SGL's impact is constantly reduced through clear and tangible targets such as e.g.:

- Reduce electricity consumption per employee by 5% over the next 3 years
- Reduce the amount of combustible waste to maximum 20% of the entire lot
- Reduce copy paper consumption per employee by 5% every year

Scan Global Logistics exists **to make the world a little less complicated**

by bringing a human approach to everyone, everywhere

OUR FOUR VIRTUES



Respect

We don't believe in entitlement, but that all human beings are equal in worth no matter who they are or what they do



Integrity

We don't only believe in good intentions, but in honesty and execution to have the least possible distance between what we say and what we do



Entrepreneurship

We don't believe in being flawless, but in the ability to combine perseverance with innovation to get things done and learn from our mistakes



Fun

We don't merely believe in protocols, but in fostering an informal atmosphere powered by positive energy for human relationships to prosper