



December 15, 2020

To our valued customers:

As we approach the end of 2020 — a year unlike any other — we feel deeply the responsibility and honor of serving healthcare providers who are on the pandemic frontlines. Thank you for all you do and thank you for your business.

As we see changes and surges in infections, product demand continues to increase significantly. In the spirit of transparency and partnership, below we outline several challenges — beyond increased demand — that are impacting the entire industry, as well as our approach as a company to serving you through them:

- Strains on shipping capacity by sea, air and land are causing Personal Protective Equipment (PPE) delivery delays and cost increases
- U.S. Customs and Border Protection impacting the industry's imports
- Manufacturing capacity limitations
- Shortage of raw materials
- Impact of COVID-19 restrictions on workforce capacity
- Global demand for exam gloves exceeding global supply

We understand the challenges we've faced together, and know that what matters most is how these industry-wide challenges impact you:

- **Supply allocation:** Due to the market volatility we will continue to provide weekly allocations and visibility for PPE products included in our Supply Assurance program.
 - We expect to meet Supply Assurance customers' contractual commitments on all product categories.
 - We anticipate severe constraints on exam gloves for customers who did not sign up for the Supply Assurance program.
 - We anticipate constraints on some codes in the facial protection, infection control apparel and lab apparel categories for customers who chose not to sign up for the Supply Assurance program.
 - **Please continue to check your allocation reports each Monday.**
- **Pricing:** In July, we communicated price increases as a result of industry-wide challenges and committed to advanced notification (at least 30 days) of any other adjustments. **In order to continue providing the PPE products you need, we must adjust PPE pricing to reflect today's market conditions.**
 - These price changes are effective February 1, 2021 and will be fixed through April 30, 2021.

- All open backorders for the products included in this price change will be cancelled as of January 31, 2021. If you still need these products, you will need to place a new order for the desired quantity on February 1, 2021.
- Please see Appendix A for product pricing details.
- **COVID-19 vaccine supply needs:** Looking ahead, we are also preparing to assist you as we all tackle one of the most important challenges of our lifetimes: the rapid delivery of a vaccine. One area where we may be able to help is with some supplies related to vaccine administration that are not included in the [vaccine kits](#). For example, if you wish to increase your ordering of items such as sharps disposal containers, adhesive bandages or vaccine storage solutions, please visit [Cardinal Health MarketSM](#) to place an order for these products.

Your Cardinal Health Sales representative can share more information with you and answer any other questions you have during this time.

We are committed to being responsive as we work through this together. Below are answers to some of the most frequently asked questions we've heard from you, our customers:

How is Cardinal Health increasing supply via sourcing or manufacturing?

- We've expanded our supplier network, found new sources of raw materials and manufactured goods, and set up additional manufacturing lines. Examples include:
 - **Infection Control Apparel:** Invested in isolation gown capacity in two existing North American manufacturing sites, which will produce more than 20 million gowns annually, and have other investments in flight.
 - **Facial protection:** Expanded our North American surgical and procedure mask capacity by more than 150 million masks annually. In addition, we purchased equipment to produce N95 respirators in the U.S., which will come online in spring 2021.
 - **Exam gloves:** Secured more long-term strategic partnerships with exam glove suppliers that will yield increased volumes and reliability through 2021.
- We're using premium freight options to expedite supply into our network as quickly as possible. With service remaining a top priority, the additional cost is critical to ensuring timely delivery and receipt of product in a challenging transportation environment.
- In addition to reducing SKU complexity that unnecessarily diminishes global capacity (for example, multiple colors of the same product), we're also developing new products as rapidly as possible, including multiple new face shield designs and a pediatric procedure mask. This process aims to maximize access to high-quality, compliant and reliable PPE.

How is Cardinal Health increasing assurance of that supply?

- We are committed to an aggressive and consistent supplier vetting process. We're investing substantially in our supply chain while adding the appropriate resources, and partnering with external manufacturing partners, to increase supply of high-quality products that will be sustainable.
- In addition, the demand signal we now have through our Supply Assurance program enables us to secure longer-term relationships with suppliers.

How is Cardinal Health ensuring quality of that supply?

- Cardinal Health maintains high quality standards and vetting processes. Patient safety and product quality are at the forefront of every decision we make as we look to enable a trusted source of continuous supply. We will not consider options that would sacrifice patient safety or product quality.
- Since the start of the pandemic, Cardinal Health has received more than 800 external PPE leads. Each lead was thoroughly vetted, and less than 2 percent resulted in viable sources. While we are working aggressively to find new suppliers, especially for PPE, we also verify that they will meet our quality and safety standards.
- There has been quite a bit of media coverage about fraudulent deals or poor-quality goods, and that is an unfortunate result of the emergence of an opportunistic secondary “grey” market for medical supplies. While we are leaving no stone unturned, we are also very carefully inspecting each stone to ensure it meets our standards.

How is Cardinal Health ensuring appropriate and ethical standards within its supply chain?

- We are committed to ensuring our supply chain reflects our core values and our prioritization of both product quality and social responsibility.
- To do this, our Global Environmental Health and Safety priorities are built into our procurement and manufacturing standards and procedures. This includes thorough evaluation of our suppliers and sites to ensure no forced labor, safe work environments, and effective waste programs.

We remain committed to being as transparent and informative as we can be, and we will continue to work aggressively through multiple channels to increase supply to serve you as you serve your patients. The work you do is so important, and we deeply value the opportunity to partner with you as you carry it out.

Sincerely,

Robert Rajalingam
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