

### **North American facial price increase effective July 15th**

Dear Valued Customer,

As expected, during the last couple weeks and again last week, market conditions have deteriorated more in the facial than on any other categories. As written in our last letter, Sunset anticipated it but we are now experiencing it. The following 2 factors are still contributing to the overall stressed environment and the last 2 factors are more related to the facial category:

1. Supply chain disruption and container prices preventing jumbo rolls from arriving into North America from Europe/China;
2. Very low availability of white recycled fibers which is driving price up;
3. Lower facial offering as some jumbo roll suppliers reducing production due to low daily production output on facial tissue (Low basis weight such as bath, JRT & facial);
4. Folding boxes supplier increasing drastically their prices.

Facial base sheet is hard to find and as we need to source the material to produce for you, we have to pay the high price for this substrate. In order to help offset these rising costs, we are implementing a price increase of 20% as of July 15<sup>th</sup> on all of our facial products, some products may increase more. This new pricing structure will apply to all shipments as of July 15<sup>th</sup>, 2022.

As our back log is very heavy at 50 days, it means that we won't be able to accept any new orders at pre-increase price. We will honor the orders at the price we have on hand as of this morning as long as they don't exceed your facial allocation based on your 6 months facial monthly average. All orders exceeding your average, will need to be modified at post-increase prices or will be denied. Revised price lists effective on July 15<sup>th</sup>, 2022 will be given in the next coming days. In the event you have questions or require additional information, please contact Domenic or contact me.

Our commitment to being a high-quality supplier and long-term business partner to your organization has not changed. In order to accomplish our mission, we must pass this facial price increase to the market.

We appreciate your business, our partnership and your willingness to help share these cost increases. Thank you for your continued support!

Sincerely

Jean Jobin

April 15th / 2022

**North American price increase effective May 15<sup>th</sup>, 2022 will be adjusted to all items**

Dear Valued Customer,

During the last couple months and again during the long weekend, market conditions have deteriorated even more and faster than what Sunset have anticipate and we are experiencing and planning further deterioration to reach unprecedented level due to fibers availability and supply chain disruptions. Unfortunately, the industry reality changes by the hour... Explanations listed below.

1. Supply chain disruption preventing jumbo rolls from arriving into North America from Europe/China and USA. Shanghai port being close to fight Covid will also have a huge effect on availability of Jumbo rolls during the summer peak period;
2. Very low availability of white recycled fibers which is driving price up continuously;
3. Lower offering with some jumbo rolls suppliers stopping production due to financial distress;
4. Major labour shortage, severely affecting the availability of truck drivers. Transportation Cost have increase by another 30 to 40%.

These factors created a volatile environment and some historical cost increases for our jumbo rolls and our receiving and shipping costs. Even if we are doing the impossible to reduce the impact of these cost changes on our customers and products, we just can't absorb these increases.

In order to help offset these rising costs, we are implementing price increases of 15% on all of our products, some products may increase more. We will also put in place a freight surcharge to handle the rising freight costs for certain destinations which have a higher cost of shipment and put customers on allocation. This new pricing structure will apply to all shipments as of May 15<sup>th</sup>, 2022.

Orders received prior to the close of business on April 30<sup>th</sup>, 2022, calling for shipments before May 16<sup>th</sup>, 2022, will be invoiced at pre-increase pricing levels if not surpassing the month pre-increase allocation. Your monthly allocation for May will be given in the next coming days. Orders that exceed the allocation will be denied if not at post-increase prices. Revised price lists effective on May 15<sup>th</sup>, 2022 will be communicated to you in the following days. In the event you have questions or require additional information, please contact your account manager.

Our commitment to being a high-quality supplier and long-term business partner to your organization has not changed. At this moment, in order to accomplish our mission, we unfortunately must pass price increases to the market.

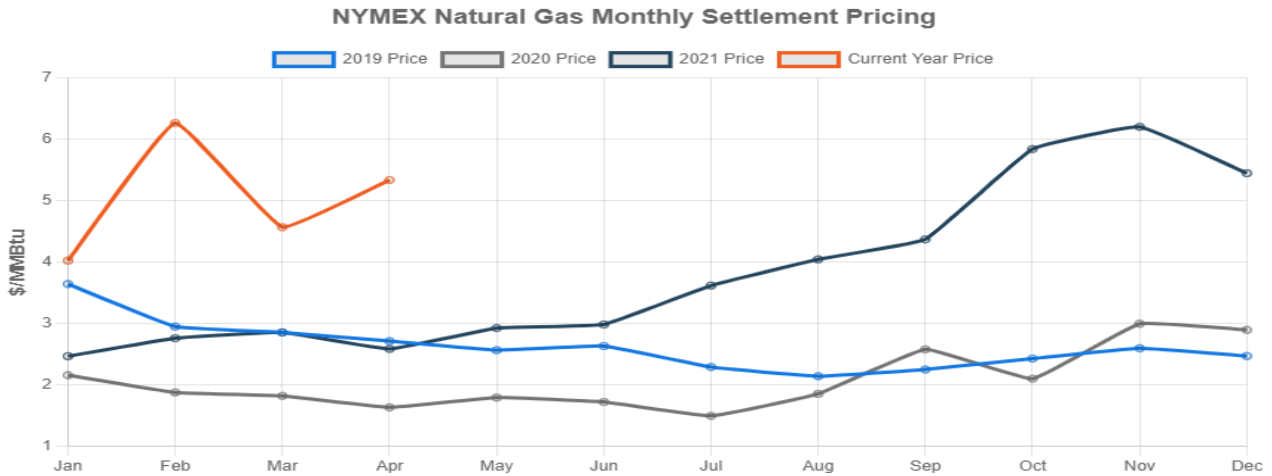
We appreciate your business, our partnership and your willingness to help share these cost increases. Thank you for your continued support!

Sincerely

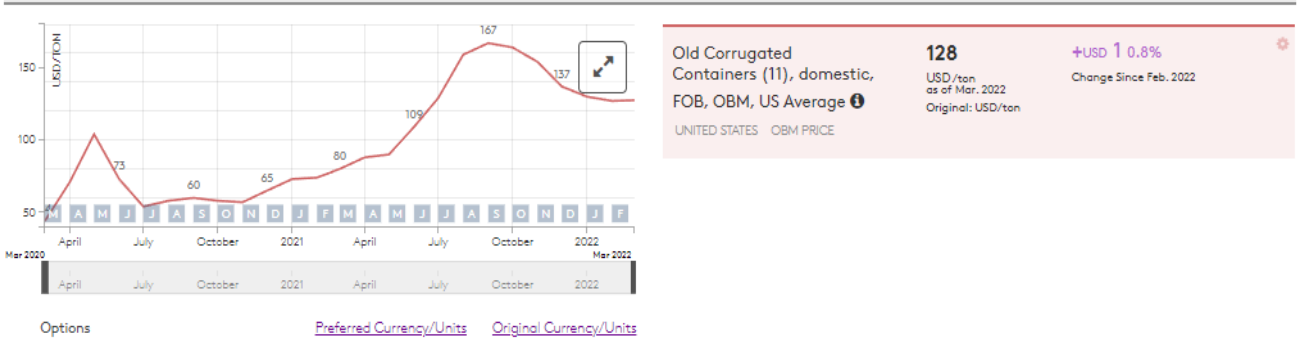
Jean Jobin

### Annexe 1. Paper Parent Rolls

1. Jumbo rolls costs are going up drastically and multiple factors are supporting this:
  - a. The supply chain disruption from Asia and Europe which reduce the availability in North America;
  - b. Most of raw material and the freight costs to receive fibers and ship jumbo rolls are up;
  - c. The gas price that a paper machine consumes is going up;
  - d. The labour shortage and the Covid-19 related absenteeism increases production costs;
  - e. All Covid-19 related costs.



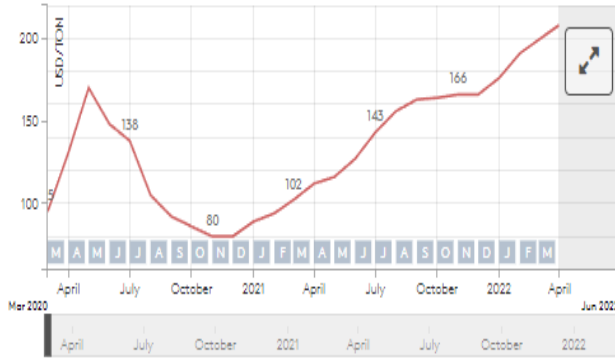
2. **Kraft Paper Jumbo Rolls prices are going up:** Suppliers are increasing their prices monthly due to offer and demand. This happens despite the OCC prices drops as demonstrated in the below image, which should have helped compensate the inflating costs affecting all jumbo roll productions as per point 1.



3. **Recycled White grades: Still going up now with 2 major reasons supporting the increases:**

1. SOP Index below continues to rise: Sorted Office paper is still on the rise and the main issue is that these 100% recycled mills who normally run with 100 % waste fibres cannot get good quality waste, so these fibre mills are needing to supply virgin pulp rather than waste fibres, which is driving costs up. In addition, their freight costs have been impacted by the need to travel further to get the pulp.

2. The high demand of pulp with closures of 2 recent major pulp plants have jacked the price even more and this even though the pulp index has not gone up! This is due overall costs increases on their end. Our average increase in the last 12 months has been between 25% and 40% on jumbo rolls and we are still seeing it go up.



Sorted Office Paper (37), domestic, FOB, US Average

**208** USD/ton as of Mar. 2022  
Original: USD/ton

**+USD 17 8.9%**  
Change Since Feb. 2022

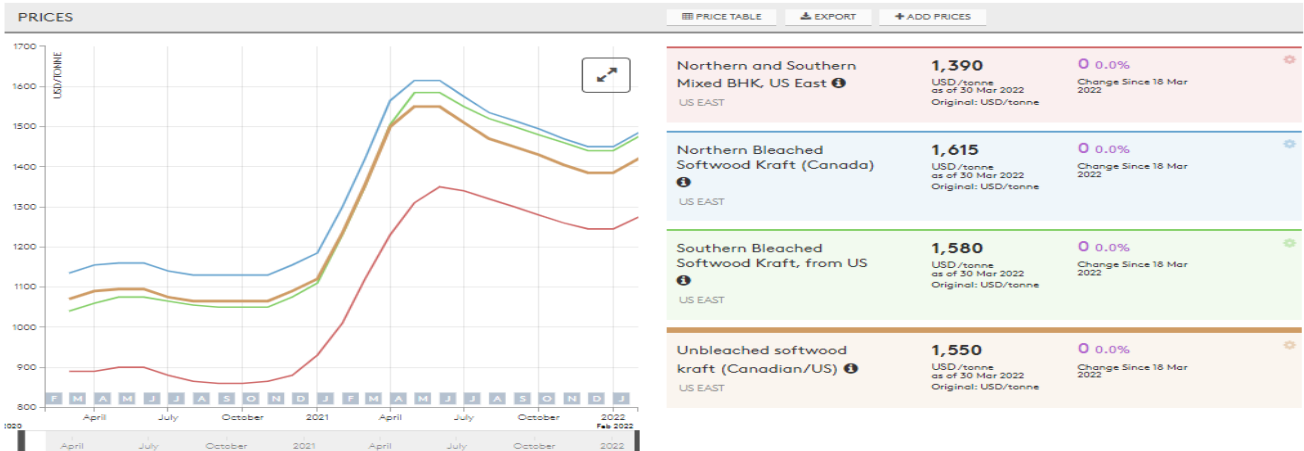
UNITED STATES

Options [Preferred Currency/Units](#) [Original Currency/Units](#)

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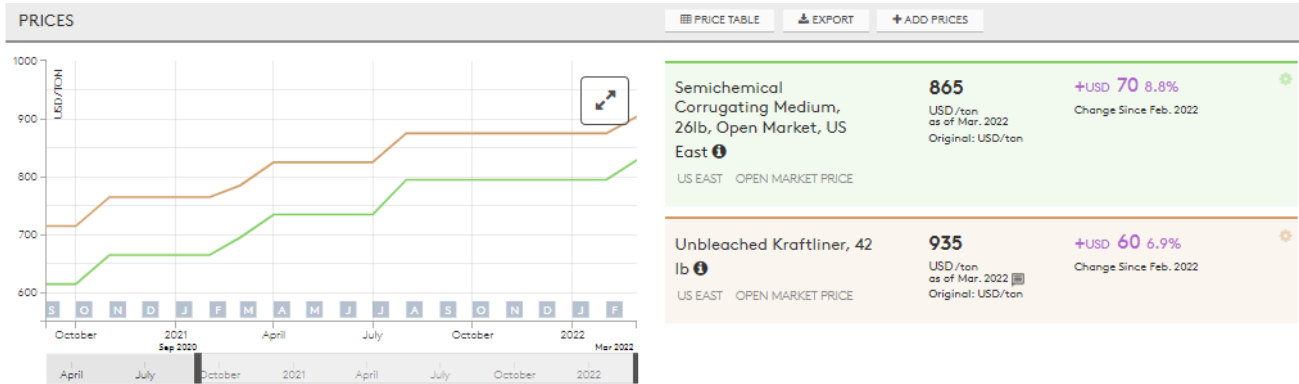
**4. Virgin Paper:** Market conditions changed drastically in North America. In 2022, we have received monthly price increases which varies between suppliers. The main reasons behind this increase are the following:

1. The great lack of virgin jumbo roll imports that reduces the offering;
2. The high demand for virgin pulp to replace the unavailable deinked fibers, combined with the closure of 2 recent major pulp plants, put pulp producers in an advantageous position in terms of overall offer and demand. Even if the pulp index dropped starting in June and is now stable as shown below, many pulp plants announced a \$45 to \$650 increase on NBSK and NBHK in February, which transfers into a cost increase for virgin paper suppliers. It is therefore increasing again...

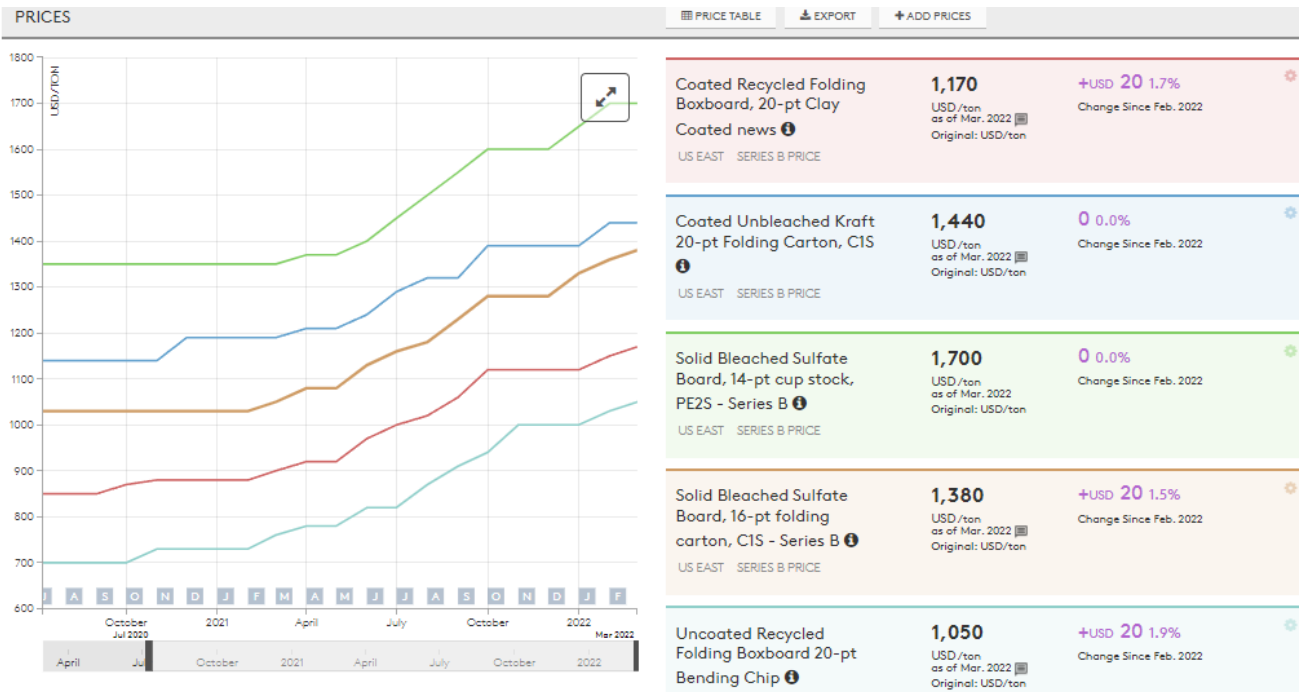


## Annexe 2. Other supplies:

- BOXES/CORES are going up:** Medium weight and lightweight liner continue to move up as it is greatly influenced by its raw material. Our costs follow the same trends.



- FOLDED BOXES:** Below is the index of the CRB /CUK which has been climbing steadily for months in 2021 and still continuing to climb in 2022. We anticipate that we will need to absorb an increase very soon, when our actual deal will come to an end.



- PLASTICS / ADHESIVES:** Still climbing and reflected on costs.
- WOODEN PALLETS:** Price per pallet is still high, but we are working on solutions to reduce it.