

TARIFF MITIGATION AND INVENTORY MANAGEMENT

TARIFF MITIGATION AND INVENTORY REDUCTION "GOLDEN RULES"

FUNDAMENTAL RULES:

- No margin erosion due to tariffs
- Raise TSR floor prices AHEAD of anticipated tariff impacts. All new quotes to have language stating tariffs will be passed through
- Purchase orders must have language assuring PO rejection by supplier if pricing does not match
- Always consider alternative sourcing and alternative product selection
- Before ordering, ensure stock is not available at other TriMark locations
- Reduce DIO – cannot have product sitting in inventory

General Tariff Mitigation / Purchasing and Procurement

| FOCUS AREA | PROCUREMENT / PURCHASING | TERRITORY SALES NATIONAL ACCTS (MSA / Non-MSA) | JOBS / AIA |
|---|--|--|--|
| * PO Placed but Not Shipped * Goods in Transit | Product is Domestically Produced, <u>OR</u> Is coming from a non-tariffed origin <u>Continue Current Practices</u> | <u>Ensure accurate/timely cost updates in system (AQ/ERP) upon receipt of notification of change</u> | Ensure systematic cost updates in system upon receipt of all materials |
| | If incoming product from tariffed supplier <u>Immediately request supplier to honor existing purchase order pricing with no tariff applied. Engage vendor to leverage in-country inventory stocked before tariff implementation</u> | <u>All tariffs and cost increases are to be passed on to the customer as early as contractually possible.</u> <u>If no customer agreement exists, all cost increases are to be passed on immediately</u> | If supplier will not hold pricing, <u>Request appropriate price increase from Customer / GC. Review all contract terms to determine either a change order request or use of escalation clause</u> |
| Future Purchases / Materials Yet to be Ordered | Product is Domestically Produced, <u>OR</u> Is coming from a non-tariffed origin <u>Proactively pursue volume-based discounts or other cost reduction opportunities</u> | <u>Ensure accurate/timely cost updates in system (AQ/ERP) upon receipt of notification of change</u> | Ensure current and accurate cost updates in system upon receipt of all materials |
| | If incoming product is from tariffed supplier, but coming into a domestic warehouse: <u>Immediately lock in prices for inventory that is on the ground</u> | Do not engage in panic buying or buying in advance to hold customer pricing. All increases in costs, tariff or otherwise, are to be communicated and passed on to the customer as early as contractually possible. If no customer agreement exists, all cost increases are to be passed on immediately | Request appropriate price increase from Customer / GC. Review all contract terms to support the conversation. Institute process to hold shipment until pricing agreement is reached. Any advance purchase must have EVP approval and only if full deposit is received and customer agrees to pay storage costs |
| Quoted Projects / Not Yet Awarded | | Upon Award <u>Renegotiate all pricing to align with current costs and current tariff liabilities</u> | Upon Award <u>Renegotiate all pricing to align with current costs and current tariff liabilities</u> |
| Future Quotes | | Ensure current and accurate cost updates in system | Ensure current and accurate cost updates in system. Update all quote and contract language. For jobs to be executed in 2-3 months, work with supplier to lock in pricing |

Demand Planning and Inventory Forecasting

| FOCUS AREA | PROCUREMENT / PURCHASING | TERRITORY SALES NATIONAL ACCTS (MSA / Non-MSA) | JOBS / AIA |
|---|---|--|---|
| Tariff Negatively Impacts Sales and Volume Expectations | <p>Demand planners and resupply coordinators must reset forecasts to realistically reflect changes in demand</p> <p><u>DIO cannot rise. Cannot bring in tariff impacted inventory that will be stranded</u></p> | <p><u>If customer requests inventory levels higher than suggested by demand planning (nominal levels, must secure 100% deposit in advance for the full MOQ</u></p> | |
| Inventory Reduction | <p>Supply chain to lead effort to identify inventory sharing opportunities. Ongoing review and actions</p> | | |
| | <p><u>Inventories must be reduced to 10-15 DIO. Must lower min/max temporarily on items with tariffs in excess of 15%</u></p> <p>Use trailing calculation and forecasted slowdown</p> | <p>Secure non-cancellable purchase order agreements from customers for large buys</p> | <p>Secure non-cancellable purchase order agreements from customers for large buys</p> |
| SKU Reduction | <p>Develop temporary SKU reduction plans (led by Division Presidents)</p> <p><u>Slow and / or block purchasing for slow turn, high MOQ items. Target 20% of slow moving SKUs</u></p> | | |

Pricing

| FOCUS AREA | PROCUREMENT / PURCHASING | TERRITORY SALES NATIONAL ACCTS (MSA / Non-MSA) | JOBS / AIA |
|--|--------------------------|--|--|
| AutoQuotes | | <u>Ensure cost updates are implemented across all divisions as tariffs / price increases are announced. Do not wait for inventory to be absorbed</u> | <u>Ensure cost updates are implemented across all divisions as tariffs / price increases are announced. Do not wait for inventory to be absorbed</u> |
| Contract Reviews Project Pricing Tool (PPT) | | Reviews to be adjusted to assess tariff pass through, MOQ and DIO risks. <u>Ensure all contracts / agreements include tariff pass-through language</u> | Reviews to be adjusted to assess tariff pass through, MOQ and DIO risks. <u>Ensure all contracts / agreements include tariff pass-through language</u> |
| | | <u>Ensure all agreements and contracts with customers secure 100% non-refundable deposits in advance for any items purchased with MOQ</u> | <u>Ensure all agreements and contracts with customers secure 100% non-refundable deposits in advance for any items purchased with MOQ</u> |

How to implement

| FOCUS AREA | How to handle |
|---|--|
| Accounts Payable | <ul style="list-style-type: none"> • Ensure PO availability: As is current process, pay only if PO is available. If no PO exists, follow the established exception process • Enforce 3-way match: In case of a mismatch, pay per current process; apply discount • Escalate mismatches: Escalate to Division Purchasing and drive reconciliation • Prevent vendor block: Proactive measures to avoid vendor account blocks through timely resolution. Division Finance leads to ensure adequate bandwidth & resolution |
| Accounts Receivable | <ul style="list-style-type: none"> • Post supply short payment (Territory Sales / National Accounts): Apply received amount and follow standard recovery process. Hold shipments if necessary (with approval of Division President) • Post-project / job short payment: Apply received amount and follow standard recovery process • Ongoing project / job short payment: Apply received amount and initiate recovery as per current process. Hold shipments if necessary (with approval of Division President) • In all situations, notify Construction Services & Sales to ensure timely resolution |
| Projects in progress / Quoted projects – not yet awarded | <ul style="list-style-type: none"> • Assess tariff impact on <u>in-progress and upcoming projects / jobs (which are already awarded)</u>. Collaborate with Construction Services, Sales, Purchasing & Category Management and hold shipments if renegotiation isn't resolved within 2–3 weeks. In case of no tariff recovery – secure Division President approval before proceeding • For new projects (which are not yet awarded): Assess tariff impact at time of award. Collaborate with Construction Services, Purchasing, Sales & Category Management and hold shipments if renegotiation isn't resolved within 2–3 weeks. In case of no tariff recovery – secure Division President approval before proceeding |
| Territory Sales | <ul style="list-style-type: none"> • Division VP Finance to ensure accurate & timely cost updates in system (AQ/ERP) <u>upon receipt of notification of change</u> |

Key actions

- If product is sourced from China – stop all ordering immediately and find alternative source
- Divisional buyers temporarily suspend ALL private label ordering and work through the private label team for resupply / purchase needs
- Category Management continues to update live link tariff master sheet
- Purchasing will issue non-negotiable notice to suppliers that early shipments that trigger potential tariff exposure will incur automatic 20% penalty at time of invoice payment
- Ensure communication cascade through sales and impacted departments / functions