

# Section 301 China Tariff FAQs

- **What parts are impacted by the new tariff?**
  - Section 301 identifies 818 product lines (based on HTS codes) of China origin that will be levied with an incremental 25% tariff beginning July 6, 2018. Sager is not able to generate a complete list of impacted parts without supplier assistance and Sager has asked each supplier for a complete list of the part numbers in these lines that will be impacted by Section 301. We expect that this list will take some time to generate as we accumulate data from suppliers all over the world.
- **Will Sager charge the tariff to customers?**
  - We have made the decision to delay the assessment and charging of the tariffs to give our customers more time to prepare, and give all of us, including our suppliers, more time to fully understand the details. The date of implementation of the assessing and billing will be determined in the coming weeks but the date will not be before August 15, 2018. Sager will pay all assessed tariffs due on products imported from China during this period and, in doing so; shield our customers from incurring or paying any tariffs on shipments until at least August 15, 2018.
- **How will Sager bill me for the incremental tariff charge?**
  - Sager's approach for billing customers will be to provide a separate charge for the tariff. However, this approach may change as additional input and feedback from customers is considered. The intent is to keep the supply chain running in its current state without major system and process changes. Given the ambiguity as to the duration of the tariffs, Sager believes this approach provides for the least disruptive option and allows customers to determine how to handle the tariff internally without dictating process changes to customers. Although still being developed, the intended layout of the invoice will provide sufficient detail about shipments and parts delivered to allow customers to understand how the tariff was applied.
- **When will Sager begin/end billing customers for the incremental tariff charge?**
  - Sager will **NOT** be implementing the tariffs on July 6. We have made the decision to delay the assessment and charging of the tariffs to give our customers more time to prepare, and give all of us, including our suppliers, more time to fully understand the details. The date of implementation of the assessing and billing will be determined in the coming weeks but the date will not be before August 15, 2018. Sager will pay all assessed tariffs due on products imported from China during this period and, in doing so; shield our customers from incurring or paying any tariffs on shipments until at least August 15, 2018.
- **How will the charge for the tariff be determined?**
  - The full amount of the tariff paid by Sager will be charged to our customer. We will do so in a way that is fair and equitable to our customers. As these charges are pass through, the tariffs will not be considered sales for purposes of any sales programs or incentive calculations, internally or externally.

- **Can I specify in my order that I do not want China parts?**
  - Sager carries a mixture of inventory that includes parts made exclusively in China and parts that come from China that may be made in other jurisdictions. At this time, Sager is unable to guarantee that any requests for parts made in places outside of China can be honored. Therefore, we will not be making any specific guarantees related to this type of request. Sager will assume that all customers would like to purchase parts from other sources where available and will take steps to alter buying patterns to reflect customer demand.
  
- **What is Sager's strategy for mitigating the tariff impact to customers?**
  - Sager is working with suppliers to review the supply chain on parts being acquired after the effective date of the tariff. In working with suppliers on the inbound side, Sager will make buying decisions that provide the best available solution for procuring inventory that reduces the impact of the tariff. This may include strategies such as redirecting inbound inventory and buying from supplier sites in locations other than China. In addition to optimizing the procurement process, Sager has developed a process that is meant to be simple and flexible to allow customers ultimate decision-making over how to handle the tariff within their own environment. In addition, Sager is working with the Electronic Component Industry Association (ECIA) lobby for the exclusion of electronic components from the Section 301 list.
  
- **Are part lead times and availability impacted?**
  - Sager has not heard from any suppliers that lead times and availability are being impacted due to the tariff situation.
  
- **Are prices going to change?**
  - Sager will not be implementing any price changes outside of the normal course of business due to tariff related issues unless a supplier chooses to add the tariff to the cost of the component.
  
- **When will the customer know when/if an order contains items that are impacted?**
  - Section 301 identifies 818 product lines (based on HTS codes) of China origin that will be levied with an incremental 25% tariff beginning July 6, 2018. Sager is not able to generate a complete list of impacted parts without supplier assistance and Sager has asked each supplier for a complete list of the part numbers in these lines that will be impacted by Section 301. We expect that this list will take some time to generate as we accumulate data from suppliers all over the world. Impacted part numbers will be communicated to customers as soon as available.
  
- **What is the industry outlook for tariff-related issues?**
  - Sager is a member of various industry groups and trade associations that indicate common themes across the issues, similar to those addressed in this FAQ. As an example, Sager is working with the Electronic Component Industry Association (ECIA) lobby for the exclusion of electronic components from the Section 301 list. Sager is not unique in needing a) a strong cooperation from suppliers to identify the impact on the affected parts and b) a flexible solution for customers that does not adversely affect the component supply chain.

- What is Sager's strategy for continued escalation of tariffs including the upcoming "List 2" items?
  - Sager is monitoring the situation with USTR-2018-018 (List 2). Through industry groups, trade associations and other activities Sager continues to provide feedback to policy makers about the challenges faced because of the tariffs. Sager remains committed to being a strong advocate for our trading partners.