High Shrink Reduction Program

THE IMPACT:

Shrink is loss for the company. It is the difference between what is counted during a physical inventory and what the store's inventory records say should be on hand.

Shrink can happen because of internal or external theft, as well as opportunities in store operational processes such as receiving, transfers, cycle counts, or other processes that involve inventory.

Stores with a high shrink percentage will utilize the Rally House High Shrink Program to reduce shrink and drive profitability. Rally House's High Shrink Reduction Program has a three-tiered approach to:

1. Identify shrink causes
2. Determine steps to reduce shrink
3. Increase profitability

Reminder: The Team Tip Line is available at **1-248-955-5953** to report suspected internal theft. Eligible tips may qualify for a reward of **up to 10% of recovered losses, capped at $5,000**. All reports are handled confidentially.

THE GAME PLAN:

HIGH SHRINK REDUCTION QUALIFICATIONS

The High Shrink Reduction Program begins after a store's Physical Inventory is completed, and shrink results are finalized.

Stores may be selected based on performance and risk factors, including:

- Shrink performance and trends
- Inventory accuracy and on-hand integrity
- Operational and receiving performance
- Compliance with standard processes and controls
- Risks identified through reporting, audits, or field observations

District Leadership, Regional Leadership, and Loss Prevention determine program participation and may adjust a store's status at any time based on updated performance, risk, or business needs.

Stores remain in the program for a minimum of six months, with duration and expectations based on performance, risk, and progress.

STORE RESPONSIBILITIES

<table>
<tr><td>Scheduling</td><td>

Execute the Staffing and Scheduling Playbook to meet Schedule Score requirements.
Store Leadership opportunities for stretch assignments including training new store leaders, participating in pilot programs, and supporting New Store Openings, will be coordinated in partnership with the COO to ensure alignment with business priorities, staffing needs, and resource availability.

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<tr><td>Training</td><td>

All Team Members are to complete Inventory Management training modules in Training Camp, once assigned, before performing operational tasks.

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<tr><td>Operations</td><td>

The Head Coach completes two full store walks each week, including the sales floor, backroom, fitting rooms, restrooms, and cash wrap, to identify potential concealment or stash activity.

The store walk should include a thorough inspection of potential concealment areas, including under fixtures, inside drawers, and within closed boxes. Verify that no merchandise is hidden, improperly stored, or located in areas inconsistent with standard operating procedures.
Report any notable findings to Loss Prevention at lossprevention@rallyhouse.com for visibility and guidance.

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<tr><td>Loss Prevention</td><td>

Store to complete High Shrink Audit in NetSuite, monthly.
Store Leader conducts a minimum of four targeted camera reviews each week, prioritizing high-risk activities, including:

Opening and closing procedures, including cash handling
Backroom access
Receiving
Emergency exit door activity and Door Sign Off compliance
Bag check compliance
Document each camera review using the Camera Review NetSuite form with clear, objective details to support follow-up, review, or additional action, if needed.

For stores with Verkada reference camera guide here for tips on reviewing

Inspect fitting rooms at least three times daily (morning, midday, and evening).

Document any recovered tags or theft indicators in NetSuite as an Incident Report as a Known Theft incident.

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FIELD LEADER RESPONSIBILITIES

Store Visits	• District Managers visit High Shrink locations once per month, with one Purpose or Foundation Visit being unannounced each quarter. • District Managers to complete High Shrink Audit once per month as part of their visit • District Managers conduct at least one Purpose Visit per quarter during nights and/or weekends to assess risk during peak theft exposure periods. • Regional Directors are to visit the store once per quarter at a minimum.
High Shrink Audit Review	• Completed High Shrink Audit will be reviewed and verified for deficiencies by the District Manager during the store visit with Head Coach monthly. • The District Manager will validate Head Coaches' understanding of completing a camera review by having the Head Coach walk them through a completed camera review and the opportunities identified by the Head Coach. ○ Any suspicious activity or findings are escalated to Loss Prevention at lossprevention@rallyhouse.com for follow up

HIGH SHRINK REDUCTION PROGRAM GRADUATION

A store may be considered for graduation from the High Shrink Reduction Program after demonstrating sustained improvement across key operational, inventory, and risk areas.

Graduation considerations may include:

- Improved and maintained inventory accuracy over a defined period
- Shrink performance within acceptable variance thresholds
- Improved operational scorecard results and process execution
- Consistent compliance with operational and loss prevention controls, as validated through audits and field assessments
- Reduction in repeated compliance gaps and shrink-related incidents

Stores may also be considered for graduation following a successful Physical Inventory result that meets performance expectations.

District Manager, Regional Director, and Loss Prevention will review and approve graduation decisions based on store performance and risk.

After graduation, stores will enter a sustainment monitoring period, during which performance will continue to be evaluated through reporting. Stores that show regression in key areas may be reassessed and re-entered into the High Shrink Reduction Program as needed.