Risk Factors Comparison 2023-11-17 to 2022-11-21 Form: 10-K

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The following discussion of " risk factors " identifies the most significant factors that may adversely affect Ashland' s business, operations, financial position or future financial performance. This information should be read in conjunction with Management' s Discussion and Analysis and the consolidated financial statements and related notes incorporated by reference into this ~~annual~~ **Annual** ~~report~~ **Report** on Form 10- K. The following discussion of risks is designed to highlight what Ashland believes are important factors to consider when evaluating its expectations. These factors could cause future results to differ from those in forward- looking statements and from historical trends. ~~COVID~~ **Risks Related to the Company' s Business Operations, Financial Performance and Growth Ashland has set aggressive growth goals for its businesses, including increasing sales, cash flow and margins, in order to achieve its long** - ~~19 Pandemic The COVID~~ **term strategic objectives and improve shareholder value. Ashland' s successful execution of its growth strategies and business plans to facilitate that growth involves a number of risks. Ashland' s failure to fully achieve one or more of its aggressive growth goals or meet its long** - ~~19 pandemic its growth strategies and business plans to facilitate that growth involves a number of risks.Ashland has set aggressive growth goals for its businesses in order to meet long~~ term ~~strategic~~ objectives **,** ~~and improve shareholder value.Ashland' s failure to meet one or more of these goals or objectives would~~ **could** negatively impact Ashland' s potential value and its businesses.One of the most important risks is that Ashland might fail to adequately execute its business and growth plans,by optimizing the efficient use of its physical and intangible assets.Aspects of that risk include changes to global economic environment,changes to the competitive landscape,attraction and retention of skilled employees,the potential failure of product innovation plans,failure to comply with existing or new regulatory schemes,failure to maintain a competitive cost structure and other risks outlined in greater detail **in this Item 1A.In addition,Ashland,as part of its growth goals,continuously evaluates acquisition candidates.If Ashland is unable to successfully identify and integrate acquired businesses,Ashland could fail to achieve any expected increases in sales and operating results,which** could have a material adverse effect on Ashland' s **financial** ~~business operations,~~ results ~~of operations, cash flows and~~ **. Ashland' s ability to achieve the anticipated** financial ~~position. Ashland continues~~ **benefits from any acquisition transactions may not be realized due** to **any number** ~~closely monitor the impact~~ of **factors** ~~the COVID- 19 pandemic on all aspects of its business and geographies~~ , including ~~how the pandemic will impact customers~~ , **but not limited** ~~employees, suppliers, vendors, business partners and distribution channels. The COVID- 19 pandemic has and may create significant volatility, uncertainty and economic disruption, which may materially and adversely affect Ashland' s business operations, cash flows, liquidity and financial position. The extent~~ to ~~which the COVID- 19 pandemic continues to impact Ashland will depend on numerous evolving factors and future developments that are difficult to predict~~ , ~~including: the severity of the virus~~ **unsuccessful integration efforts, unexpected or underestimated liabilities or increased costs, fees, expenses** and ~~any~~ **charges** related ~~variants;~~ **to such transactions. Such adverse events could result in a decrease in** the ~~duration~~ **estimated fair value** of **goodwill or** ~~the outbreak; governmental, business and~~ other **intangible assets established** ~~actions in response to the pandemic (which could include limitations on Ashland' s operations or mandates to provide products or services); the impact of the pandemic on Ashland' s supply chain; the impact of the pandemic on economic activity; the extent and duration of the effect on consumer confidence and spending, customer demand and buying patterns including spending on discretionary categories; the health of and the effect on Ashland' s workforce and its ability to meet staffing needs through the operations and other critical functions, particularly if employees are quarantined~~ as a result of ~~exposure;~~ **such transactions, triggering** ~~any~~ - **an** impairment ~~in value of tangible or intangible assets which could be recorded as a result of weaker economic conditions; the impact on Ashland' s business and the global economy from governmental actions related to international trade; and the potential effects on internal controls including those over financial reporting as a result of changes in working environments such as shelter- in- place and similar orders that are applicable to employees and business partners, among others~~ . **These** ~~In addition, if the pandemic continues to create disruptions or volatility in the credit or financial markets, or impacts Ashland' s credit ratings, it could adversely affect Ashland' s ability to access capital on favorable terms and continue to meet its liquidity needs, all of which are highly uncertain and cannot be predicted. In addition, Ashland cannot predict the continued impact that the COVID- 19 pandemic will have on its customers, suppliers, vendors,~~ and other **factors** ~~business partners, and each of their financial conditions; however, any material effect on these parties could adversely impact Ashland. The impact of the COVID- 19 pandemic may also exacerbate other risks discussed in this Item 1A any of which~~ could have a material **adverse** effect on **our financial condition** ~~Ashland. This situation is changing rapidly~~ and **results** ~~additional impacts may arise that Ashland is not aware~~ of ~~currently. Business Operations~~ **operations** , Financial Performance and Growth Ashland has...... in greater detail in this Item 1A . Business disruptions from natural, operational and other catastrophic risks could seriously harm Ashland' s operations and financial performance. In addition, a catastrophic event at one of Ashland' s facilities or involving its products or employees could lead to liabilities that could further impair its operations and financial performance. Business disruptions, including those related to operating hazards inherent with the production of chemicals, natural disasters, severe weather conditions, supply or logistics disruptions, increasing costs for energy, temporary plant and / or power outages, information technology systems and network disruptions, cyber- security breach, terrorist attacks, armed conflict, war, **public health crisis (such as the COVID- 19** pandemic ~~diseases~~ **)** , fires, floods or other catastrophic events, could seriously harm Ashland' s operations, as well as the operations of its customers and suppliers, and may adversely impact Ashland' s financial performance. Although it is impossible to predict the occurrence or consequences of any such events, they could result in reduced demand for Ashland' s products, make it difficult or impossible for Ashland to manufacture its products or deliver products to its customers or to receive raw materials from suppliers, or create delays and inefficiencies in the supply chain. In addition to leading to a serious disruption of Ashland' s businesses, a catastrophic event at one of our facilities or involving our products or employees could lead to substantial legal liability to or claims by parties allegedly harmed by the event. ~~While~~ **Furthermore, because catastrophic events are inherently uncertain,** Ashland ~~maintains~~ **' s** business continuity plans **may not address every potential scenario and may not** ~~that are intended to allow it to continue operations or mitigate the effects of events that could disrupt its business, Ashland cannot provide assurances that its plans would~~ fully protect it from all such events. In addition, insurance maintained by Ashland to protect against property damage, loss of business and other related consequences resulting from catastrophic events is subject to various deductibles and coverage limitations, depending on the nature of the risk insured. This insurance may not be sufficient to cover all of Ashland' s damages or damages to others in the event of a catastrophe. In addition, insurance related to these types of risks may not be available now or, if available, may not be available in the future at commercially reasonable rates. Climate change **and resource** impacts including supply chain disruptions, operational impacts, and geopolitical events may impact Ashland' s business operations. Ashland sources a large number of raw materials from third party suppliers globally. These products include both natural and synthetic materials derived from plants, animal products, organic and petroleum based raw materials. Disruptions to the global supply chain due to climate related impacts or geopolitical events are possible and exist as external risk factors that the Company can respond to but not control. These events could limit the supply of key raw materials to the Company, or could have significant impacts to pricing. Ashland works with multiple raw material suppliers to mitigate lack of availability from a single supplier, however in some cases products with limited numbers of suppliers may become difficult to obtain. Ashland has manufacturing operations in areas vulnerable to coastal storms which may increase in magnitude and impact due to climate change. Ashland continues to implement response and resilience measures such as storm hardening and business continuity planning, however increasingly large and unprecedented weather events may pose a risk to business operations in vulnerable areas. Storms could cause business interruptions, incur additional restoration costs, and impact product availability and pricing. Consumer preference is increasingly impacted by awareness of and a response to climate change. Consumers are increasingly demanding responsibly sourced and manufactured products. An inability to respond to consumer demands through environmental, social and governance (ESG) innovation could lead to a loss of sales to competitors providing more sustainable product offerings. Energy availability and pricing has been impacted by geopolitical events and may be impacted by climate related legislation and regulations. As climate legislation increases in many countries, the availability of conventional and nonrenewable energy may be increasingly limited and prices may continue to increase. Where demand exceeds energy capacity, energy disruptions such as brown out or black out events are possible, leading to business interruption and quality / operational impacts. Failure to respond to or mitigate this risk could lead to increased cost and business impacts **. Globally, the availability of fresh, potable water is a growing concern, where water withdrawal can exceed the rates of surface and groundwater replenishment in critical basins, rivers, or other bodies of water. This concern continues to increase for Ashland and for the global supply chain where fresh water is a key resource for manufacturing operations. Failure to respond to this risk could lead to business interruptions and impact the availability and pricing of product. Ashland sources several key natural raw materials that contain processed timber, palm, soy, and other harvested or farmed raw materials. Deforestation is an increasing concern where the irresponsible harvest of these raw materials can lead to loss of critical forests and habitats. Ashland has engaged in several supply chain certifications in an effort to source sustainable raw materials; however, the availability of these raw materials may be limited in the future. Additional sourcing of these materials is under increasing scrutiny due to deforestation. Failure to source responsibly and respond to or mitigate the risk could lead to business impacts and increased cost** . Ashland' s customers could change their products in a way that reduces the demand for Ashland' s products. Ashland produces and sells specialty materials that are used by its customers for a broad range of applications. Many of these Ashland materials become part of end products that are sold to consumers. Changes in consumer preferences and demands can lead to certain Ashland customers making changes to their products. In other instances, Ashland' s customers may change their products or production techniques to take advantage of newer technologies, alternative chemistries, more effective formulations, or improved processes, or in response to various market, technical or regulatory changes. Such changes in Ashland' s customers' products or production techniques may cause these customers to reduce consumption of Ashland' s products or eliminate their need entirely. Ashland may not be able to supply products that meet the customers' new requirements. Such lost sales opportunities may not be replaced by those offering equal revenue potential or margin. It is important for Ashland to continue developing new products, and new applications of existing products to replace such lost business. Otherwise, Ashland faces the risk of a loss of market share, margins and cash flow if it is unable to manage a potential change in the demands of its products. Ashland' s substantial global operations subject it to risks of doing business in foreign countries, which could adversely affect its business, financial condition and results of operations. Greater than half of Ashland' s net sales for fiscal ~~2022~~ **2023** were to customers outside of North America. Ashland expects sales from international markets to continue to represent an even larger portion of the Company' s sales in the future. Also, a significant portion of Ashland' s manufacturing capacity is located outside of the United States. Accordingly, Ashland' s business is subject to risks related to the differing legal, political, cultural, social and regulatory requirements and economic conditions of many jurisdictions. The global nature of Ashland' s business presents difficulties in hiring and maintaining a workforce in certain countries. Fluctuations in exchange rates may affect product demand and may adversely affect the profitability in U. S. dollars of products and services provided in foreign countries. In addition, foreign countries may impose additional withholding taxes or otherwise tax Ashland' s foreign income, or adopt other restrictions on foreign trade or investment, including currency exchange controls. The imposition of new tariffs or trade quotas, or an impairment of existing trade agreements is also a risk that could impair Ashland' s financial performance. Certain legal and political risks are also inherent in the operation of a company with Ashland' s global scope. ~~For example, in November 2018, the United States reached an agreement with Canada and Mexico on the United States-~~

~~Mexico- Canada Trade Agreement (USMCA), which replaced the North American Free Trade Agreement (NAFTA) effective July 1, 2020. Among other things, USMCA includes revised country of origin rules and various labor provisions. In addition, the United Kingdom' s exit from the European Union (E. U.) could disrupt European supply chains or customs regimes.~~ Ashland' s ability to do business and execute its growth strategies could be adversely affected by ~~either of these~~ **legal and political** changes or other changes to trade policy and trade relationships. Ashland could also be impacted negatively if the ongoing trade disputes between the United States and China, or those between the United States and the E. U. were to worsen. In addition, it may be more difficult for Ashland to enforce its agreements or collect receivables through foreign legal systems. There is a risk that foreign governments may nationalize private enterprises in certain countries where Ashland operates. In certain countries or regions, terrorist activities and the response to such activities may threaten Ashland' s operations more than those in the United States. In Europe, the effect of economic sanctions imposed on Russia and / or Russia' s reaction to the sanctions could adversely impact Ashland' s performance and results of operations. The risks associated with localized or regional armed conflict in many parts of the world remain high and could disrupt and / or adversely impact Ashland' s businesses. Social and cultural norms in certain countries may not support compliance with Ashland' s corporate policies including those that require compliance with substantive laws and regulations. Also, changes in general economic and political conditions in countries where Ashland operates, particularly in Europe, the Middle East and emerging markets, are a risk to Ashland' s financial performance. As Ashland continues to operate its business globally, its success will depend, in part, on its ability to anticipate and effectively manage these and other related risks. There can be no assurance that the consequences of these and other factors relating to its multinational operations will not have an adverse effect on Ashland' s business, financial condition or results of operations. Adverse developments in the global economy and potential disruptions of financial markets could negatively impact Ashland' s customers and suppliers, and therefore have a negative impact on Ashland' s results of operations. A global or regional economic downturn may reduce customer demand or inhibit Ashland' s ability to produce and sell products. Ashland' s business and operating results are sensitive to global and regional economic downturns, credit market tightness, declining consumer and business confidence, fluctuating commodity prices, volatile exchange rates, **inflation or** changes in interest rates, sovereign debt defaults and other challenges, including those related to international sanctions and acts of aggression or threatened aggression that can affect the global economy. In the event of adverse developments or stagnation in the economy or financial markets, Ashland' s customers may experience deterioration of their businesses, reduced demand for their products, cash flow shortages and difficulty obtaining financing. As a result, existing or potential customers might delay or cancel plans to purchase products **, which includes customer destocking of their own inventories,** and may not be able to fulfill their obligations to Ashland in a timely fashion. Further, suppliers may experience similar conditions, which could impact their ability to fulfill their obligations to Ashland. A weakening or reversal of the current economic conditions in the global economy or a substantial part of it could negatively impact Ashland' s business, results of operations, financial condition and ability to grow. Ashland' s substantial indebtedness may adversely affect its business, results of operations and financial condition. Ashland maintains a substantial amount of debt. Ashland' s substantial indebtedness could adversely affect its business, results of operations and financial condition by, among other things: • requiring Ashland to dedicate a substantial portion of its cash flow from operations to pay principal and interest on its debt, which would reduce the availability of Ashland' s cash flow to fund working capital, capital expenditures, acquisitions, execution of its growth strategy and other general corporate purposes; • limiting Ashland' s ability to borrow additional amounts to fund working capital, capital expenditures, acquisitions, debt service requirements, execution of its growth strategy and other purposes; • making Ashland more vulnerable to adverse changes in general economic, industry and regulatory conditions and in its business by limiting Ashland' s flexibility in planning for, and making it more difficult for Ashland to react quickly to, changing conditions; • placing Ashland at a competitive disadvantage compared with those of its competitors that have less debt and lower debt service requirements; • making Ashland more vulnerable to increases in interest rates if debt is refinanced; and • making it more difficult for Ashland to satisfy its financial obligations. In addition, Ashland may not be able to generate sufficient cash flow from its operations to repay its indebtedness when it becomes due and to meet its other cash needs. If Ashland is not able to pay its debts as they become due, it could be in default under its credit facility or other indebtedness. Ashland might also be required to pursue one or more alternative strategies to repay indebtedness, such as selling assets, refinancing or restructuring its indebtedness or selling additional debt or equity securities. Ashland may not be able to refinance its debt or sell additional debt or equity securities or its assets on favorable terms, if at all, and if Ashland must sell its assets, it may negatively affect its ability to generate revenues. **Risks Related to** Competition Failure to develop and market new products and production technologies could impact Ashland' s competitive position and have an adverse effect on its businesses and results of operations. The specialty additives and materials industry is subject to periodic technological change and ongoing product improvements. In order to maintain margins and remain competitive, Ashland must successfully develop and introduce new products or improvements that appeal to its customers and ultimately to global consumers. Ashland plans to grow earnings, in part, by focusing on developing markets and solutions to meet increasing demand in those markets, including demand for personal care and pharmaceutical products which are subject to lengthy regulatory approval processes. The fast change in Ashland' s industry and those of its customers necessitates that Ashland continue the development of new technologies to replace older technologies whose demand or market position may be fading. Ashland' s efforts to respond to changes in customer demand in a timely and cost- efficient manner to drive growth could be adversely affected by difficulties or delays in product development, including the inability to identify viable new products, successfully complete research and development, obtain regulatory approvals, obtain intellectual property protection or gain market acceptance of new products. Due to the lengthy development process, technological challenges and intense competition, there can be no assurance that any of the products Ashland is currently developing, or could develop in the future, will achieve substantial commercial success. The competitive nature of Ashland' s markets may delay or prevent Ashland from passing increases in raw materials or energy costs on to its customers. In addition, certain of Ashland' s suppliers may be unable to deliver products or raw materials or fulfill contractual requirements. The occurrence of either event could adversely affect Ashland' s results of operations. Rising and volatile raw material prices, especially those of hydrocarbon derivatives, cotton linters or wood pulp, may negatively impact Ashland' s costs, results of operations and the valuation of its inventory. Similarly, energy costs are a significant component of certain of Ashland' s product costs. Ashland is not always able to raise prices in response to such increased costs, and its ability to pass on the costs of such price increases is dependent upon market conditions. Likewise, reductions in the valuation of Ashland' s inventory due to market volatility may not be recovered and could result in losses. Ashland purchases certain products and raw materials from suppliers, often pursuant to written supply contracts. If those suppliers are unable to meet Ashland' s orders in a timely manner or choose to terminate or not fulfill contractual arrangements, Ashland may not be able to make alternative supply arrangements. Also, domestic and global government regulations related to the manufacture, transport or import of certain raw materials may impede Ashland' s ability to obtain those raw materials on commercially reasonable terms. Certain Ashland businesses rely on agricultural output of clary sage, aloe, guar, and cotton linters, and the availability of these materials can be severely impacted by crop yields, weather events, and other factors. If Ashland is unable to obtain and retain qualified suppliers under commercially acceptable terms, its ability to manufacture and deliver products in a timely, competitive and profitable manner or grow its business successfully could be adversely affected. Ashland faces competition from other companies, which places downward pressure on prices and margins and may adversely affect Ashland' s businesses and results of operations. Ashland operates in highly competitive markets, competing against a number of domestic and foreign companies. Competition is based on several key criteria, including product performance and quality, product price, product availability and security of supply, responsiveness of product development in cooperation with customers and customer service, as well as the ability to bring innovative products or services to the marketplace. Certain key competitors are significantly larger than Ashland and have greater financial resources, leading to greater operating and financial flexibility. As a result, these competitors may be better able to withstand changes in conditions within the relevant industry, changes in the prices of raw materials and energy and changes in general economic conditions. In addition, competitors' pricing decisions could compel Ashland to decrease its prices, which could negatively affect its margins and profitability. Additional competition in markets served by Ashland could adversely affect margins and profitability and could lead to a reduction in market share. Also, Ashland competes in certain markets that are declining and has targeted other markets for growth opportunities. Competitive and pricing pressures could also impact Ashland' s production volumes, which can in turn reduce cost efficiency. If Ashland' s strategies for dealing with declining markets and leveraging opportunity markets are not successful, its businesses and results of operations could be negatively affected. **Risks Related to** Human Capital Ashland' s success depends upon its ability to attract and retain key employees and the identification and development of talent to succeed senior management. Ashland' s success depends on its ability to attract and retain key personnel, and Ashland relies heavily on its management team. **Therefore, Ashland' s future success depends, in part, on its ability to identify and develop talent to succeed its senior management and other key positions throughout the organization. If Ashland fails to identify and develop successors, the Company is at risk of being harmed by the departures of these key employees.** The inability to recruit and retain key personnel or the unexpected loss **, voluntarily or otherwise,** of key personnel may adversely affect Ashland' s operations. **Monitoring** ~~Also, a substantial portion of Ashland' s U. S.- based employees will be retirement-eligible within the next several years. That, combined with the relatively small number of middle tier managers with substantial experience in place to replace this group of retirement eligible employees, increases the potential negative impact of the risk that key employees could leave the Company. Additionally, the Company' s redesign~~ and **preventing** ~~cost reduction program may result in key employees departing who may not be replaced. This risk of~~ unwanted employee turnover ~~also is substantial~~ in positions that require certain technical expertise ~~and geographically in developing markets which Ashland has targeted for~~ - **or those that have been identified as successors to senior** ~~growth, especially in Asia, South America and Eastern Europe. In addition, because of its reliance on its~~ management ~~team,~~ **will be critical to** Ashland' s future success ~~depends, in part, on its ability to identify and develop talent to succeed its senior management and other key positions throughout the organization~~ . **Risks Related** ~~If Ashland fails~~ to ~~identify and develop successors, the Company is at risk of being harmed by the departures of these key employees.~~ Intellectual Property and Cyber Threats Ashland uses information technology (IT) systems to conduct business and these IT systems are at risk of potential disruption and cyber security threats. Ashland' s businesses rely on ~~their~~ IT systems to operate efficiently and in some cases, to operate at all. Ashland employs third parties to manage and maintain a significant portion of its IT systems, including, but not limited to data centers, IT infrastructure, network, client support and end user services, as well as the functions of backing up and securing those systems. A partial or complete failure of Ashland' s IT systems or those of our third parties managing, providing or servicing them for any amount of time more than several hours could result in significant business disruption causing harm to Ashland' s reputation, results of operations or financial condition. In addition, the nature of our businesses, the markets we serve, and the extensive geographic profile of our operations make Ashland a target of cyber security threats. Despite steps Ashland takes to mitigate or eliminate them, cyber security threats in general are increasing and becoming more advanced and could occur as a result of the activity of hackers, employee error or employee misconduct. A breach of our IT systems could lead to the loss and destruction of trade secrets, confidential information, proprietary data, intellectual property, customer and supplier data, and employee personal information **. A breach could also expose us to customer litigation** , **regulatory actions** and **costs related to the reporting and handling of such a violation or breach, all of which** could disrupt **our** business operations ~~which~~ **and** could adversely affect Ashland' s relationships with business partners ~~and~~ **,** harm our brands, reputation, and financial results. Ashland may not be able to effectively protect or enforce its intellectual property rights. Ashland relies on the patent, trademark, trade secret and copyright laws of the United States and other countries to protect its intellectual property rights. The laws of some countries may not protect Ashland' s intellectual property rights to the same extent as the laws of the United States. Failure of foreign countries to have laws to protect Ashland' s intellectual property rights or an inability to effectively enforce such rights in foreign countries could result in the loss of valuable proprietary information, which could have an adverse effect on Ashland' s business and results of operations. Even in circumstances where Ashland has a patent on certain technologies, such patents may not provide meaningful protection against competitors or against competing technologies. In addition, any patent applications submitted by Ashland may not result in an issued patent. There can be no assurance that Ashland' s intellectual property rights will not be challenged, invalidated, circumvented or rendered unenforceable. Ashland could also face claims from third parties alleging that Ashland' s products or processes infringe on their proprietary rights. If Ashland is found liable for infringement, it could be responsible for significant damages, prohibited from using certain products or processes or required to modify certain products and processes. Any such infringement liability could adversely affect Ashland' s product and service offerings, profitability and results of operations. Ashland also has substantial intellectual property associated with its know- how and trade secrets that are not protected by patent or copyright laws. Ashland protects these rights by entering into confidentiality and non- disclosure agreements with most of its employees and with third parties. There can be no assurance that such agreements will not be breached or that Ashland will be able to effectively enforce them. In addition, Ashland' s trade secrets and know- how may be improperly obtained by other means, such as a breach of Ashland' s information technologies security systems or direct theft. Any unauthorized disclosure of any of Ashland' s material know- how or trade secrets could adversely affect Ashland' s business and results of operations. **Risks Related to** Legal **and** ~~Risks,~~ Regulatory Compliance and Litigation Ashland' s business exposes it to potential product liability claims and recalls, which could adversely affect its financial condition and performance. The development, manufacture and sale of specialty materials and other products by Ashland, including products produced for the food, beverage, personal care, pharmaceutical and nutritional supplement industries, involve an inherent risk of exposure to product liability claims, product recalls, product seizures and related adverse publicity. Ashland also produces products that are subject to rigorous specifications and quality standards, with an expectation from its customers around these strict requirements. A product liability claim, recall or judgment against Ashland, or a customer complaint on product specifications, could also result in substantial and unexpected expenditures, affect consumer or customer confidence in its products, and divert management' s attention from other responsibilities. Although Ashland maintains product liability insurance, there can be no assurance that this type or level of coverage is adequate or that Ashland will be able to continue to maintain its existing insurance or obtain comparable insurance at a reasonable cost, if at all. A product recall or a partially or completely uninsured product liability judgment against Ashland could have a material adverse effect on its reputation, results of operations and financial condition. Ashland has incurred, and will continue to incur, substantial costs as a result of environmental, health and safety, and hazardous substances liabilities and related compliance requirements. These costs could adversely impact Ashland' s cash flow, and, to the extent they exceed Ashland' s established reserves for these liabilities, its results of operations. Ashland is subject to extensive federal, state, local and foreign laws, regulations, rules and ordinances relating to pollution, protection of the environment and human health and safety, and the generation, storage, handling, treatment, disposal and remediation of hazardous substances and waste materials. Ashland has incurred, and will continue to incur, significant costs and capital expenditures to comply with these laws and regulations. Environmental, health and safety regulations change ~~frequently~~ **over time** , and such regulations and their enforcement have tended to become more stringent ~~over time~~ . Accordingly, changes in environmental, health and safety laws and regulations and the enforcement of such laws and regulations could interrupt Ashland' s operations, require modifications to its facilities or cause Ashland to incur significant liabilities, costs or losses that could adversely affect its profitability. Actual or alleged violations of environmental, health or safety laws and regulations could result in restrictions or prohibitions on plant operations as well as substantial damages, penalties, fines, civil or criminal sanctions and remediation costs. In addition, under some environmental laws, Ashland may be strictly liable and / or jointly and severally liable for environmental damages and penalties. Ashland is also subject to various federal, state, local and foreign environmental laws and regulations that require environmental assessment or remediation efforts (collectively, environmental remediation) at multiple locations. Ashland uses engineering studies, historical experience and other factors to identify and evaluate remediation alternatives and their related costs in determining the estimated reserves for environmental remediation. Environmental remediation reserves are subject to numerous inherent uncertainties that affect Ashland' s ability to estimate its share of the applicable costs. Such uncertainties involve the nature and extent of contamination at each site ~~,~~ **and** the extent of required cleanup efforts under existing environmental regulations, ~~widely~~ **with** varying costs of alternate cleanup methods ~~, changes in environmental regulations, the potential effect of continuing improvements in remediation technology and the number and financial strength of other potentially responsible parties at multiparty sites~~ . There may also be situations in which certain environmental liabilities are not known to Ashland or are not probable and estimable. As a result, Ashland' s actual costs for environmental remediation could **adversely** affect Ashland' s cash flow and, to the extent costs exceed established reserves for those liabilities, its results of operations. Ashland is responsible for, and has financial exposure to, liabilities from pending and threatened claims, including those alleging personal injury caused by exposure to asbestos, which could adversely impact Ashland' s results of operations and cash flow. There are various claims, lawsuits and administrative proceedings pending or threatened, including those alleging personal injury caused by exposure to asbestos, against Ashland and its current and former subsidiaries. Such actions are with respect to commercial matters, product liability, toxic tort liability and other matters that seek remedies or damages, some of which are for substantial amounts. While these actions are being contested, their outcome is not predictable. Ashland' s results could be adversely affected by financial exposure to these liabilities. Insurance maintained by Ashland to protect against claims for damages alleged by third parties is subject to coverage limitations, depending on the nature of the risk insured. This insurance may not be sufficient to cover all of Ashland' s liabilities to others. In addition, insurance related to these types of risks may not be available now or, if available, may not be available in the future at commercially reasonable rates. Ashland' s ability to recover from its insurers for asbestos liabilities could also have an adverse impact on its results of operations. Projecting future asbestos costs is subject to numerous variables that are extremely difficult to predict. In addition to the significant uncertainties surrounding the number of claims that might be received, other variables include the type and severity of the disease alleged by each claimant, the long latency period associated with asbestos exposure, dismissal rates, costs of medical treatment, the impact of bankruptcies of other companies that are co- defendants in claims, uncertainties surrounding the litigation process from jurisdiction to jurisdiction and from case to case, and the impact of potential changes in legislative or judicial standards. Furthermore, any predictions with respect to these variables are subject to even greater uncertainty as the projection period lengthens. In light of these inherent uncertainties, Ashland believes that its asbestos reserves represent the best estimate within a range of possible outcomes. As a part of the process to develop these estimates of future asbestos costs, a range of long- term cost models was developed. These models are based on national studies that predict the number of people likely to develop asbestos- related diseases and are heavily influenced by assumptions regarding long- term inflation rates for indemnity payments and legal defense costs, as well as other variables mentioned previously. Because of the inherent uncertainties in projecting future asbestos liabilities and establishing appropriate reserves, Ashland' s actual asbestos costs could adversely affect its results of operations and, to the extent they exceed its reserves, could adversely affect its results of operations. The impact of changing laws or regulations or the manner of interpretation or enforcement of existing rules could adversely impact Ashland' s financial performance and restrict its ability to operate its business or execute its strategies. New laws or regulations, or changes in existing laws or regulations or the manner of their interpretation or enforcement, could increase Ashland' s cost of doing business and restrict its ability to operate its business or execute its strategies. This includes, among other things, the possible taxation under U. S. law of certain income from foreign operations, the possible taxation under foreign laws of certain income Ashland reports in other jurisdictions, **the Pillar Two initiative of the Organization for Economic Co- operation and Development which introduces a 15 % global minimum tax applied on a country- by- country basis to Ashland in many jurisdictions starting October 1, 2024,** tariffs or quotas levied on Ashland products, raw materials or key components by certain countries, regulations related to the protection of private information of Ashland' s employees and customers, regulations issued by the U. S. Food and Drug Administration (and analogous non- U. S. agencies) affecting Ashland and its customers, compliance with ~~The~~ **the** U. S. Foreign Corrupt Practices Act (and analogous non- U. S. laws) and the European Union' s Registration, Authorization and Restriction of Chemicals (REACH) regulation (and analogous non- EU initiatives), and potential operational impacts of General Data Protection Regulation (GDPR). Uncertainty associated with the passage of new laws, application of executive authority beyond the legislative process, as well as changes in and enforcement of existing laws, can limit Ashland' s ability to make and execute business plans effectively. In addition, compliance with laws and regulations is complicated by Ashland' s substantial and growing global footprint, which will require significant and additional resources to comprehend and ensure compliance with applicable laws in the more than one hundred countries where Ashland conducts business. Compliance with current and future regulations is further complicated by uncertainty around the reevaluation of international agreements by various countries, including the United States, and the resulting impact on regulatory regimes, customs regulations, tariffs, sanctions, and other transnational protocols. **Risks Related to** Taxation Imposition of new taxes, disagreements with tax authorities or additional tax liabilities could adversely affect Ashland' s business, financial condition, reputation or results of operations. Ashland' s products are made, manufactured, distributed or sold in more than 100 countries and territories. A significant portion of Ashland' s revenues are generated outside the United States. As such, Ashland is subject to taxes in the United States as well as numerous foreign countries. Ashland' s future effective tax rates could be affected by changes in the mix of earnings in countries with differing tax rates, changes in the valuation of deferred tax assets and liabilities, changes in liabilities for uncertain tax positions, cost of repatriations or changes in tax laws, regulations, administrative practices or their interpretation. Moreover, because Ashland is subject to the regular examination of its income tax returns by various tax authorities, the economic and political pressure to increase tax revenues in these jurisdictions may make resolving tax disputes even more difficult, and the final resolution of tax audits and any related litigation may differ from our historical provisions and accruals resulting in an adverse impact on our business, financial condition, reputation or results of operations. The Tax Cuts and Jobs Act (the Tax Act), enacted in December 2017, made significant changes to US tax law; many other countries or organizations, including those where Ashland has significant operations, are actively considering or enacting changes to tax laws which could significantly impact our tax rate and cash flows. The increasingly complex global tax environment, including changes in how United States multinational corporations are taxed, could adversely affect Ashland' s business, financial condition or results of operations. Other than the one- time transition tax enacted by the Tax Act, Ashland will continue to be indefinitely reinvested in our foreign earnings. As such, Ashland has not accrued income taxes or foreign withholding taxes on undistributed earnings for most non- US subsidiaries because those earnings are intended to be indefinitely reinvested in the operations of those subsidiaries. If these earnings are needed for Ashland' s operations in the United States, the repatriation of such earnings could adversely affect its business, results of operations or financial condition. The ~~IPO of Valvoline and~~ final distribution of ~~its~~ **Valvoline** shares could result in significant tax liability to Ashland and its stockholders. Ashland believes that the **final distribution of** Valvoline **shares** ~~IPO and certain related internal transactions~~ should be **a** nontaxable ~~transactions~~ - **transaction** for U. S. federal income tax purposes ~~and~~ **. Ashland** has ~~obtained written opinions of counsel to that effect. Ashland also~~ obtained a written opinion of counsel to the effect that the final distribution should qualify for non- recognition of gain and loss under Section 355 of the Internal Revenue Code of 1986, as amended (the " Code "). The ~~opinions~~ - **opinion** ~~are~~ **is** based on certain assumptions and representations as to factual matters from Ashland and Valvoline, as well as certain covenants by those parties. The ~~opinions~~ - **opinion** cannot be relied upon if any of the assumptions, representations or covenants is incorrect, incomplete or inaccurate or is violated in any material respect, or if there are changes in law with retroactive effect. The ~~opinions~~ - **opinion** ~~are~~ **is** not binding on the IRS or the courts, and it is possible that the IRS or a state or local taxing authority could take the position ~~that the internal transactions,~~ the final distribution ~~or the receipt of proceeds from the Valvoline IPO~~ resulted in the recognition of significant taxable gain by Ashland, in which case Ashland may be subject to material tax liabilities. If the final distribution were determined not to qualify for non- recognition of gain and loss, then Ashland would recognize gain as if it had sold Valvoline common stock in a taxable transaction in an amount up to the fair market value of the Valvoline common stock it distributed in the final distribution. The tax liability resulting from such gain could have a material impact on Ashland’ s operations.