Risk Factors Comparison 2023-08-18 to 2022-08-12 Form: 10-K

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Forward- Looking Statements and Risk Factors This Report contains forward- looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (“ Securities Act ”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “ Exchange Act ”) with respect to the financial condition, results of operations, and business of Avnet. These statements are generally identified by words like “ believes, ” “ plans, ” “ projects, ” “ expects, ” “ anticipates, ” “ should, ” “ will, ” “ may, ” “ estimates, ” or similar expressions. Forward- looking statements are subject to numerous assumptions, risks, and uncertainties, and actual results and other outcomes could differ materially from those expressed or implied in the forward- looking statements. Any forward- looking statement speaks only as of the date on which that statement is made. Except as required by law, the Company does not undertake any obligation to update any forward- looking statements to reflect events or circumstances that occur after the date on which the statement is made. Risks and uncertainties that may cause actual results to differ materially from those contained in the forward- looking statements include the risk factors discussed below **as well as** ~~, but may also include~~ risks and uncertainties not presently known to the Company or that management does not currently consider material. Such factors make the Company’ s operating results for future periods difficult to predict and, therefore, prior results do not necessarily indicate results in future periods ~~except as disclosed~~. Some of the risks disclosed below may have already occurred, but not to a degree that management considers material unless otherwise noted. Any of the below factors, or any other factors discussed elsewhere in this Report, may have an adverse effect on the Company’ s financial condition, operating results, prospects, and liquidity. Similarly, the price of the Company’ s common stock is subject to volatility due to fluctuations in general market conditions; actual financial results that do not meet the Company’ s or the investment community’ s expectations; changes in the Company’ s or the investment community’ s expectations for the Company’ s future results, dividends or share repurchases; and other factors, many of which are beyond the Company’ s control. Business and Operations Risks Changes in customer needs and consumption models Changes in customer product demands and consumption models may cause a decline in the Company’ s billings, which would have a negative impact on the Company’ s financial results. **Changes in technology (such as artificial intelligence) could reduce the types or quantity of services that customers require from the Company.** While the Company attempts to identify changes in market conditions as soon as possible, the dynamics of the industries in ~~which~~ **whichit** ~~it~~ operates make it difficult to predict and timely react to such changes, including those relating to product capacity and lead times. Also, future downturns **, inflation,** or supply chain challenges, including in the semiconductor and embedded solutions industries, could adversely affect the Company’ s relationships with its customers, operating results, and profitability. Specifically, the semiconductor industry experiences periodic fluctuations in product supply and demand (often associated with changes in economic conditions, technology, and manufacturing capacity) and suppliers may not adequately predict or meet customer demand. ~~The Russia~~ **Geopolitical uncertainty (including from military conflicts; health** - ~~Ukraine conflict~~ **related crises;** and **international trade disputes)** ~~the COVID- 19 pandemic~~ have led, and may continue to lead, to shortages, extended lead times, and unpredictability in the supply of certain semiconductors and other electronic components. In reaction, customers may over order to ensure sufficient inventory, which, when the shortage lessens, may result in order cancellations and decreases. In cases where customers have entered into non- cancellable / non- returnable orders, customers may not be able or willing to carry out the terms of the orders. The Company’ s prices to customers depend on many factors, including product availability, supplier costs, and competitive pressures. In fiscal 2022 **and 2023**, pricing to customers increased due to higher costs from suppliers, as well as higher freight and other costs. However, the Company may not be able to maintain higher prices to customers in the future. As product becomes more available, customer and competitive pressures may lower prices to customers, which could reduce the Company’ s margins. In addition, the Company may be unable to increase prices to customers to offset higher internal costs, which could also reduce margins. During fiscal **2023,** 2022, **and** 2021 ~~, and 2020~~, sales of semiconductors represented approximately **81 %,** 76 %, **and** 75 ~~%, and 76~~ % of the Company’ s consolidated sales, respectively, and the Company’ s sales closely follow the strength or weakness of the semiconductor industry. These conditions make it more difficult to manage the Company’ s business and predict future performance. ~~Due to the Company’ s increased online sales, system interruptions and delays that make its websites and services unavailable or slow to respond may reduce the attractiveness of its products and services to its customers. If the Company is unable to continually improve the efficiency of its systems, it could cause systems interruptions or delays and adversely affect the Company’ s operating results.~~ Disruptions to key supplier and customer relationshipsOne of the Company’ s competitive strengths is the breadth and quality of the suppliers whose products the Company distributes. For fiscal ~~2022~~ **2023**, there ~~were no~~ **was one of the** Company **’ s** suppliers that accounted for 10 % or more of the Company’ s consolidated billings. The Company’ s contracts with its suppliers vary in duration and are generally terminable by either party at will upon notice. The Company’ s suppliers may terminate or significantly reduce their volume of business with the Company because of a product shortage, an unwillingness to do business with the Company, changes in strategy, or otherwise. Shortages of products or loss of a supplier may negatively affect the Company’ s business and relationships with its customers, as customers depend on the Company’ s timely delivery of technology hardware and software from the industry’ s leading suppliers. In addition, shifts in suppliers’ strategies, or performance and delivery issues, may negatively affect the Company’ s financial results. These conditions make it more difficult to manage the Company’ s business and predict future performance. The competitive landscape has also experienced a consolidation among suppliers and capacity constraints, which could negatively impact the Company’ s profitability and customer base. Further, if key suppliers modify the terms of their contracts (including, without limitation, terms regarding price protection, rights of return, order cancellation rights, delivery commitments, rebates, or other terms that protect or enhance the Company' s gross margins), it could negatively affect the Company' s results of operations, financial condition, or liquidity. Due to recent global shortages of semiconductors, some suppliers have increased the amount of non- cancellable / non- returnable orders, which ~~may limit~~ **limited** the Company' s ability to adjust down its inventory levels ~~in the event of market downturns~~ . The Company may attempt to limit associated risks by passing such terms on to its customers, but this may not be possible. ~~11 Risks~~ **10Risks** related to international operationsDuring fiscal **2023,** 2022, **and** 2021 ~~, and 2020~~ approximately **76 %,** 77 % ~~,~~ **and** 78 ~~% and 75~~ %, respectively, of the Company' s sales came from its operations outside the United States. The Company' s operations are subject to a variety of risks that are specific to international operations, including, but not limited to, the following: ● potential restrictions on the Company' s ability to repatriate funds from its foreign subsidiaries; ● foreign currency and interest rate fluctuations; ● non- compliance with foreign and domestic data privacy regulations, business licensing requirements, environmental regulations, and anti- corruption laws, the failure of which could result in severe penalties including monetary fines and criminal proceedings; ● non- compliance with foreign and domestic import and export regulations and adoption or expansion of trade restrictions, including technology transfer restrictions, additional license, permit or authorization requirements for shipments, specific company sanctions, new and higher duties, tariffs or surcharges, or other import / export controls; ● complex and changing tax laws and regulations; ● regulatory requirements and prohibitions that differ between jurisdictions; ● economic and political instability, terrorism, military conflicts (including the Russia- Ukraine conflict), or civilian unrest; ● fluctuations in freight costs (both inbound and outbound), limitations on shipping and receiving capacity, and other disruptions in the transportation and shipping infrastructure; ● natural disasters (including as a result of climate change), pandemics, and other public health crises; ● differing employment practices and labor issues; and ● non- compliance with local laws. In addition to the cost of compliance, the potential criminal penalties for violations of import or export regulations and anti- corruption laws, by the Company or its third- party agents, create heightened risks for the Company' s international operations. If a regulatory body determines that the Company has violated such laws, the Company could be fined significant sums, incur sizable legal defense costs, have its import or export capabilities restricted or denied, or have its inventories seized, which could have a material and adverse effect on the Company' s business. Additionally, allegations that the Company has violated any such regulations may negatively impact the Company' s reputation, which may result in customers or suppliers being unwilling to do business with the Company. While the Company has adopted measures and controls designed to ensure compliance with these laws, ~~the~~ **these** ~~Company cannot be assured that such~~ measures ~~will~~ **may not** be adequate **, and the Company may** ~~or that its business will not~~ be materially and adversely impacted in the event of an **actual or** alleged violation. Tariffs, trade restrictions, and sanctions resulting from international trade disputes, changes in trade policies, or military conflicts may adversely affect the Company' s sales and profitability. For example, the U. S. government imposed several trade policies, rules, and restrictions applicable to China and Hong Kong. In addition, in response to the Russian- Ukraine conflict, the United States, the European Union, the United Kingdom, and numerous other countries initiated a variety of sanctions, export restrictions, currency controls and other restrictions against Russia. The Chinese and Russian governments have responded in kind with restrictions, sanctions, and other measures. These actions have resulted in losses; increased costs, including increased costs of procuring certain products the Company purchases from its suppliers; shortages of materials and electronic components; increased expenses such as energy, fuel, and freight costs, which may not ~~12be~~ **11be** possible to pass on to customers; increased cyber security attacks; credit market disruptions; and inflation, which may impact the Company' s sales, customer demand for certain products, access to certain markets, and profits. In addition, increased operational expenses incurred in minimizing the number of products subject to the tariffs could adversely affect the Company' s operating profits. Neither U. S. tariffs nor any retaliatory tariffs imposed by other countries on U. S. goods have yet had a material impact, but any future actions or escalations that affect trade relations could materially affect the Company' s sales and results of operations. The Company transacts sales, pays expenses, owns assets, and incurs liabilities in countries using currencies other than the U. S. Dollar. Because the Company' s consolidated financial statements are presented in U. S. Dollars, the Company must translate such activities and amounts into U. S. Dollars at exchange rates in effect during each reporting period. Therefore, increases or decreases in the exchange rates between the U. S. Dollar and other currencies affect the Company' s reported amounts of sales, operating income, and assets and liabilities denominated in foreign currencies. In addition, unexpected and dramatic changes in foreign currency exchange rates may negatively affect the Company' s earnings from those markets. While the Company may use derivative financial instruments to reduce its net exposure, foreign currency exchange rate fluctuations may materially affect the Company' s financial results. Further, foreign currency instability and disruptions in the credit and capital markets may increase credit risks for some of the Company' s customers and may impair its customers' ability to repay existing obligations. Internal information systems failuresThe Company depends on its information systems to facilitate its day- to- day operations and to produce timely, accurate, and reliable information on financial and operational results. Currently, the Company' s global operations are tracked with multiple information systems, including systems from acquired businesses, some of which are subject to ongoing IT projects designed to streamline or optimize the Company' s systems. These IT projects are extremely complex, in part because of wide ranging processes, use of on- premise and cloud environments, ~~and~~ the Company' s business operations **, and changes in information technology (including artificial intelligence)** . The Company may not always succeed at these efforts. Implementation or integration difficulties may adversely affect the Company' s ability to complete business transactions and ensure accurate recording and reporting of financial data. In addition, IT projects may not achieve the expected efficiencies and cost savings, which could negatively impact the Company' s financial results. A failure of any of these information systems (including due to power losses, computer and telecommunications failures, cyber security incidents, or manmade or natural disasters), or material difficulties in upgrading these information systems, could have an adverse effect on the Company' s business, internal controls, and reporting obligations under federal securities laws **. Due to the Company' s increased online sales, system interruptions and delays that make its**

websites and services unavailable or slow to respond may reduce the attractiveness of its products and services to its customers. If the Company is unable to continually improve the efficiency of its systems, it could cause systems interruptions or delays and adversely affect the Company' s operating results . Logistics disruptionsThe Company' s global logistics services are operated through specialized and centralized distribution centers around the globe, some of which are outsourced. The Company also depends almost entirely on third- party transportation service providers to deliver products to its customers. A major interruption or disruption in service at one or more of its distribution centers for any reason ~~(such as information technology upgrades and operating issues, warehouse modernization and relocation efforts, natural disasters, pandemics and other public health crises, geopolitical instability, military conflicts or terrorist attacks)~~ or significant disruptions of services from the Company' s third- party transportation providers ~~(such as transportation constraints due to labor shortages, disruptions to ports and other shipping infrastructures, border closures, other travel or health- related restrictions, and increased transportation costs related to gas price increases and shortages)~~ could cause a delay in expected cost savings or an increase in expenses, which may not be possible to pass on to customers **. Such disruptions could result from risks related to information technology, data security, or any of the General Risk Factors, as discussed herein** . In addition, as the Company continues to increase capacity at various distribution centers, it may experience operational challenges, increased costs, decreased efficiency, ~~and~~ **12and** customer delivery delays and failures. Such operational challenges could have an adverse impact on the Company' s business partners, and on the Company' s business, operations, financial performance, and reputation. ~~13~~ Data security and privacy threatsThreats to the Company' s data and information technology systems (including cyber security attacks such as phishing and ransomware) are becoming more frequent and sophisticated. Threat actors have successfully breached the Company' s systems and processes in various ways, and such cyber security breaches expose the Company to significant potential liability and reputational harm. Cyber security attacks have not yet materially impacted the Company' s data (including data about customers, suppliers, and employees) or the Company' s operations, financial condition, or data security, but future attacks could have a material impact. Threat actors seek unauthorized access to intellectual property, or confidential or proprietary information regarding the Company, its customers, its business partners, or its employees. They deploy malicious software programs that exploit security vulnerabilities, including ransomware designed to encrypt the Company' s files so an attacker may demand a ransom for restored access. They also seek to misdirect money, sabotage data and systems, takeover internal processes, and induce employees or other system users to disclose sensitive information, including login credentials. In addition, some Company employees continue to work from home on a full- time or hybrid basis, which increases the Company' s vulnerability to cyber and other information technology risks. Further, the Company' s business partners and service providers, such as suppliers, customers, and hosted solution providers, pose a security risk because their own security systems or infrastructure may become compromised. The Company seeks to protect and secure its systems and information, prevent and detect evolving threats, and respond to threats as they occur. Measures taken include implementing and enhancing information security controls such as enterprise- wide firewalls, intrusion detection, endpoint protection, email security, disaster recovery, vulnerability management, and cyber security training for employees to enhance awareness of general security best practices, financial fraud, and phishing. Despite these efforts, the Company may not always be successful. Threat actors frequently change their techniques and, consequently, the Company may not always promptly detect the existence or scope of a security breach. As these types of threats grow and evolve, the Company may make further investments to protect its data and information technology infrastructure, which may impact the Company' s profitability. The Company' s insurance coverage for protecting against cyber- attacks may not be sufficient to cover all possible claims, and the Company may suffer losses that could have a material adverse effect on its business. As a global enterprise, the Company may be negatively impacted by existing and proposed laws and regulations, as well as government policies and practices, related to cybersecurity, data privacy, data localization, and data protection. Failure to comply with such requirements could have an adverse effect on the Company' s reputation, business, financial condition, and results of operations, as well as subject the Company to significant fines, litigation losses, third- party damages, and other liabilities. Financial RisksInventory value declineThe electronic components and integrated products industries are subject to ~~rapid~~ technological change, new and enhanced products, changes in customer needs, and changes in industry standards and regulatory requirements, which can cause the Company' s inventory to decline in value or become obsolete. Regardless of the general economic environment, prices may decline due to a decrease in demand or an oversupply of products, which may increase the risk of declines in inventory value. Many of the Company' s suppliers offer certain protections from the loss in value of inventory (such as price protection and limited rights of return), but such policies may not fully compensate for the loss. Also, suppliers may not honor such agreements, some of which are subject to the supplier discretion. In addition, most Company sales are made pursuant to individual purchase orders, rather than through long- term sales contracts. Where there are contracts, such contracts are generally terminable at will upon notice. Unforeseen product developments, ~~inventory~~ **13inventory** value declines, or customer cancellations may adversely affect the Company' s business, results of operations, financial condition, or liquidity. ~~14Accounts -~~ - **Accounts** receivable defaultsAccounts receivable are a significant portion of the Company' s working capital. If entities responsible for a significant amount of accounts receivable cease doing business, direct their business elsewhere, fail to pay, or delay payment, the Company' s business, results of operations, financial condition, or liquidity could be adversely affected. An economic or industry downturn could adversely affect the Company' s ability to collect receivables, which could result in longer payment cycles, increased collection costs, and defaults exceeding management' s expectations. A significant deterioration in the Company' s ability to collect accounts receivable in the United States could impact the cost or availability of financing under its accounts receivable securitization program. Liquidity and capital resources constraintsThe Company' s ability to satisfy its cash needs and implement its capital allocation strategy depends on its ability to generate cash from operations and to access the financial markets, both of which are subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond the Company' s control. **In addition** ~~The Company may need~~ to **cash on hand, the Company**

relies on external financing to help satisfy its cash needs ~~through external financing~~ . However, various factors affect external financing, including general market conditions **, interest rate fluctuations,** and the Company’ s debt ratings and operating results **. Consequently** , ~~and~~ **external financing** may not be available on acceptable terms or at all. An increase in the Company’ s debt or deterioration of its operating results may cause a reduction in its debt ratings. Any such reduction could negatively impact the Company’ s ability to obtain additional financing or renew existing financing, and could result in reduced credit limits, increased financing expenses, and additional restrictions and covenants. A reduction in its current debt rating may also negatively impact the Company’ s working capital and impair its relationship with its customers and suppliers. As of July ~~2~~ **1** , ~~2022~~ **2023** , the Company had debt outstanding with financial institutions under various notes, secured borrowings, and committed and uncommitted lines of credit. The Company needs cash to pay debt principal and interest, and for general corporate purposes, such as funding its ongoing working capital and capital expenditure needs. Under certain of its credit facilities, the applicable interest rate and costs are based in part on the Company’ s current debt rating. If its debt rating is reduced, higher interest rates and increased costs would result. Any material increase in the Company’ s financing costs or loss of access to cost- effective financing could have an adverse effect on its profitability, results of operations, and cash flows. Under some of its credit facilities, the Company is required to maintain ~~certain specified financial~~ **a maximum leverage** ~~ratios~~ - **ratio** and pass certain financial tests. If the Company increases its level of debt or its operating results deteriorate, it may fail to meet ~~these~~ **this** financial ~~ratios~~ - **ratio** or pass these tests, which may result in an event of default. In such an event, lenders may accelerate payment and the Company may be unable to continue to utilize these facilities. If the Company is unable to utilize these facilities or is required to repay debt earlier than management expected, it may not have sufficient cash available to make interest payments, to repay indebtedness, or for general corporate needs. General economic or business conditions, both domestic and foreign, may be less favorable than management expects and could adversely impact the Company’ s sales or its ability to collect receivables from its customers, which may impact access to the Company’ s accounts receivable securitization program. Financing covenants and restrictions may limit management discretionThe agreements governing the Company’ s financing, including its credit facility, accounts receivable securitization program, and the indentures governing the Company’ s outstanding notes, contain various covenants and restrictions that, ~~in~~ **14in** certain circumstances, limit the Company’ s ability, and the ability of certain subsidiaries, to: ● grant liens on assets; ~~15~~ ● make restricted payments (including, under certain circumstances, paying dividends on, redeeming or repurchasing common stock); ● make certain investments; ● merge, consolidate, or transfer all, or substantially all, of the Company’ s assets; ● incur additional debt; or ● engage in certain transactions with affiliates. As a result of these covenants and restrictions, the Company may be limited in the future in how it conducts its business and may be unable to raise additional debt, repurchase common stock, pay a dividend, compete effectively, or make further investments. Tax law changes and complianceAs a multinational corporation, the Company is subject to the tax laws and regulations of the United States and many foreign jurisdictions. From time to time, governments enact or revise tax laws ~~or~~ **and** regulations, ~~including~~ **which are further subject to interpretations, guidance, amendments, and technical corrections from international, federal, and state tax authorities. Such** changes **to tax** ~~in the interpretation of such laws~~ - **law** ~~, that~~ may adversely affect the Company’ s cash flow **, costs of share buybacks,** and effective tax rate **, including through decreases in allowable deductions and higher tax rates** . Many countries are adopting provisions to align their international tax rules with the Base Erosion and Profit Shifting Project, led by the Organisation for Economic Co- operation and Development (“ OECD ”) and supported by the United States. The project aims to standardize and modernize global corporate tax policy, including ~~with regard to~~ tax rate increases and ~~adopting~~ a global minimum tax. In October 2021, a substantial majority of the OECD’ s participating countries and jurisdictions agreed to introduce a 15 % global minimum corporate tax rate that would apply to companies with revenue over a set threshold. Furthermore, many countries are independently evaluating their corporate tax policy, which could result in tax legislation and enforcement that adversely impacts the Company’ s tax provision and value of deferred assets and liabilities. These provisions, if enacted, individually or as a whole, may negatively impact taxation of international business. The tax laws and regulations of the various countries where the Company has operations are extremely complex and subject to varying interpretations. **The** ~~Although the~~ Company believes that its historical tax positions are sound and consistent with applicable law, **and that it has adequately reserved for income taxes. However,** taxing authorities may challenge **such** ~~these tax~~ positions and the Company may not be successful in defending against any such challenges. The Company’ s future income tax expense could be favorably or adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets, and liabilities and changes to its operating structure. Constraints on internal controlsEffective internal controls are necessary for the Company to provide reliable financial reports, safeguard its assets, and prevent and detect fraud. If the Company cannot do so, its brand and operating results could be harmed. Internal controls over financial reporting are intended to prevent and detect material misstatements in its financial reporting and material fraudulent activity, but are limited by human error, circumventing or overriding controls, and fraud. As a result, the Company may not identify all material activity or all immaterial activity that could aggregate into a material ~~misstatement~~ **15misstatement** . Therefore, even effective internal controls cannot guarantee that financial statements are wholly accurate or prevent all fraud and loss of assets. Management continually evaluates the effectiveness of the design and operation of the Company’ s internal controls. However, if the Company fails to maintain the adequacy of its internal controls, including any failure to implement required new or improved internal controls, or if the Company experiences ~~16difficulties~~ -- **difficulties** in their implementation, the Company’ s business and operating results could be harmed. Additionally, the Company may be subject to sanctions or investigations by regulatory authorities, or the Company could fail to meet its reporting obligations, all of which could have an adverse effect on its business or the market price of the Company’ s securities. Acquisition expected benefits shortfallThe Company has made, and expects to ~~continue to~~ make, strategic acquisitions or investments globally to further its strategic objectives and support key business initiatives. Acquisitions and investments involve risks and uncertainties, some of which may differ from those associated with the Company’ s historical operations. Such risks include, but are not limited to, risks relating to expanding into emerging markets and business areas, adding additional product lines and services, impacting existing customer and supplier relationships, incurring costs or liabilities associated with the companies acquired, incurring potential impairment charges on acquired goodwill and other intangible assets, and diverting management' s attention from existing ~~business~~ operations **and initiatives** . As a result, the Company' s profitability may be negatively impacted. In addition, the Company may not successfully integrate the acquired businesses, or the integration may be more difficult, costly, or time- consuming than anticipated. Further, any litigation **involving the** ~~relating to a~~ potential acquisition **or acquired entity** will increase expenses associated with the acquisition ~~or~~ **,** cause a delay in completing the acquisition **, impact the ability to integrate the acquired entity** , which may impact the Company' s profitability. The Company may experience disruptions that could, depending on the size of the acquisition, have an adverse effect on its business, especially where an acquisition target may have pre- existing ~~compliance~~ **regulatory** issues or deficiencies, or material weaknesses in internal controls over financial reporting. Furthermore, the Company may not realize all **benefits** ~~of the~~ anticipated ~~benefits~~ from its acquisitions, which could adversely affect the Company' s financial performance. Legal and Regulatory RisksLegal proceedings costs and damagesFrom time to time, the Company may become involved in legal proceedings, including government investigations, that arise out of the ordinary conduct of the Company' s business, including matters involving intellectual property rights, commercial matters, merger- related matters, product liability, and other actions. Legal proceedings could result in substantial costs and diversion of management' s efforts and other resources, and could have an adverse effect on the Company' s operations and business reputation. The Company may be obligated to indemnify and defend its customers if the products or services that the Company sells are alleged to infringe any third party' s intellectual property rights. The Company may not be able to obtain supplier indemnification for itself and its customers against such claims, or such indemnification may not fully protect the Company and its customers against such claims. Also, the Company is exposed to potential liability for technology and products that it develops for which it has no indemnification protections. If an infringement claim against the Company is successful, the Company may be required to pay damages or seek royalty or license arrangements, which may not be available on commercially reasonable terms. The Company may have to stop selling certain products or services, which could affect its ability to compete effectively. In addition, the Company' s expanding business activities may include the assembly or manufacture of electronic component products and systems. Product defects, whether caused by a design, assembly, manufacture or component failure or error, or manufacturing processes not in compliance with applicable statutory and regulatory requirements, may result in product liability claims, product recalls, fines, and penalties. Product liability risks could be particularly significant with respect to aerospace, ~~automotive~~ **16automotive** , and medical applications because of the risk of serious harm to users of such products. ~~17~~ Environmental regulations non- complianceThe Company is subject to various federal, state, local, and foreign laws and regulations addressing environmental and other impacts from industrial processes, waste disposal, carbon emissions, use of hazardous materials in products and operations, recycling products, and other related matters. While the Company strives to fully comply with all applicable regulations, certain of these regulations impose liability without fault. Additionally, the Company may be held responsible for the prior activities of an entity it acquired. Failure to comply with these regulations could result in substantial costs, fines, and civil or criminal sanctions, as well as third- party claims for property damage or personal injury. Future environmental laws and regulations **, including disclosure requirements,** may become more stringent over time, imposing greater compliance costs, and increasing risks, penalties and reputational harm associated with violations. **Customers, suppliers, investors, and regulatory agencies in various jurisdictions globally are increasingly requesting or requiring disclosure and action regarding the Company' s supply chain due- diligence and environmental, social, and governance practices. Such increased expectations and regulations may increase compliance costs and result in reputational damage and loss of business if the Company is perceived to have not met such expectations.** General Risk FactorsNegative impacts of **economic or geopolitical uncertainty, or** a ~~pandemic or other~~ health crisis **,** on ~~economy,~~ operations ~~,~~ and financial ~~resultsA pandemic~~ **resultsEconomic weakness and geopolitical uncertainty (including from military conflicts and international trade disputes)** , ~~epidemic or other~~ **as well as** health **-** related ~~crisis~~ **crises** ~~could negatively~~ **(including pandemics and epidemics), have resulted, and may result in the future, in a variety of adverse** ~~impact~~ **impacts on** the ~~global economy~~ **Company and its customers and suppliers. Such adverse impacts include decreased sales** , ~~disrupt~~ **margins, and earnings; increased logistics costs; demand uncertainty; constrained workforce participation;** global supply ~~chains~~ - **chain** ~~, increase demand uncertainty, constrain workforce participation, disrupt~~ **disruptions ; and** logistics and distribution ~~systems~~ - **system** ~~, and create significant volatility and disruption~~ **disruptions** ~~of financial markets, which could negatively impact the operations of the Company and its customers and suppliers~~ . Such crises **and uncertainties** could also result in **,** or heighten the risks of **,** customer bankruptcies, customer delayed or defaulted payments, delays in product deliveries, ~~restrictions on access to~~ financial ~~markets~~ - **market disruption and volatility** , and other risk factors described in the Company' s Annual Report. ~~Due to the COVID- 19 pandemic, even though the Company has not yet experienced any material disruption to its upstream supply chain and many of its distribution centers remain operational under business continuity plans, it has experienced increased logistics costs, product demand fluctuations, product pricing challenges, longer lead times, reduction in global distribution center utilization, and shipping delays.~~ As **a** ~~the scope and duration of the COVID- 19 outbreak is unknown and the extent of its economic impact continues to evolve globally, there is significant uncertainty related to the ultimate impact that it will have on the Company' s business, its employees, product supply and demand, results of operations, and financial condition, and to what extent the Company' s actions to mitigate such impacts will be successful and sufficient. Economic and geopolitical uncertaintyThe Company' s financial results, operations, and prospects depend significantly on worldwide economic and geopolitical conditions, the demand for its products and services, and the financial condition of its customers and suppliers. Economic weakness and geopolitical uncertainty (including the uncertainty caused by military conflicts; pandemics, epidemics, and other health related crises; and international trade disputes) have resulted, and may~~ result ~~in the future~~ , ~~in decreased sales, margins,~~

~~and earnings. Economic weakness and geopolitical uncertainty may also lead~~ the Company **may need** to impair assets (including goodwill, intangible assets, and other long- lived assets), implement restructuring actions, and reduce expenses in response to decreased sales or margins. The Company may not be able to adequately adjust its cost structure in a timely fashion, which may adversely impact its profitability. Uncertainty about economic conditions may increase foreign currency volatility, which may negatively impact the Company' s results. Economic weakness and geopolitical uncertainty also make it more difficult for the Company to manage inventory levels (including when customers decrease orders, cancel existing orders, or are unable to fulfill their obligations under non- cancelable / non- return orders) and collect customer receivables, which may result in provisions to create reserves, write- offs, reduced access to liquidity, higher financing costs **,** and increased pressure on cash flows. ~~18~~ **An increase in or prolonged period of inflation could affect the Company' s profitability and cash flows, due to higher wages, higher operating expenses, higher financing costs, and higher supplier prices. Inflation may also adversely affect foreign exchange rates. The Company may be unable to pass along such higher costs to its customers, which may result in lower gross profit margins. In addition, inflation may adversely affect customers' financing costs, cash flows, and profitability, which could adversely impact their operations and the Company' s ability to offer credit and collect receivables. 17**