Risk Factors Comparison 2023-11-22 to 2022-11-23 Form: 10-K

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In addition to factors described elsewhere in this report, the following are important factors that could adversely affect our business. The risks described below are not the only risks we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations and financial results. Industry Risks Industry capacity utilization and competition from other specialty chemical companies may adversely impact our business. Our businesses are sensitive to industry capacity utilization, and pricing tends to fluctuate when capacity utilization changes occur, which could affect our financial performance. Further, we operate in a highly competitive marketplace. Our ability to compete successfully depends in part upon our ability to maintain a superior technological capability and to continue to identify, develop and commercialize new and innovative, high value- added products for existing and future customers. Increased competition from existing or newly developed products offered by our competitors or companies whose products offer a similar functionality as our products, particularly those with an improved environmental footprint, and could be substituted for our products, may negatively affect demand for our products. In addition, actions by our competitors could impair our ability to maintain or raise prices, successfully enter new markets or maintain or grow our market position. Environmental regulations and restrictions that affect the carbon black industry impose constraints on our operations, and could threaten our competitive position and increase our operating costs, which may adversely impact our business and results of operations. Our ongoing carbon black operations are subject to extensive federal, state, local and foreign laws, regulations, rules and ordinances relating to environmental matters, many of which provide for substantial monetary fines and civil and criminal sanctions for violations. These include requirements to obtain and comply with various environmental- related and other permits for constructing any new facilities and operating all of our existing facilities **, as well as settlements with agencies regarding environmental matters and environmental requirements** . These environmental regulatory requirements and restrictions impose constraints on our operations, and could threaten our competitive position. We have expended and will continue to expend considerable amounts to construct, maintain, operate, and improve our facilities around the world for environmental protection **. In addition, the increased emphasis on environmental justice, which is the fair treatment and meaningful involvement of all individuals and communities in which we operate, regardless of race, color, national origin, or income, with respect to the development, implementation and enforcement of environmental laws, regulations, and policies, could result in increased compliance requirements and costs. Furthermore, our actual or perceived failure to adhere to these principles could harm our reputation** . Further, environmental agencies worldwide are increasingly implementing regulations and other requirements resulting in more restrictive air emission limits globally, particularly as they relate to nitrogen oxides, sulfur dioxide and particulate matter emissions. We expect complying with existing regulations and other regulatory and tax changes being proposed in regions where we operate, if approved, will require us to incur significant additional costs for compliance, capital improvements or limit our current or planned operations. We may not be able to offset the effects of these compliance costs through price increases. Our ability to implement price increases is largely influenced by competitive and economic conditions and could vary significantly depending on the segment served. Such increases may not be accepted by our customers, may not be sufficient to compensate for increased regulatory costs or may decrease demand for our products and our volume of sales. A description of these matters is included in the discussion under the heading " Safety, Health, Environment, and Sustainability " in Item 1 above, and in Note S in Item 8 below under the heading " Contingencies ". We may be exposed to certain regulatory and financial risks related to climate change developments and an increased focus on carbon neutrality, which may adversely affect our business and results of operations, and increased pressures and adverse publicity about potential impacts on climate change by us or other companies in our industry could harm our reputation. Carbon dioxide, a greenhouse gas, is emitted in carbon black manufacturing processes. Concerns about the relationship between greenhouse gases and global climate change, and an increased focus on carbon neutrality, may result in additional regulations on both national and supranational levels, to monitor, regulate, control and tax emissions of carbon dioxide and other greenhouse gases. Climate changes include extreme weather impacts, such as changes in rainfall and in storm patterns and intensities, water shortages, significantly changing sea levels and increasing atmospheric and water temperatures. A number of governmental bodies have introduced or are contemplating regulatory changes in response to climate change, including regulating greenhouse gas emissions. Specifically, in certain geographic areas, our carbon black facilities are or may become subject to greenhouse gas emission trading schemes or carbon tax programs under which we may be required to pay any incurred taxes or purchase emission credits if our emission levels exceed our free allocation. The outcome of new legislation or regulation in the U. S. and other jurisdictions in which we operate may result in new or additional requirements and fees or restrictions on certain activities. Compliance with greenhouse gas and climate change initiatives may result in additional costs to us, including, among other things, increased production costs, increased feedstock costs, additional taxes, reduced emission allowances or additional restrictions on production or operations. In addition, certain of our carbon black products for specialty applications have higher greenhouse gas emissions than our other products, which may increase our compliance costs and make it more challenging to achieve our emissions goals without technology developments. We may not be able to offset the effects of these new or more stringent laws and regulations and compliance costs through price increases, which could adversely affect our business and negatively impact our growth. Our ability to implement price increases is largely influenced by competitive and economic conditions and could vary significantly depending on the segment served. Such increases may not be accepted by our customers, may not be sufficient to compensate for increased regulatory costs or may decrease demand for our products and our volume of sales. Any adopted future climate change regulations could also negatively impact our ability to compete with companies situated in areas not subject to such limitations. Even without such regulation, increased public awareness and adverse publicity about potential impacts on climate change or environmental harm from us or our industry could harm our reputation or otherwise impact the Company adversely. In recent years, investors have also begun to show increased interest ~~about~~ **in** sustainability and climate change as it relates to their investment decisions. **Our failure to develop and execute a sustainability strategy that adequately responds to these environmental concerns could harm our reputation and negatively impact the value of our securities.** In addition **, new disclosure requirements related to GHG emissions and climate change, including the European Sustainability Reporting Standards, any final rules approved by the SEC, and state laws requiring climate disclosure, may negatively impact our business by diverting resources, increasing our compliance costs and harming our reputation. Further** , increasing weather- related impacts on our operations and plant sites may impact the cost or availability of insurance. Furthermore, the potential impact of climate change and related regulation on our feedstock suppliers and customers is highly uncertain and there can be no assurance that it will not have an adverse effect on the availability **,** over time **,** of our traditional carbon black feedstocks, our customers' businesses and sourcing arrangements, and on our financial condition and results of operations. For instance, lower demand for oil refinery products may reduce the availability and increase the cost of certain of the key raw materials we use. In addition, many of our tire customers have set sustainability goals for the 2030 to 2050 time period to purchase more sustainable raw materials, including reduced use of fossil- derived materials, which could reduce demand for our traditional carbon black products **. We cannot predict how legal, regulatory and social responses to concerns about climate change, as well as other sustainability and environmental matters, will impact our business** . Volatility in the price and availability of raw materials and energy could impact our margins and working capital and our revenues from our energy center operations. Our manufacturing processes consume significant amounts of energy and raw materials, the costs of which are subject to worldwide supply and demand as well as other factors beyond our control. Our carbon black businesses use a variety of feedstocks as raw material including high sulfur fuel oils, low sulfur fuel oils, coal tar distillates, and ethylene cracker residue, the cost and availability of which vary, based in part on geography. Significant movements or volatility in our carbon black feedstock costs could have an adverse effect on our working capital and results of operations. In addition, regulatory changes or geopolitical conflict may impact the availability and prices of our raw materials. For example, the Russian invasion of Ukraine has disrupted and may continue to disrupt the price and availability of natural gas in Europe. Certain of our carbon black supply arrangements contain provisions that adjust prices to account for changes in relevant feedstock and natural gas price indices. We also attempt to offset the effects of increases in raw material and energy costs through selling price increases in our non-contract sales, productivity improvements and cost reduction efforts. Success in offsetting increased raw material and energy costs with price increases is largely influenced by competitive and economic conditions and could vary significantly depending on the segment served. Such increases may not be accepted by our customers, may not be sufficient to compensate for increased raw material and energy costs or may decrease demand for our products and our volume of sales. If we are not able to fully offset the effects of increased raw material or energy costs, it could have a significant impact on our financial results. Rapid declines in energy prices and raw material costs can also negatively impact our financial results, as such changes can negatively affect the revenues we receive from our energy centers and yield improvement investments, and may negatively impact our contract pricing adjustments. In addition, we use a variety of feedstock indices in our supply arrangements to adjust our prices for changes in raw materials costs. Depending on feedstock markets and our choice of feedstocks, the indices we use in our supply arrangements may not precisely track our actual costs. This could result in an incongruity between our pricing adjustments and changes in our actual feedstock costs, which can affect our net working capital and our margins. Further, the timing of the implementation of any of these pricing adjustments may not precisely track our actual costs as reflected in our financial statements. In addition, we obtain certain of our raw materials from selected key suppliers. Although we typically maintain raw material inventory, if any sole source supplier of raw materials ceases supplying raw materials to us, or if any of our key suppliers is unable to meet its obligations under supply agreements with us on a timely basis or at an acceptable price, or at all, we may be forced to incur higher costs to obtain the necessary raw materials elsewhere or, in certain limited cases, may not be able to obtain the required raw materials. A significant adverse change in a customer **or joint venture** relationship or the failure of a customer **or joint venture partner** to perform its obligations under agreements with us could harm our business or cash flows. Our success in strengthening relationships and growing business with our largest customers and retaining their business over extended time periods is important to our future results. We have a group of key customers across our businesses that together represent a significant portion of our total net sales and operating revenues. The loss of any of our important customers, or a significant reduction in volumes sold to them, could adversely affect our results of operations until such business is replaced or any temporary disruption ends. Further, in our Reinforcement Materials segment we enter into supply arrangements with a number of key customers that typically have a duration of one year, which account for approximately two-thirds of our total reinforcing carbons volumes. Our success in negotiating the price and volume terms under these arrangements could have a material effect on our results. In addition, **a number of our operations are conducted through joint venture arrangements that operate pursuant to long- term contracts, including for the supply of raw materials for the joint venture operations. Any dispute as to the terms of these contractual arrangements or deterioration in the relationship between us and our joint venture partner could disrupt the operations of the joint venture, which could affect our financial results and harm our reputation. In addition,** any deterioration in the financial condition of any of our customers that impairs our customers' ability to make payments to us also could increase our uncollectible receivables and could affect our future results and financial condition. We are exposed to political or country risk inherent in doing business in some countries, including China. Sales outside of the U. S. constituted the majority of our revenues in fiscal ~~2022~~ **2023** . We conduct business in several countries, including China, that have less stable legal systems and financial markets, and potentially more corrupt, or less predictable, business environments than the U. S. As set forth in Note T to our Consolidated Financial Statements, sales in China constituted approximately 25 % of our revenues in fiscal ~~2022~~ **2023** and our property, plant and equipment located in China constituted approximately 25 % of our total property, plant and equipment as of September 30, ~~2022~~ **2023** . Our operations outside of the U. S., including in China, expose us to risks related to uncertain enforcement of laws by foreign governments as well as risks that foreign governmental entities will change applicable rules and regulations with minimal advance notice. These risks could result in a material change in our operations, which could negatively impact the value of our securities. Additionally, our operations in some countries, including China, are subject to the following risks: changes in the rate of economic growth; unsettled political or economic conditions; non- renewal of operating permits or licenses; possible expropriation or other governmental actions; corruption by government officials and other third parties; social unrest, war, terrorist activities or other armed conflict; confiscatory taxation or other adverse tax policies; deprivation of contract rights; trade regulations affecting production, pricing and marketing of products; reduced protection of intellectual property rights; restrictions or additional costs associated with repatriating cash; exchange controls; inflation; currency fluctuations and devaluation; political tension that could result in sanctions being imposed against our customers or suppliers in countries where sanctions have not been imposed in the past; the effect of global health, safety and environmental matters on economic conditions and market opportunities; and changes in financial policy and availability of credit. For example, the Chinese government has, from time to time, curtailed manufacturing operations, with little or no notice, in industrial regions out of ~~growing concern~~ **concerns** over air quality and in response to COVID- 19 outbreaks. The timing and length of these curtailments ~~are~~ **has been** difficult to predict and, at times, ~~are~~ **were** applied to manufacturing operations without regard to whether the operations being curtailed comply with environmental regulations in the area. Accordingly, our manufacturing operations in China have been subject to these curtailments in the past and **may** ~~will likely~~ be subject to them in the future. In addition, the Chinese government has instituted energy intensity and energy consumption targets in a number of provinces in its efforts to reduce energy consumption, resulting in energy quotas and shortages in energy supply. We are unable to predict how any power outages related to these targets will impact our operations. These events could negatively impact our results of operations and cash flows both during and after the period of any government- imposed curtailment or power outages affecting our operations. Further, any such curtailments on the operations at our customers' facilities could reduce demand for our products and our volumes. Operational Risks As a chemical manufacturing company, our operations are subject to operational risks and have the potential to cause environmental or other damage as well as personal injury, or disrupt our ability to supply our customers, any of which could adversely affect our business, results of operations and cash flows. The operation of a chemical manufacturing business as well as the sale and distribution of chemical products are subject to operational as well as safety, health and environmental risks. For example, the production and / or processing of carbon black, specialty compounds, fumed metal oxides, aerogel, carbon nanotubes ~~,~~ and other chemicals involve the handling, transportation, manufacture or use of certain substances or components that may be considered toxic or hazardous. While we take precautions to handle and transport these materials in a safe manner, if they are mishandled or released into the environment, they could cause property damage or result in personal injury claims against us. Our manufacturing processes and the transportation of our chemical products and / or the raw materials used to manufacture our products are subject to risks inherent in chemical manufacturing, including leaks, fires, explosions, toxic releases, severe weather, mechanical failures or unscheduled downtime. In addition, the occurrence of material operating problems at our facilities, particularly at a facility that is the sole source of a particular product we manufacture, or a disruption in our supply chain or distribution operations may result in loss of production, which, in turn, may make it difficult for us to meet customer needs. For example, in recent years we have experienced unplanned plant outages at our plants in Franklin, Louisiana and Altamira, Mexico that caused reduced volumes and earnings during the period the plant was down and increased our fixed costs. Other disruptions in supply chains and distribution channels, including those caused by global or regional logistics delays and constraints, such as rail or other transportation interruptions, could disrupt our business operations. These events and their consequences could negatively impact our results of operations and cash flows, both during and after the period of operational difficulties, and could harm our reputation. An interruption in our operations as a result of fence- line arrangements **or a joint venture partner' s actions** could disrupt our manufacturing operations and adversely affect our financial results. At certain of our fumed metal oxides facilities ~~and one of our carbon black facilities in China~~ we have fence- line arrangements **(many of which are closed- loop)** with adjacent third **-** party manufacturing operations (" fence- line partners "), who provide raw materials for our manufacturing operations and / or take by- products generated from our operations. Accordingly, any disruptions or curtailments in a fence- line partner' s production facilities that impacts their ability to supply us with raw materials or to take our manufacturing by- products could disrupt our manufacturing operations or cause us to incur increased operating costs to mitigate such disruption. We have experienced disruptions in the supply of raw materials from certain of our fence- line partners in recent years, which have caused us to curtail our operations or incur higher operating costs. **In addition, we operate certain of our carbon black facilities through joint venture arrangements, pursuant to which our joint venture partners provide feedstock and / or take by- products generated from our operations. A dispute with a joint venture partner concerning the terms of those arrangements could impact our joint venture operations and could decrease our income from such operations.** Significant events at neighboring industrial facilities, such as environmental releases, could also disrupt our operations and result in negative publicity about us and harm our reputation. Our products are subject to extensive safety, health and environmental requirements, which could impair our ability to manufacture and sell certain products. In order to secure and maintain the right to produce or sell our products, we must satisfy product related regulatory requirements in different jurisdictions. Obtaining and maintaining these approvals requires a significant amount of product testing and data, and there is no certainty these approvals will be obtained. Certain national and international health organizations have classified carbon black as a possible or suspected human carcinogen. To the extent that, in the future, (i) these organizations re- classify carbon black as a known or confirmed carcinogen, (ii) other organizations or government authorities in other jurisdictions classify carbon black or any of our other finished products, raw materials or intermediates as suspected or known carcinogens or otherwise hazardous, or (iii) there is discovery of adverse health effects attributable to production or use of carbon black or any of our other finished products, raw materials or intermediates, we could be required to incur significantly higher costs to comply with environmental, health and safety laws, or to comply with restrictions on sales of our products, be subject to legal claims, and our reputation and business could be adversely affected. Further **,** a subset of multi-walled carbon nanotubes that includes a carbon nanotube grade we currently manufacture have been classified as carcinogen category 1B and specific target organ toxicant (lung) after repeated exposure category 1 under European Union regulations. Although our carbon nanotubes are bound in a matrix or contained within conductive materials, exposure to carbon nanotubes could occur in the workplace. We could be required to incur additional costs to comply with requirements for the safe manufacturing and handling of these materials and we could be subject to legal claims associated with our products. In addition, chemicals that are currently classified as non- hazardous may be classified as hazardous in the future, and our products may have characteristics that are not recognized today but may be found in the future to impair human health or to be carcinogenic. Information technology systems failures, data security breaches, cybersecurity attacks or network disruptions **have harmed us in the past and** could compromise our information, disrupt our operations and expose us to liability, which may adversely impact our operations. We rely on information technology, some of which is managed by third parties, to manage the day- to-day operations and activities of our business, operate elements of our manufacturing facilities, manage our customer and vendor transactions, and maintain our financial, accounting and business records. In addition, we collect and store certain data, including proprietary business information, and may have access to confidential or personal information that is subject to privacy and security laws and regulations. The secure processing, maintenance and transmission of this data is critical to our operations and business strategy. Information technology systems failures, including those associated with our managed service provider or related to **maintaining or** upgrading our systems or integrating information technology and other systems in connection with the integration of businesses we acquire, or network disruptions could disrupt our operations by impeding our processing of transactions and our financial reporting, and our operations, **including by contributing to a process safety event, any of** which could have a material adverse effect on our business or results of operations **. In the past, our networks have been subject to an attack, potentially by suspected foreign nation- state attackers, who conducted reconnaissance and deployed malware. While our systems were able to isolate and expel the attacker before we believe material harm was caused, criminals, rogue insiders, nation- state, and other attackers may continue to attack our network, and our defenses may be unable to succeed in detecting their actions or stop them from inflicting potentially material harms including by theft, destruction, misuse, or corruption of our data or systems or those of other entities whose systems may interconnect with ours** . In addition, our information technology systems could be compromised by outside parties intent on extracting information, corrupting information or disrupting business processes. Despite our security design and controls, and those of our third- party providers, we may be vulnerable to cyber- attacks, computer viruses, security breaches, inadvertent or intentional employee actions, system failures and other risks that could potentially lead to the compromising of sensitive, confidential or personal data, improper use of our, or our third- party provider systems, solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, or operational disruptions. We face increased information technology security and fraud risks due to our increased reliance on working remotely ~~during the COVID- 19 pandemic and beyond~~ , which may create additional information security vulnerabilities and / or magnify the impact of any disruption in information technology systems. Additionally, we **have in the past and** may **in the future** be exposed to unauthorized access to our information technology systems through undetected vulnerabilities in **our or** our service providers' information systems or software. With the evolving nature of cybersecurity threats, the scope and impact of any information security incident cannot be predicted. In addition, **more than a dozen states in the United States have also passed comprehensive data protection legislation, and** the global regulatory environment pertaining to information security and privacy is increasingly demanding, with new and changing requirements, such as the European Union' s General Data Protection Regulation, The Personal Information Protection Law of the People' s Republic of China, and Brazil' s Lei Geral de Protecao de Dados. Complying with these laws and regulations may be more costly or take longer than we anticipate, and any failure to comply could result in fines or penalties. Breaches of our security measures, cyber incidents and disruptions, or the accidental loss, inadvertent disclosure, or unapproved dissemination of proprietary information or sensitive or confidential information about the Company, our employees, our vendors, or our customers, or failure to comply with laws and regulations related to information security or privacy, could result in legal claims or proceedings against us by governmental entities or individuals, significant fines, penalties and judgments, disruption of our operations, remediation requirements, changes to our business practices, and damage to our reputation, and could otherwise harm our business and our results of operations. Natural disasters and severe weather events could affect our operations and financial results. We operate facilities in areas of the world that are exposed to natural hazards, such as floods, windstorms, hurricanes, and earthquakes. In addition, extreme weather events and changing weather patterns present physical risks on existing infrastructure that may become more frequent or more severe as a result of factors related to climate change. Such events could disrupt our supply of raw materials or otherwise affect production, transportation and delivery of our products or affect demand for our products **and otherwise harm our business and our results of operations, potentially in material ways that may exceed available insurance coverage in the particular circumstances** . We have experienced recent disruptions of the type described above. For example, the severe flooding that occurred in Western Europe in July 2021 caused significant damage to our specialty compounds plant in Pepinster, Belgium. That disruption resulted in a near-term reduction in earnings from lower volumes and certain increases in our operating costs ~~, not all of which we expect to be able to recover from our insurance~~ . Financial and Other Risks Negative or uncertain worldwide or regional economic conditions or trade relations, as well as regional conflicts, may adversely impact our business. Our operations and performance are affected by worldwide and regional economic conditions. Uncertainty or a deterioration in the economic conditions affecting the businesses to which, or geographic areas in which, we sell products could reduce demand for our products and inflationary pressures may increase our costs. We may also experience pricing pressure on products and services, or be unsuccessful in passing along to our customers an increase in our raw materials costs or energy prices, which could decrease our revenues and have an adverse effect on our financial condition and cash flows. In addition, during periods of economic uncertainty, our customers may temporarily pursue inventory reduction **(" destocking ")** measures that exceed declines in the actual underlying demand **. Given our position in the value chains for our principal products, we typically experience greater destocking impacts in our results of operations early in a recessionary cycle** . Regional conflicts may also adversely impact our business. While we do not have manufacturing operations in Russia or Ukraine, and we do not have material sales in Ukraine and have stopped sales into Russia, Russia' s continuing invasion of Ukraine is negatively impacting economic conditions in Europe. This could reduce demand for our products in our EMEA region, and negatively impact our and our customers' ability to operate plants in Europe, and harm our suppliers and otherwise increase our operating costs. In addition, changes in, or tensions relating to, U. S. trade relations with countries where we do business may adversely impact our business. For example, tensions in the U. S.- China trade relationship have led to an increased risk of sanctions being imposed against our suppliers and customers in China which, if imposed, could restrict our ability to do business with such companies. In addition, we may encounter unexpected operating difficulties in China, more restrictive investment opportunities in China, greater difficulty transferring funds, more restrictive travel in and out of China, or negative currency impacts. Further, the cost of our capital projects may be higher than anticipated because of trade tariffs. In addition, escalating tensions in the U. S.- China trade relationship and / or restrictive policies by either country could require us to duplicate the technology resources and capabilities we have in China, particularly those related to our battery materials product line, in a geography outside China, thereby increasing our costs. Litigation or legal proceedings could expose us to significant liabilities and thus negatively affect our financial results. As more fully described in Note S in Item 8 below under the heading " Contingencies ", we are a party to or the subject of lawsuits, claims, and proceedings, including, but not limited to, those involving environmental, and health and safety matters as well as product liability and personal injury claims relating to asbestosis, silicosis, and coal worker' s pneumoconiosis. We are also a potentially responsible party in various environmental proceedings and remediation matters wherein substantial amounts are at issue. Adverse rulings, judgments or settlements in pending or future litigation (including liabilities associated with respirator claims) or in connection with environmental remediation activities could adversely affect our financial results or cause our results to differ materially from those expressed or forecasted in any forward- looking statements. Our tax rate and other tax obligations are dependent upon a number of factors, a change in any of which could impact our future tax rates and financial results. Our future tax rates may be adversely affected by a number of factors, including: changes in the jurisdictions in which our profits are determined to be earned and taxed; changes in the estimated realization of our net deferred tax assets; the repatriation of non- U. S. earnings for which we have not previously provided for non- U. S. withholding taxes; adjustments to estimated taxes upon finalization of various tax returns; increases in expenses that are not deductible for tax purposes; changes in available tax credits; the resolution of issues arising from tax audits with various tax authorities; and changes in tax laws or the interpretation of such tax laws. In addition, losses for which no tax benefits can be recorded could materially impact our tax rate and its volatility from one quarter to another. ~~The Inflation Reduction Act (" IRA "), enacted in the U. S. on August 16, 2022, imposes several new taxes that will be effective in 2023, including a 1 % excise tax on stock repurchases.~~ Fluctuations in foreign currency exchange and interest rates affect our financial results. We earn revenues, pay expenses, own assets and incur liabilities in countries using currencies other than the U. S. dollar. In fiscal ~~2022~~ **2023** , we derived a majority of our revenues from sales outside the U. S. Because our consolidated financial statements are presented in U. S. dollars, we must translate revenues and expenses, as well as assets and liabilities, into U. S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, increases or decreases in the value of the U. S. dollar against other currencies in countries where we operate will affect our results of operations and the value of balance sheet items denominated in foreign currencies **. For example, in fiscal 2023, we recorded foreign exchange losses related to the remeasurement of our net monetary assets denominated in Argentine pesos, as the official Argentine exchange rate weakened compared to the U. S. dollar throughout the year. In addition, we may have foreign currency losses from government- controlled currency devaluations, such as the foreign currency losses we recorded in fiscal 2023 related to the impact of the sharp devaluation of the Argentine peso that was guided by the Argentine central bank** . Due to the geographic diversity of our operations, weaknesses in some currencies might be offset by strengths in others over time. In addition, we are exposed to adverse changes in interest rates. We use a combination of commercial paper and borrowings under our Credit Agreements to meet our **short- term** cash needs, with borrowings intra- quarter that may be higher than at quarter- end. As this debt is at variable interest rates, **the** ~~high~~ **higher** interest ~~rates~~ - **rate** ~~environments~~ - **environment** ~~, such~~ as ~~the current environment,~~ **compared to recent years** ~~increase~~ **increases** our borrowing costs. We manage both these risks through normal operating and financing activities and, when deemed appropriate, through the use of derivative instruments as well as foreign currency debt. We cannot be certain, however, that we will be successful in reducing the risks inherent in exposures to foreign currency and interest rate fluctuations. **Any** ~~The COVID- 19 pandemic has disrupted our operations and has had and could continue to have a material adverse effect on our business and any~~ future outbreak of a widespread health epidemic could materially and adversely impact our business in the future. Our global operations expose us to risks associated with public health crises and outbreaks of epidemics, pandemics, or contagious diseases, such as the outbreak of a novel strain of coronavirus beginning in December 2019 (" COVID- 19 "). A global health crisis could have a serious adverse impact on the economy and on our business, results of operations and cash flows as the COVID- 19 pandemic and associated containment efforts did in fiscal 2020. Specifically, a pandemic or future global health crisis may disrupt operations at our customers and reduce demand for our products, require or cause us to cease operations or idle production lines at our facilities, could materially affect our ability to adequately staff and maintain our operations, including in the event government authorities impose mandatory closures, such as those imposed in China as part of that country' s " Zero COVID " policy, work- from- home orders and social distancing protocols, and seek voluntary facility closures and impose other restrictions to mitigate the further spread of disease. A global health crisis could also disrupt our supply chain and materially and adversely impact our ability to secure supplies for our facilities and to provide personal protective equipment for our employees, which could materially and adversely affect our operations. For example, the COVID- 19 pandemic has also contributed to increased costs and decreased availability of labor and materials for construction projects, and these factors have increased the costs of our capital improvement projects and delayed our completion of such projects. ~~There may also be long- term effects on our customers in, and the economies of, affected countries. Even if a virus or other illness does not spread significantly, the perceived risk of infection or health risk may materially affect our business. As we cannot predict the duration or scope of COVID- 19 or any pandemic, the negative financial impact to our results cannot be reasonably estimated and could be material.~~ Factors that will influence the impact on our business and operations include the duration and extent of the pandemic, ~~including~~ the **extent** ~~virulence and spread~~ of **imposed or recommended containment** ~~different strains of a virus~~ and **mitigation measures** ~~the level and timing of vaccine development and distribution across the world~~ and their impact on ~~economic recovery and growth, the extent of imposed or recommended containment and mitigation measures and their impact on~~ our operations and the operations of our customers, and the general economic consequences of the pandemic ~~. In addition, a global health crisis that continues for an extended period of time with an adverse impact on our revenue and overall profitability may lead to an increase in inventory reserves, allowances for doubtful accounts, and additional valuation allowances on certain of our deferred tax assets, or a reduction in our borrowing availability under our credit agreements, or cause us to recognize impairments for certain long- lived assets including goodwill, intangible assets or property, plant and equipment. To the extent the COVID- 19 pandemic or other widespread health epidemic adversely affected or affects our business and financial results, it may also have the effect of heightening many of the other risks that could adversely affect our business described herein, such as risks associated with industry capacity utilization, volatility in the price and availability of raw materials, material adverse changes in customer relationships including any failure of a customer to perform its obligations under agreements with us, IT security systems risks, factors affecting our tax rate, and risks associated with worldwide or regional economic conditions~~ . We have entered into a number of derivative contracts with financial counterparties. The effectiveness of these contracts is dependent on the ability of these financial counterparties to perform their obligations and their nonperformance could harm our financial condition. We have entered into forward foreign currency contracts and cross-currency swaps as part of our financial risk management strategy. The effectiveness of our risk management program using these instruments is dependent, in part, upon the counterparties to these contracts honoring their financial obligations. If any of our counterparties are unable to perform their obligations in the future, we could be exposed to increased earnings and cash flow volatility due to an instrument' s failure to hedge or adequately address a financial risk. Technology Risks We may not be successful achieving our growth expectations from new products, new applications and technology developments, and money we spend on these efforts may not result in an increase in revenues or profits commensurate with our investment. We may not be successful achieving our growth expectations from developing new products or product applications. Moreover, we cannot be certain that the costs we incur investing in new product and technology development will result in an increase in revenues or profits commensurate with our investment **or within the time period we expect** . For example, our investments to further develop our E2C ~~™~~ **®** solutions, inkjet dispersions and inks, and battery materials applications may not result in the earnings growth expectations on which these investments are being made **, or we may not realize such growth in line with our expectations when we made such investments. Similarly, we cannot be certain that the investments we are making in our EVOLVE ® Sustainable Solutions technology platform to develop products for our customers using sustainable reinforcing carbons from renewable or recycled materials or using processes that result in lower GHG emissions will be successful, including within the time period our customers expect** . In addition, the timely commercialization of products that we are developing may be disrupted or delayed by manufacturing or other technical difficulties, market acceptance or insufficient market size to support a new product, competitors' new products, and difficulties in moving from the experimental stage to the production stage. These disruptions or delays could affect our future business results. The continued protection of our patents, trade secrets and other proprietary intellectual property rights is important to our success. Our patents, trade secrets and other intellectual property rights are important to our success and competitive position. We own various patents and other intellectual property rights in the U. S. and other countries covering many of our products, as well as processes and product uses. Where we believe patent protection is not appropriate or obtainable, we rely on trade secret laws and practices to protect our proprietary technology and processes, such as physical security, limited dissemination and access and confidentiality agreements with our employees, customers, consultants, business partners, potential licensees and others to protect our trade secrets and other proprietary information. However, trade secrets can be difficult to protect and the protective measures we have put in place may not prevent disclosure or unauthorized use of our proprietary information or provide an adequate remedy in the event of misappropriation or other violations of our proprietary rights. In addition, we are a licensee of various patents and intellectual property rights belonging to others in the U. S. and other countries. Because the laws and enforcement mechanisms of some countries may not allow us to protect our proprietary rights to the same extent as we are able to do in the U. S., the strength of our intellectual property rights will vary from country to country. Irrespective of our proprietary intellectual property rights, we may be subject to claims that our products, processes or product uses infringe the intellectual property rights of others. These claims, even if they are without merit, could be expensive and time consuming to defend and if we were to lose such claims, we could be enjoined from selling our products or using our processes and / or be subject to damages, or be required to enter into licensing agreements requiring royalty payments and / or use restrictions. Licensing agreements may not be available to us, or if available, may not be available on acceptable terms. Portfolio Management, Capacity Expansion and Integration Risks Any failure to realize benefits from acquisitions, alliances or joint ventures or to achieve our portfolio management objectives could adversely affect future financial results. In achieving our strategic plan objectives, we may pursue acquisitions, alliances or joint ventures intended to complement or expand our existing businesses globally or add product technology, or both. The success of acquisitions of businesses, new technologies and products, or arrangements with third parties is not always predictable and we may not be successful in realizing our objectives as anticipated. We may not be able to integrate any acquired businesses successfully into our existing businesses, make such businesses profitable, or realize anticipated cost savings or synergies, if any, from these acquisitions, which could adversely affect our business results. In addition to strategic acquisitions **,** we evaluate our portfolio in light of our objectives and alignment with our growth strategy. In implementing this strategy **,** we may not be successful in separating non- strategic assets. The gains or losses on the divestiture of, or lost operating income from, such assets may affect our earnings. Moreover, we have in the past, and may again in the future, incur asset impairment charges related to acquisitions or divestitures that reduce earnings. As described in Note D in Item 8 below under the heading " Divestitures ", we recorded an asset impairment charge and a loss on sale of business in fiscal 2022 in connection with the disposition of our Purification Solutions business. Plant capacity expansions and site development projects may impact existing plant operations, be delayed and / or not achieve the expected benefits. Our ability to complete capacity expansions and site development projects, including capacity conversions from reinforcing carbons to specialty carbons and other site development projects, as planned may be delayed or interrupted by the need to obtain environmental and other regulatory approvals, unexpected cost increases, availability of labor and materials, unforeseen hazards such as weather conditions, and other risks customarily associated with construction projects. These risks include the risk that existing plant operations are disrupted **as well as the risk associated with delays in the start- up of operations using new technologies** , which **disruptions** could make it difficult for us to meet our customer needs. Moreover, in the case of capacity expansions, the cost of these activities could have a negative impact on the financial performance of the relevant business until capacity utilization at the particular facility is sufficient to absorb the incremental costs associated with an expansion. In addition, our ability to expand capacity in emerging regions depends in part on economic and political conditions in these regions and, in some cases, on our ability to establish operations, construct additional manufacturing capacity or form strategic business alliances.