Risk Factors Comparison 2024-02-16 to 2023-02-17 Form: 10-K

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Our business, financial condition and results of operations may be adversely impacted by the effects of inflation. Inflation has the potential to adversely affect our business, financial condition and results of operations by increasing our overall cost structure. Other inflationary pressures could affect wages, the cost and availability of components and raw materials and other inputs and our ability to meet customer demand. Inflation may further exacerbate other risk factors, including supply chain disruptions, risks related to international operations and the recruitment and retention of qualified employees. If we are unsuccessful in negotiating pricing adjustments with our customers to raise the prices of our products sufficiently to keep up with the rate of inflation, our profit margins and cash flows may be adversely affected. Increases in the costs, or reduced availability, of raw materials and manufactured components may adversely affect our profitability. Raw material costs can be volatile. The principal raw materials to produce our products include synthetic and natural rubber, carbon black, process oils, and plastic resins. Principal procured components are primarily made from plastic, carbon steel, aluminum and stainless steel. Material costs represented approximately 51 % of our total cost of products sold in ~~2022~~ **2023** . The costs and availability of raw materials and manufactured components can fluctuate due to factors beyond our control, including as a result of existing and potential changes to U. S. policies related to global trade and tariffs. Further, climate change may have an adverse impact on global temperatures, weather patterns, and the frequency and severity of extreme weather and natural disasters, which may adversely affect the availability or pricing for certain raw materials including natural rubber. A significant increase in the price of raw materials, or a restriction in their availability, could materially increase our operating costs and adversely affect our profitability because it is generally difficult to pass through these increased costs to our customers. While we entered into index pricing agreements with some of our customers which provide for a price adjustment based on quoted market prices to attempt to address some of these risks (notably with respect to steel and rubber), there can be no assurance that commodity price fluctuations will not adversely affect our results of operations and cash flows. In addition, while the use of index pricing adjustments may provide us with some protection from adverse fluctuations in commodity prices, by utilizing these instruments, we potentially forego the benefits that might result from favorable fluctuations in price. ~~The recent disruptions to the global supply chain also have had an adverse impact on the cost and availability of raw materials, components, energy and other inputs used in our business, or in the businesses of our customers and suppliers, and has adversely affected and may continue to adversely affect our results of operations, financial condition and business.~~ Disruptions in the supply chain could have an adverse effect on our business, financial condition, results of operations and cash flows. We obtain components and other products and services from numerous suppliers and other vendors throughout the world. We are responsible for managing our supply chain, including suppliers that may be the sole sources of products that we require, that our customers direct us to use or that have unique capabilities that would make it difficult and / or expensive to re- source. In certain instances, entire industries may experience short- term capacity constraints. **Any** ~~The global economy has experienced an increased risk of shortages and other disruptions to global supply chains due to strong demand, the potential effects of trade laws and tariffs, capacity constraints, financial instability, public health crises, such as pandemics and epidemics, or other circumstances. In particular,~~ significant disruptions ~~in supply have occurred, are occurring, and are expected to continue~~ in the automotive industry due to ~~these~~ industry- wide parts shortages and global supply chain constraints **could** ~~which have~~ adversely ~~affected~~ -- **affect** our operations and financial performance. ~~The current uncertain~~ **Uncertain** economic or industry conditions **resulting from such supply chain constraints** could result in financial distress within our supply base, thereby further increasing the risk of supply disruption. **Furthermore** ~~As the uncertainty in the market conditions remain~~ , any economic downturn or other unfavorable conditions in one or more of the regions in which we operate could cause ~~further~~ supply disruptions and thereby adversely affect our financial condition, operating results and cash flows ~~. Material supply shortages experienced by our customers either directly or as a result of a supply shortage at another supplier, such as the semiconductor shortage faced by the automotive industry, have caused customers to halt, delay or limit the purchase of our products, which have adversely affected and may continue to adversely affect our business, results of operations and financial condition~~ . Work stoppages or other disruptions to our operations could negatively affect our operations and financial performance. We may experience work stoppages caused by labor disputes under existing collective bargaining agreements or in connection with the negotiation of new agreements given that we have a number of agreements that expire in any given year. Further, there is no certainty that we will be successful in negotiating new collective bargaining agreements that extend beyond the current expiration dates or that new agreements will be on terms as favorable to us as past labor agreements. In addition, it is possible that our workforce will become more unionized in the future. Unionization activities could increase our costs, which could negatively affect our results of operations. Our operations may also be disrupted by other labor issues, including absenteeism, public health **events** ~~issues,~~ and ~~pandemic-related~~ government restrictions; major equipment failure with prolonged downtime or a complete loss of critical equipment where either no other comparable equipment exists or the remaining equipment does not have enough capacity to pick up the demand; or natural disaster- related plant closures or disruptions. In particular, natural disasters and adverse weather conditions can be caused or exacerbated by climate change. Regardless of the cause, any significant disruption to our production could negatively affect our operations, customer relationships and financial performance. Similar disruptions at one or more of our suppliers or our customers' suppliers could adversely affect our operations if an alternative source of supply were not readily available. Additionally, similar disruptions at our customers' facilities could result in reduced demand for our products causing us to delay or cancel production and could have an adverse effect on our business. A disruption in, or the inability to successfully implement upgrades to, our information technology systems, including disruptions relating to cybersecurity as well as data privacy concerns, could adversely affect our business and financial performance. We rely upon information technology networks, systems and processes, including the information technology networks of third parties such as suppliers and joint venture partners, to manage and support our business. We have implemented a number of procedures and practices designed to protect against breaches or failures of our systems. Despite the security measures that we have implemented, including those measures to prevent cyber- attacks, our systems could be breached or damaged by computer viruses or unauthorized physical or electronic access. Like other public companies, our computer systems and those of our third- party vendors, partners and service providers are regularly subject to, and will continue to be the target of, computer viruses, malware or other malicious codes (including ransomware), unauthorized access, cyber- attacks or other computer- related penetrations which may cause disruptions to our operations. While we have experienced threats to our data and systems, to date, we are not aware that we have experienced a **cybersecurity incident that has** ~~material~~ **materially** ~~cyber- security breach~~ **affected our business strategy, results of operations, or financial condition** . Over time, however, the sophistication of these threats continues to increase. The preventative actions we take to reduce the risk of cyber incidents and protect our information may be insufficient. A breach of our information technology systems, or those of the third parties on whom we rely, could result in theft of our intellectual property, disruption to business or unauthorized access to customer or personal information. Such a breach could adversely impact our operations and / or our reputation and may cause us to incur significant time and expense to cure or remediate the breach. Further, we continually update and expand our information technology systems to enable us to **run our business** more efficiently **, including the potential incorporation of traditional and generative A. I. solutions into our information systems and processes. The increasing use and evolution of this technology creates potential risks for loss or misuse of sensitive Company data that forms part of any data set that was collected, used, stored, or transferred to** run our business **, and unintentional dissemination or intentional destruction of confidential information stored in our or our third party providers' systems, portable media or storage devices, which may result in significantly increased business and security costs, a damaged reputation, administrative penalties, or costs related to defending legal claims. In addition, if the content, analyses, or recommendations that A. I. programs assist in producing are or are alleged to be deficient, inaccurate, or biased, our business, financial condition, and results of operations and our reputation may be adversely affected** . If these systems are not implemented successfully **and in a timely, cost- effective, compliant and responsible manner** , our operations and business could be disrupted and our ability to report accurate and timely financial results could be adversely affected. ~~Our~~ **An** inability to effectively manage the timing, quality and costs of new program launches could adversely affect our financial performance. In connection with the award of new business, we may obligate ourselves to deliver new products that are subject to our customers’ timing, performance and quality standards. Given the number and complexity of new program launches, we may experience difficulties managing product quality, timeliness and associated costs. In addition, new program launches require a significant ramp up of costs. Our sales related to these new programs generally are dependent upon the timing and success of our customers’ introduction of new vehicles. ~~Our~~ **An** inability to effectively manage the timing, quality and costs of these new program launches could adversely affect our financial condition, operating results and cash flows. Our success depends in part on our development of improved products, and our efforts may fail to meet the needs of customers on a timely or cost- effective basis. Our continued success depends on our ability to maintain advanced technological capabilities and knowledge necessary to adapt to changing market demands, as well as to develop and commercialize innovative products. We may be unable to develop new products successfully or to keep pace with technological developments by our competitors and the industry in general **, which in recent years includes the rapid development and rising use of digital, A. I. and machine learning technologies** . In addition, we may develop specific technologies and capabilities in anticipation of customers’ demands for new innovations and technologies. If such demand does not materialize, we may be unable to recover the costs incurred in the development of such technologies and capabilities. If we are unable to recover these costs or if any such programs do not progress as expected, our business, results of operations and financial condition could be adversely affected. We may incur material losses and costs as a result of product liability and warranty and recall claims that may be brought against us. We may be exposed to product liability and warranty claims in the event that our products actually or allegedly fail to perform as **specified or** expected or the use of our products results, or is alleged to result, in bodily injury and / or property damage. Accordingly, we could experience material warranty or product liability expenses in the future and incur significant costs to defend against these claims. In addition, if any of our products are, or are alleged to be, defective, we may be required to participate in a recall of that product if the defect or the alleged defect relates to automotive safety. Product recalls could cause us to incur material costs and could harm our reputation or cause us to lose customers, particularly if any such recall causes customers to question the safety or reliability of our products. Also, while we possess considerable historical warranty and recall data with respect to the products we currently produce, we do not have such data relating to new products, assembly programs or technologies, including any new fuel and emissions technology and systems being brought into production, to allow us to accurately estimate future warranty or recall costs. In addition, the increased focus on systems integration platforms utilizing fuel and emissions technology with more sophisticated components from multiple sources could result in an increased risk of component warranty costs over which we have little or no control and for which we may be subject to an increasing share of liability to the extent any of the other component suppliers are in financial distress or are otherwise incapable of fulfilling their warranty or product recall obligations. Our costs associated with providing product warranties and responding to product recall claims could be material. Product liability, warranty and recall costs may adversely affect our business, results of operations and financial condition. Our commitment to drive value through culture, innovation and results is dependent on our ability to identify, attract, develop and retain a skilled, engaged and diverse workforce. Our people are the driving force behind our success at Cooper Standard. Our ability to pursue breakthrough technology innovations, implement cutting- edge manufacturing and business processes, and achieve our operating and strategic goals is dependent on the engagement, skills, experience and knowledge of our employees. Any failure or delay in attracting, retaining and developing such a workforce, including the loss of key technological and leadership personnel, could adversely impact our business, financial condition and operating results **. Our financial condition and results of operations have been previously, and may in the future be, adversely affected by public health events. We could face risks related to public health events, including epidemics and pandemics like the recent COVID- 19 pandemic. Preventative measures taken to contain or mitigate public health events (including, but not limited to, vaccination, social distancing policies, restrictions on travel and reduced operations and extended closures of many businesses and institutions) may materially impact our financial condition and operations results due to shutdowns of our and our customers' and suppliers' facilities; increased operating and production costs; disruptions and financial distress in the supply chain; disruptions in our production cycle; lost or absent members of the workforce; a decline in demand due to an economic downturn; and inability to access capital due to disruptions in the global financial markets. The full impact of another public health event on our financial condition and operations results will depend on various factors, such as the ultimate duration and scope of the crisis, its impact on our customers, suppliers and logistics partners, how quickly normal operations can resume and the duration and magnitude of the economic downturn caused by the health crisis in our key markets. A public health event may also exacerbate the other risks disclosed in this Item 1A. Risk Factors** . Strategic Risks We are highly dependent on the automotive industry. A prolonged or material contraction in automotive sales and production volumes could adversely affect our business, results of operations and financial condition. Automotive sales and production are cyclical and depend on, among other things, general economic conditions and consumer spending, vehicle demand and preferences (which can be affected by a number of factors, including fuel costs, employment levels and the availability of consumer financing). These factors could make it difficult for us, our suppliers and our customers to forecast accurately and plan future business activities. As the volume of automotive production and the mix of vehicles produced fluctuate, the demand for our products also fluctuates. Prolonged or material contraction in automotive sales and production volumes, or significant changes in the mix of vehicles produced, could cause our customers to reduce orders of our products, which could adversely affect our business, results of operations and financial condition and our ability to provide accurate forecasts and guidance. We may not realize sales represented by awarded business, which could adversely affect our business, financial condition, results of operations and cash flows. The realization of future sales from awarded business is subject to risks and uncertainties inherent in the cyclicality of vehicle production. In addition, our customers generally have the right to resource awarded business without penalty. Therefore, the ultimate amount of our sales is not guaranteed. If actual production orders from our customers are not consistent with the projections we use in calculating the amount of awarded business, we could realize substantially less sales and profit over the life of these awards than currently projected. Pricing pressures may adversely affect our business. Vehicle manufacturers often seek price reductions in both the initial bidding process and during the term of the contract. Price reductions historically have adversely impacted our sales and profit margins and may do so in the future. If we are not able to offset price reductions through improved operating efficiencies and reduced expenditures, those price reductions may have a negative impact on our financial condition. Our business could be adversely affected if we lose any of our largest customers or significant platforms. While we provide parts to virtually every major global OEM for use on a wide range of different platforms, sales to our three largest customers, Ford, GM, and Stellantis, on a worldwide basis represented approximately ~~58~~ **55** % of our sales for the year ended December 31, ~~2022~~ **2023** . Our ability to reduce the risks inherent in certain concentrations of business will depend, in part, on our ability to continue to diversify our sales on a customer, product, platform and geographic basis. Although business with each customer is typically split among numerous contracts, the loss of a major customer, significant reduction in purchases of our products by such customer, or any discontinuance or resourcing of a significant platform could adversely affect our business, results of operations and financial condition. We operate in a highly competitive industry and efforts by our competitors to gain market share could adversely affect our financial performance. The automotive parts industry is highly competitive. We face numerous competitors in each of our product lines. In general, there are three or more significant competitors and numerous smaller competitors for most of the products we offer. We also face competition for certain of our products from suppliers producing in lower- cost regions such as Asia and Eastern Europe. Our competitors' efforts to grow market share could exert downward pressure on the pricing of our products and our margins. The benefits of our continuous improvement ~~program~~ **programs** and other cost savings plans may not be fully realized. Our operations strategy includes continuous improvement programs and implementation of lean manufacturing tools across all facilities to achieve cost savings and increased performance. Further, we have and may continue to initiate restructuring actions designed to improve future profitability and competitiveness. The cost savings that we anticipate from these initiatives may not be achieved on schedule or at the level we anticipate. If we are unable to realize these anticipated savings, our operating results and financial condition may be adversely affected. We may continue to incur significant costs related to manufacturing facility closings or consolidation which could have an adverse effect on our financial condition. If we ~~must~~ close or consolidate manufacturing locations, the exit costs associated with such closures or consolidation, including employee termination costs, may be significant. Such costs could negatively affect our cash flows, results of operations and financial condition. We are subject to other risks associated with our international operations. We have significant manufacturing operations outside the United States, including joint ventures and other alliances. Our operations are located in 21 countries, and we export to several other countries. In ~~2022~~ **2023** , approximately ~~77~~ **78** % of our sales were attributable to products manufactured outside the United States. Risks inherent in our international operations include: • currency exchange rate fluctuations, currency controls and restrictions, and the ability to hedge currencies; • changes in local economic conditions; • repatriation restrictions or requirements, including tax increases on remittances and other payments by our foreign subsidiaries; • global sovereign fiscal uncertainty and hyperinflation in certain foreign countries; • changes in laws and regulations, including laws or policies governing the terms of foreign trade, and in particular increased trade restrictions, tariffs, or taxes or the imposition of embargoes on imports from countries where we manufacture products; • operating in foreign jurisdictions where the ability to **protect and** enforce **our** ~~rights over~~ intellectual property **rights** is limited as a statutory or practical matter; • exposure to possible expropriation or other government actions; • disease, pandemics or other severe public health events; and • exposure to local political or social unrest including resultant acts of war, terrorism, or similar events, including the ~~war~~ **wars** in Ukraine **and the Middle East** and the related sanctions imposed on Russia. The occurrence of any of these risks may adversely affect the results of operations and financial condition of our international operations and our business as a whole ~~. Expanding our sales and manufacturing operations in the Asia Pacific region, particularly in China, is an integral part of our strategy, and, as a result, our exposure to the risks described above is substantial~~ . In addition, we are subject to the Foreign Corrupt Practices Act (the " FCPA ") and other laws which prohibit improper payments to foreign governments and their officials by U. S. and other business entities. Certain of the countries in which we operate present heightened corruption risks, which therefore increases the risks of our exposure under the FCPA and other applicable anti- bribery and corruption laws and regulations. A portion of our operations are conducted by joint ventures which have unique risks. Certain of our operations are carried out by joint ventures. In joint ventures, we share the management of the company with one or more partners who may not have the same goals, resources or priorities as we do. The operations of our joint ventures are subject to agreements with our partners, which typically include additional organizational formalities as well as requirements to share information and decision making and may also limit our ability to sell our interest. Additional risks include one or more partners failing to satisfy contractual obligations, a change in ownership of any of our partners and our limited ability to control our partners' compliance with applicable laws, including the FCPA. Any such occurrences could adversely affect our financial condition, operating results, cash flow or reputation. Any acquisitions or divestitures we make may be unsuccessful, may take longer than anticipated or may negatively impact our business, financial condition, results of operations and cash flows. We may pursue acquisitions or divestitures in the future as part of our strategy. Acquisitions and divestitures involve numerous risks, including identifying attractive target acquisitions, undisclosed risks affecting the target, difficulties integrating acquired businesses, the assumption of unknown liabilities, potential adverse effects on existing customer or supplier relationships, and the diversion of management' s attention from day- to- day business. We may not have, or be able to raise on acceptable terms, sufficient financial resources to make acquisitions. Our ability to make investments may also be limited by the terms of our existing or future financing arrangements. Any acquisitions or divestitures we pursue may not be successful or prove to be beneficial to our operations and cash flow. ~~Our diversification strategy through the Advanced Technology Group poses new competitive threats and commercial risks. Our diversification strategy through the Advanced Technology Group is to leverage our core products in adjacent markets and license our innovation technology in non- automotive markets. We may be unsuccessful in leveraging our existing products and technology into new markets and thus in meeting the needs of these new customers and competing favorably in these new markets.~~ Financial Risks ~~The risks of the COVID- 19 pandemic and global~~ **Global** supply chain ~~disruptions present significant risks to~~ **, market and economic conditions could impact** our **ability to access** liquidity **sources** . Our continued access to sources of liquidity depends on multiple factors, including global economic conditions, **public health events** ~~the effects of the COVID- 19 pandemic~~ and **any** global supply chain disruptions on our customers and their production rates, the costs of raw materials, the state of the overall automotive industry, the condition of global financial markets, the availability of sufficient amounts of financing, our operating performance and cash flows and our credit ratings. In particular, the global automotive industry is susceptible to uncertain economic conditions that could adversely impact new vehicle demand and production, and business conditions may vary significantly from period to period or region to region. In ~~2021~~ **recent years** , global automotive production was negatively impacted by lingering impacts of the COVID- 19 pandemic and broad supply chain challenges stemming, in part, from a sharp rebound in overall industrial demand. **Further** ~~In 2022~~ , rising inflation, interest rates and ~~continuing~~ supply chain challenges ~~are contributing~~ **contributed** to global economic uncertainty. In addition, ~~recent pandemic- related restrictions imposed in certain large population centers in China, the threat of additional lockdowns, and~~ continuing military actions in Eastern Europe **and the Middle East** are having broad negative impacts on key sectors of the global economy. Our business is also directly affected by the automotive vehicle production rates in North America, Europe, Asia Pacific and South America which have been adversely impacted by a series of events in recent years. Our ability to borrow against our senior asset- based revolving credit facility (the " ABL Facility ") is limited to our borrowing base, which consists primarily of our U. S. and Canadian accounts receivable and inventory. Production shutdowns or disruptions in both the United States and Canada could lead to significant reductions in these working capital balances and significantly decrease our ability to borrow under our ABL Facility. In addition, if the Company has borrowing availability under its ABL Facility less than the greater of (i) $ 15. 0 million and (ii) 10 % of the Borrowing Base (as defined in the ABL Facility), it must be in compliance with a springing Fixed Charge Coverage Ratio maintenance covenant of 1. 00: 1. 00. **Any adverse** ~~As of December 31, 2022, the Company would not have been able to satisfy such covenant, and accordingly, the Company has to manage any borrowings under its ABL Facility to avoid triggering this maintenance covenant, which further constrains its ability to utilize the ABL Facility. The~~ effects ~~of the COVID- 19 pandemic and global supply chain disruptions~~ on the Company' s business ~~will~~ **due to global, market and economic conditions may** adversely impact ~~its~~ **the Company' s** ability to satisfy such covenant. As of December 31, ~~2022~~ **2023** , there were no obligations outstanding under the ABL Facility ~~and~~ **,** the Company' s borrowing base was $ ~~180~~ **169** . ~~0~~ **5** million **and** ~~. Net of~~ the ~~greater of 10 % of~~ **monthly fixed charge coverage ratio was at a level that provided the Company full access to** the borrowing base ~~or~~ **. Net of** $ ~~15~~ **7** . **1** ~~0 million that cannot be borrowed without triggering the Fixed Charge Coverage Ratio maintenance covenant and $ 6. 8~~ million of outstanding letters of credit, the Company effectively had $ ~~155~~ **162** . ~~2~~ **4** million available for borrowing under its ABL Facility. Furthermore, production shutdowns or disruptions will result in working capital swings which could result in increased outflows. As a result of **current ecomonic conditions** ~~the impacts of the COVID- 19 pandemic~~ and global supply chain disruptions, we may be required to raise additional capital, and our access to and cost of financing will depend on, among other things, our performance, **changing** global economic conditions, conditions in the global financing markets, the availability of sufficient amounts of financing, our prospects and our credit ratings. Such capital may not be available on favorable terms or at all. The ongoing ~~situation~~ **situations** in Ukraine and Russia **and the Middle East** and related disruptions could adversely affect our liquidity, business, and results of operations. **The** ~~In February 2022, Russia launched a large- scale invasion of Ukraine that has resulted in an~~ ongoing military conflict between ~~the two countries. As a result, the United States, the United Kingdom, the member states of the European Union and other public and private actors have levied severe sanctions on~~ Russia ~~that severely limit,~~ and ~~in some cases, reverse or cancel, business transactions in or involving certain individuals and / or business connected to or associated with Russia and / or Belarus. The Russia-~~ Ukraine ~~war~~ and the resulting sanctions have caused, and are currently expected to continue to cause, significant disruptions to the global financial system, international trade, and the transportation and energy sectors, among others. The impacts of the conflict on the supply chain and commodity prices are expected to be profound and have resulted and may continue to result in substantial inflation in one or more countries (or globally) **. In addition, the recent Israel- Hamas war and escalating tensions in the Middle East could affect oil prices and have other, potentially recessionary, effects on the global economy. Prolonged inflationary conditions and periods of high interest rates could further negatively affect U. S. and international commerce and exacerbate or further extend the period of high energy prices and supply chain constraints** . These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected and may continue to adversely affect the automotive industry, which may lead to a decline in the general demand for our products and erosion of their procurement or sale prices. We do not have operations in Ukraine ~~or~~ **,** Russia **or the Middle East** , nor do we sell **into** ~~there~~ **these markets** . Nonetheless, if the global economic slowdown and the Russia- Ukraine **and Israel- Hamas** ~~war~~ **wars** continue, our liquidity, business, and results of operations may continue to be adversely affected. We have a substantial amount of indebtedness, which could have a material adverse effect on our financial condition and our ability to obtain financing in the future and to react to changes in our business. We have a significant amount of indebtedness. As of December 31, ~~2022~~ **2023** ~~, after giving effect to the Refinancing Transactions~~ , we had total indebtedness of $ 1, ~~056~~ **095** million. Our substantial amount of debt and our debt service obligations could limit our ability to satisfy our obligations, limit our ability to operate our business and impair our competitive position. For example, it could: • make it more difficult for us to satisfy our obligations; • increase our vulnerability to general adverse economic and industry conditions, including interest rate fluctuations, because a portion of our borrowings accrues interest at variable rates; • require us to dedicate a substantial portion of our cash flows from operations to payments on our debt **and debt service obligations** , which would reduce the availability of cash to fund working capital, capital expenditures, research and development efforts, acquisitions or other general corporate purposes; • limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we compete; • place us at a disadvantage compared to competitors that may have less debt; and • limit our ability to obtain additional debt or equity financing for working capital, capital expenditures, research and development efforts, debt service requirements, acquisitions and general corporate purposes. Our ability to make scheduled payments on our debt or to refinance these obligations depends on our financial condition, operating performance and our ability to generate cash in the future. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, sell material assets, seek additional capital or restructure or refinance our indebtedness, any of which could have a material adverse effect on our business, results of operations and financial condition. In addition, we may not be able to effect any of these actions, if necessary, on commercially reasonable terms or at all. Our ability to restructure or refinance our indebtedness will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments, including the credit agreement governing the ABL Facility and the indentures governing the 13. 50 % Cash Pay / PIK Toggle Senior Secured First Lien Notes due 2027 (the " First Lien Notes ") and the 5. 625 % Cash Pay / 10. 625 % PIK Toggle Senior Secured Third Lien Notes due 2027 (the " Third Lien Notes "), may limit or prevent us from taking any of these actions. In addition, a reduction of our credit rating could harm our ability to incur additional indebtedness on commercially reasonable terms or at all. An inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance or restructure our obligations on commercially reasonable terms or at all, would have an adverse effect, which could be material, on our business, financial condition and results of operations, as well as on our ability to satisfy our obligations in respect of the 5. 625 % Senior Notes due 2026 (the " 2026 Senior Notes "), the First Lien Notes, the Third Lien Notes, or the ABL Facility. In addition, we and our subsidiaries may be able to incur other substantial additional indebtedness in the future. Although the credit agreement governing the ABL Facility and the indentures governing the First Lien Notes and the Third Lien Notes contain certain limitations on our ability to incur additional indebtedness, such restrictions are subject to a number of qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. To the extent that we incur additional indebtedness or incur such other obligations that may be permitted under our debt instruments, the risks associated with our substantial indebtedness described above, including our potential inability to service our debt, will increase. Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly. The borrowings under the ABL Facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease. **Secured overnight financing rate ("** SOFR **")** and other interest rates that are indices deemed to be " benchmarks " are the subject of recent and ongoing national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective, while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to be replaced or disappear entirely, or have other consequences that cannot be predicted. Any such consequence could have a material adverse effect on our existing facilities or our future debt linked to such a " benchmark " and our ability to service debt that bears interest at floating rates of interest. Our debt instruments impose significant operating and financial restrictions on us and our subsidiaries. The credit agreements governing the ABL Facility and the indentures governing the First Lien Notes and the Third Lien Notes impose significant operating and financial restrictions and limit our ability, among other things, to: • incur, assume or permit to exist additional indebtedness (including guarantees thereof); • pay dividends or certain other distributions on our capital stock or repurchase our capital stock **;** • prepay, redeem or repurchase indebtedness; • incur liens on assets; • make certain investments or other restricted payments; • allow to exist certain restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to us; • engage in transactions with affiliates; and • sell certain assets or merge or consolidate with or into other companies. Moreover, our ABL Facility provides the agent considerable discretion to impose reserves, which could materially reduce the amount of borrowings that would otherwise be available to us. As a result of these covenants and restrictions (including borrowing base availability), we are limited in how we conduct our business, and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities or acquisitions. The terms of any future indebtedness we may incur could include more restrictive covenants. We may not be able to maintain compliance with these covenants in the future and, if we fail to do so, we may not be able to obtain waivers from the lenders and / or amend the covenants in such agreements. Our failure to comply with the restrictive covenants described above as well as others contained in our future debt instruments from time to time could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date. If we are forced to refinance these borrowings on less favorable terms or if we are unable to refinance such borrowings at all, our financial condition, results of operations and cash flows could be adversely affected. If there were an event of default under any of the agreements relating to our outstanding indebtedness whether as a result of a payment default, covenant breach or otherwise, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately. Our assets or cash flow may not be sufficient to fully repay borrowings under our outstanding debt instruments if accelerated upon occurrence of an event of default. Further, if we are unable to repay, refinance or restructure our indebtedness under our secured debt, the holders of such debt could exercise remedies against the collateral securing that indebtedness with the holders of the First Lien Notes receiving full recovery on applicable collateral before the holders of the Third Lien Notes. In addition, any event of default or declaration of acceleration under one debt instrument could also result in an event of default under one or more of our other debt instruments. As a result, any default by us on our indebtedness could have a material adverse effect on our business, financial condition and results of operation. Our expected annual effective tax rate and cash tax liability could be volatile and could materially change as a result of changes in many items including mix of earnings, debt and capital structure and other factors. Many items could impact our effective tax rate and cash tax liability including changes in our debt and capital structure, mix of earnings and many other factors. Our overall effective tax rate is based upon the consolidated tax expense as a percentage of consolidated earnings before tax. However, tax expenses and benefits are not recognized on a consolidated or global basis, but rather on a jurisdictional, legal entity basis. Further, certain jurisdictions in which we operate generate losses where no current financial statement tax benefit is realized. In addition, certain jurisdictions have statutory rates greater than or less than the United States statutory rate. As such, changes in the mix and source of earnings between jurisdictions could have a significant impact on our overall effective tax rate and cash tax liability in future years. Changes in rules related to accounting for income taxes, changes in tax laws and rates or adverse outcomes from tax audits that occur regularly in any of our jurisdictions could also have a significant impact on our overall effective tax rate and cash tax liability in future periods. Our working capital requirements may negatively affect our liquidity and capital resources. Our working capital requirements can vary significantly, depending in part on the level, variability and timing of our customers' worldwide vehicle production and the payment terms with our customers and suppliers. If our working capital needs exceed our cash provided by operating activities, we would look to our cash balances and availability under our borrowing arrangements to satisfy those needs, as well as potential sources of additional capital, which may not be available on satisfactory terms and in adequate amounts, if at all. Foreign currency exchange rate fluctuations could materially impact our operating results. Our sales and manufacturing operations outside the United States expose us to currency risks. For our consolidated financial statements, our sales and earnings denominated in foreign currencies are translated into U. S. dollars. This translation is calculated based on average exchange rates during the reporting period. Accordingly, our reported international sales and earnings could be adversely impacted in periods of a strengthening U. S. dollar. Although we generally produce in the same geographic region as our products are sold, we also produce in countries that predominately sell in another currency. Further, some of our commodities are purchased in or tied to the U. S. dollar; therefore our earnings could be adversely impacted during the periods of a strengthening U. S. dollar relative to other foreign currencies. While we employ financial instruments to hedge certain portions of our foreign currency exposures, our efforts to manage these risks may not be successful and may not completely insulate us from the effects of currency ~~fluctuation~~ **fluctuations** . Impairment charges relating to our goodwill, long- lived assets or intangible assets could adversely affect our results. We regularly monitor our goodwill, long- lived assets and intangible assets for impairment indicators. In conducting our goodwill impairment testing, we compare the fair value of our reporting units to their related net book value. In conducting our impairment analysis of long- lived and intangible assets, we compare the undiscounted cash flows expected to be generated from the long- lived or intangible assets to the related net book values if indicators of impairment are identified. Changes in economic or operating conditions impacting our estimates and assumptions could result in the impairment of our goodwill, long- lived assets or intangible assets. In the event that we determine that our goodwill, long- lived assets or intangible assets are impaired, we may be required to record a significant charge to earnings, which could adversely affect our results. Certain of our pension plans are currently underfunded, and we may have to make cash contributions to the plans, reducing the cash available for our business. We sponsor various pension plans worldwide that are underfunded and will require cash contributions. Additionally, if the performance of the assets in our pension plans does not meet our expectations, or if other actuarial assumptions are modified, our required contributions may be higher than we expect. As of December 31, ~~2022~~ **2023** , our U. S. pension plans were underfunded by $ ~~16~~ **14** . ~~3~~ **4** million and our non- U. S. pension plans (which typically are pay- as- you- go plans) were underfunded by $ ~~83~~ **92** . ~~8~~ **2** million. If our cash flow from operations is insufficient to fund our worldwide pension liabilities, it could have an adverse effect on our financial condition and results of operations. As further described in Note ~~13~~ **12** . " Pension " to the consolidated financial statements **in** ~~included under~~ Item 8. " Financial Statements and Supplementary Data " of this Report, our Board of Directors approved a resolution to merge certain of the U. S. pension plans, and terminate the resulting merged plan effective December 31, 2022. As part of the termination process, we expect to settle benefit obligations under the terminated plan through a combination of lump sum payments to eligible plan participants and the purchase of a group annuity contract, under which future benefit obligations and administration will be transferred to a third- party insurance company. Such settlements will be funded primarily from plan assets, but may also require funding from the Company. **In the fourth quarter of 2023, the Company paid $ 48. 6 million of lump sum payments to eligible participants from plan assets, resulting in a settlement loss of $ 16. 3 million during the year ended December 31, 2023. Ultimate settlement of the remaining benefit obligations is dependent upon market conditions at the time of settlement.** Significant changes in discount rates, the actual return on pension assets and other factors could adversely affect our liquidity, results of operations and financial condition. Our earnings may be positively or negatively impacted by the amount of income or expense recorded related to our pension plans. Generally accepted accounting principles in the United States (" U. S. GAAP ") require that income or expense related to the pension plans be calculated at the annual measurement date using actuarial calculations, which reflect certain assumptions. Because these assumptions have fluctuated and will continue to fluctuate in response to changing market conditions, the amount of gains or losses that will be recognized in subsequent periods, the impact on the funded status of the pension plans and the future minimum required contributions, if any, could adversely affect our liquidity, results of operations and financial condition. Failure to maintain effective controls and procedures could adversely impact our business, financial condition and results of operations. Regulatory provisions governing the financial reporting of U. S. public companies require that we establish and maintain disclosure controls and internal controls over financial reporting across our operations in 21 countries. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives; as such, they can be susceptible to human error, circumvention or override, and fraud. Failure to maintain adequate, effective controls and procedures could result in potential financial misstatements or other forms of noncompliance that could have an adverse impact on our business, results of operations, financial condition or organizational reputation. We operate as a holding company and depend on our subsidiaries for cash to satisfy the obligations of the holding company. Cooper- Standard Holdings Inc. is a holding company. Our subsidiaries conduct all of our operations and own substantially all of our assets. Our cash flow and our ability to meet our obligations depend on the cash flow of our subsidiaries. In addition, the payment of funds in the form of dividends, intercompany payments, tax sharing payments and ~~otherwise~~ **other payments** may be subject to restrictions under the laws of the countries of incorporation of our subsidiaries or their governing documents. We may not be able to procure insurance at reasonable rates to fully meet our needs. Integral to our risk management strategy and due to requirements under certain of our contracts, we procure insurance coverage from third- party insurers. There can be no assurance that any of our existing insurance coverage will be renewable upon the expiration of the coverage period or that future coverage will be affordable at needed limits. Such circumstances will lead to an increase in both our overall risk exposure and our operational expenses, disrupt the management of our business, and could have a material adverse effect on our business, financial condition and results of our operations. Legal and Compliance Risks We are involved from time to time in legal and regulatory proceedings, claims or investigations which could have an adverse impact on our results of operations and financial condition. We are involved in legal and regulatory proceedings, claims or investigations that, from time to time, may be significant. These matters typically arise in the normal course of business including, without limitation, commercial or contractual disputes, including warranty claims and other disputes with customers and suppliers; intellectual property matters; personal injury claims; environmental issues; tax matters; employment matters; antitrust matters; anti- corruption matters; or allegations relating to legal compliance by us or our employees. For further information regarding our legal matters, see Item 3. " Legal Proceedings. " The industries in which we operate are also periodically reviewed or investigated by regulators, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims. It is not possible to predict with certainty the outcome of claims, investigations and lawsuits, and we could in the future incur judgments, fines or penalties or enter into settlements of lawsuits and claims that could have an adverse effect on our business, results of operations and financial condition in any particular period. If we are unable to protect our intellectual property or if a third party challenges our intellectual property rights, our business could be adversely affected. We own or have rights to proprietary technology that is important to our business. We rely on intellectual property laws, patents, trademarks and trade secrets to protect such technology. Such protections, however, vary among the countries in which we market and sell our products, and as a result, we may be unable to prevent third parties from using our intellectual property without authorization. Any infringement or misappropriation of our technology could have an adverse effect on our business and results of operations. We also face exposure to claims by others for infringement of intellectual property rights and could incur significant costs or losses related to such claims. In addition, many of our supply agreements require us to indemnify our customers from third- party infringement claims. These claims, regardless of their merit or resolution, are frequently costly to prosecute, defend or settle and divert the efforts and attention of our management and employees. If any such claim were to result in an adverse outcome, we could be required to take actions which may include: ceasing the manufacture, use or sale of the infringing products; paying substantial damages to third parties, including to customers, to compensate them for the discontinued use of a product or to replace infringing technology with non- infringing technology; or expending significant resources to develop or license non- infringing products, any of which could adversely affect our operations, business and financial condition. We may be adversely affected by laws and regulations, including environmental, health and safety laws and regulations. We are subject to various U. S. federal, state and local, and non- U. S. laws and regulations, including those related to environmental, health and safety, financial, tax, customs and other matters. We cannot predict the substance or impact of pending or future legislation or regulations, or the application thereof. The introduction of new laws or regulations or changes in existing laws or regulations, or the interpretations thereof, could increase the costs of doing business for us or our customers or suppliers or restrict our actions and adversely affect our financial condition, results of operations and cash flows. In particular, we are subject to a broad range of laws and regulations governing emissions to air; discharges to water; noise and odor emissions; the generation, handling, storage, transportation, treatment, reclamation and disposal of chemicals and waste materials; the cleanup of contaminated properties; and health and safety. We may incur substantial costs in complying with these laws and regulations. Many of our current and former facilities have been subject to certain environmental investigations and remediation activities, and we maintain environmental reserves for certain of these sites. Through various acquisitions, we have acquired a number of manufacturing facilities, and we cannot assure that we will not incur material costs or liabilities relating to activities that predate our ownership. Material future expenditures may be necessary if compliance standards change or material unknown conditions that require remediation are discovered. Environmental laws could also restrict our ability to expand our facilities or could require us to acquire costly equipment or to incur other significant expenses. In addition, climate change poses regulatory risks that could harm our results of operations or affect the way we conduct our businesses. For example, new or modified regulations could require us to spend substantial funds to enhance our environmental compliance efforts. If we fail to comply with present and future environmental laws and regulations, we could be subject to future liabilities, which could adversely affect our financial condition, operating results and cash flows.