Risk Factors Comparison 2024-02-09 to 2023-02-10 Form: 10-K

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The risk factors discussed in this section should be considered together with information included elsewhere in this Form 10- K and should not be considered the only risks to which we are exposed. In general, we are subject to the same general risks and uncertainties that impact many other industrial companies such as general economic, industry and / or market conditions and growth rates; the impact of natural disasters and their effect on global markets; and changes in laws or accounting rules. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our businesses, including our results of operations, liquidity and financial condition. Business and Operational Risks • **Our businesses or operations may be adversely affected by natural or human- induced disasters, acts of war, terrorism, international conflicts, and public health crises. Our businesses or operations may be adversely affected by natural or human- induced disasters including, but not limited to, earthquakes; tsunamis; floods; hurricanes, cyclones or typhoons; fires; other extreme weather conditions; power or water shortages; telecommunications failures; materials scarcity; terrorist acts, civil unrest, conflicts or wars; and health epidemics or pandemics.** The **occurrence** ~~COVID- 19 pandemic has adversely impacted, and continues to pose risks to, our businesses, the nature and extent~~ of ~~which are highly uncertain~~ **any such event,** and ~~unpredictable. The COVID- 19 pandemic has~~ **the measures taken in response thereto, may** ~~disrupted~~ -- **disrupt** the global economy and adversely ~~impacted~~ -- **impact** our ~~businesses~~ **operations** , including demand for our products across multiple end- markets as well as our supply chain and operations. **Existing insurance coverage** ~~While we have experienced sequentially improving activity in most markets and geographies, the public health situation, global response measures and corresponding impacts on various markets remain fluid and uncertain and~~ may **not provide protection for all of the costs that may** ~~lead to sudden changes in trajectory and outlook. Accordingly, we are~~ **arise** ~~currently unable to quantify~~ **from such events. Additionally, concerns over** the **economic** ~~full and long- term~~ impact of **such events could cause increased volatility in** ~~the pandemic on our results of operations,~~ financial ~~position and cash flows. We have taken and will continue to take steps to mitigate the risks of COVID- 19 by working with our customers, employees, suppliers~~ and other ~~stakeholders. The emergence of new variants of COVID- 19, evolving government plans around the world to institute vaccination mandates, including in the U. S., and limited availability of vaccines in various jurisdictions, create uncertainty that may impact our employees and result in labor shortages and unforeseen costs. We cannot predict the potential for operating at reduced capacity or the size of the workforce that may be impacted by potential labor actions such as furloughs or layoffs. In addition, the uncertain recovery in demand has had business impacts, including increased material cost inflation (principally steel), labor availability issues and logistics costs increases. Some of our businesses have also been impacted from supplier component input availability issues. The extent to which our operations may be impacted by COVID- 19 will depend on future developments that are highly uncertain, including the pandemic' s duration, the emergence of different COVID- 19 variants, the efficacy and adoption rates of vaccines, the availability of oral medicines and actions by governments and private enterprises to contain the outbreak or mitigate the impact of the pandemic. For example, applicable laws and government measures, such as U. S. federal vaccine mandates or Occupational Safety and Health Administration requirements for vaccination or regular testing, could also result in skilled labor impacts including voluntary attrition or difficulty finding labor or otherwise adversely affect our ability to operate our facilities, obtain materials and component inputs from suppliers or deliver our products in a timely manner. Furthermore, the pandemic has impacted and may further impact the broader economies of affected countries, including negatively impacting economic growth, the proper functioning of financial and~~ capital markets, **adversely impacting our stock price** ~~foreign currency exchange rates and interest rates. Due to the continuing uncertainties surrounding the pandemic~~ , ~~we~~ **our ability to access the capital markets, and our ability to fund liquidity needs. The impacts of any such unexpected event** are ~~unable~~ **difficult** to **predict but could** ~~determine the impact that it will~~ have **a material adverse effect** on our **businesses,** financial ~~position~~ **condition** , **or** ~~operating~~ **operations** ~~results and cash flows in future periods~~ . • Recessions, adverse market conditions or downturns in the markets we serve could adversely affect our operations. In the past, our operations have been exposed to volatility due to changes in general economic conditions or consumer preferences, recessions or adverse conditions in the markets we serve. In the future, similar changes could adversely impact overall sales, operating results (including potential impairment charges for goodwill or other long- lived assets) and cash flows. Moreover, during economic downturns we may undertake more extensive restructuring actions, including workforce reductions, global facility consolidations, centralization of certain business support activities, and other cost reduction initiatives, and incur higher costs. As these plans and actions can be complex, the anticipated operational improvements, efficiencies and other benefits might be delayed or not realized. We are unable to determine the impact that recessions, adverse market conditions or downturns will have on our financial position, operating results and cash flows in future periods. • Increases in labor costs, potential labor disputes and work stoppages or an inability to hire skilled personnel could adversely affect our business. We have a number of collective bargaining units in the U. S. and various collective labor arrangements outside the U. S. We are subject to potential work stoppages, union and works council campaigns and other labor disputes, any of which could adversely impact our productivity, reputation, results of operations, financial condition and cash flows. Furthermore, the competition for skilled personnel is often intense in the regions in which our manufacturing facilities are located. A sustained labor shortage or increased turnover rates within our employee base, increases in the salaries and wages paid by competing employers, as a result of general macroeconomic factors or otherwise, could lead to increased costs, such as increased overtime to meet demand and potentially further increase salaries and wage rates to attract and retain employees, and could negatively affect our ability to efficiently operate our manufacturing facilities and overall business. If we are unable to hire and retain employees capable of performing at a high level, our business, financial condition and results of operations could be adversely affected. • Our reputation, ability to do business and results of operations may be impaired by improper conduct by any of our employees, agents, or business partners. While we strive to maintain high standards, we cannot provide assurance that our internal controls and compliance systems will always protect us from acts committed by our employees, agents, or business partners that would violate the laws of the jurisdictions where we do business, including the laws governing payments to government officials, bribery, fraud, anti- kickback and false claims, competition, export and import compliance, environmental compliance, money laundering and data privacy, as well as the improper use of proprietary information or social media. Any such violations of law or improper actions could: subject us to civil or criminal investigations; lead to substantial civil or criminal, monetary and non-monetary penalties and related shareholder lawsuits; lead to increased costs of compliance; and damage our reputation, our consolidated results of operations, financial condition and cash flows. • We are subject to risks relating to our existing international operations and expansion into new geographical markets. Approximately **44 % and** 43 % ~~and 46 %~~ of our revenues for **2023 and** 2022 ~~and 2021~~, respectively, were derived outside the United States and we expect international sales to continue to represent a significant portion of our revenues given our global growth strategy. As a result of our international operations and our global expansion strategy, we are subject to various risks, including: opolitical, social and economic instability and disruptions; ogovernment import and export controls, economic sanctions, embargoes or trade restrictions; othe imposition of duties and tariffs and other trade barriers and retaliatory countermeasures; olimitations on ownership and dividend of earnings; otransportation delays and interruptions; orisk to theft of proprietary information and / or intellectual property; olabor unrest and current and changing regulatory environments; o widespread public health crises, such as a pandemic or epidemic; oincreased compliance costs, including costs associated with disclosure requirements and related due diligence; othe impact of loss of a single- source manufacturing facility; odifficulties in staffing and managing multi- national operations; olimitations on our ability to enforce legal rights and remedies; o potentially adverse tax consequences; andoaccess to or control of networks and confidential information due to local government controls and vulnerability of local networks to cyber risks. If we are unable to successfully manage the risks associated with expanding our global business or adequately manage operational risks of our existing international operations, the risks could have a material adverse effect on our growth in geographic markets, our reputation, our consolidated results of operations, financial position and cash flows. • Our operations, businesses ~~and~~ **,** products **and business strategy** are subject to cybersecurity **risks. Although we have several processes and procedures in place designed to manage and mitigate cybersecurity risk, our business is still subject to certain** risks. We depend on our own and third party ~~IT~~ **information** systems, including cloud- based systems and managed service providers, to store, process and protect our information and support our business activities. We also use third party ~~IT~~ systems to support employee data processing for our global workforce and to support customer business activities, such as transmitting payment information, providing mobile monitoring services, and capturing operational data. Additionally, some of our products contain ~~computer~~ **integrated** hardware and software and offer the ability to connect to ~~computer~~ networks. **While we have measures in place that** ~~Increasingly, our customers, including government customers,~~ are ~~requiring cybersecurity~~ **designed to** ~~protections~~ ---- **protect these systems, these systems have been** and ~~mandating~~ **are expected to continue to be the target of cyber attacks. Although we conduct** ~~cybersecurity~~ ----- **security** ~~standards~~ **assessments and periodic re- assessments of third party partners and other service providers, our systems may also experience vulnerabilities from third- party** ~~for~~ - **or open source software code that may be incorporated into our own** ~~our~~ - **or** ~~products~~ **our vendors' systems. Any prolonged system disruption in our systems or third- party services could negatively impact the coordination of our sales, planning, and manufacturing activities, which could harm our business** . Our business has both an increasing reliance on ~~IT~~ systems and an increasing digital footprint as a result of changing technologies, connected devices and digital offerings, as well as expanded remote work policies. If these technologies, systems, products or services are damaged, cease to function properly, are compromised due to employee or third- party contractor error, user error, malfeasance, system errors, or other vulnerabilities, or are subject to cybersecurity attacks, such as those involving denial of service attacks, unauthorized access, malicious software, **ransomware,** or other intrusions, including by criminals, nation states or insiders, our business may be adversely impacted. The impacts could include production downtimes, operational delays, and other impacts on our operations and ability to provide products and services to our customers; compromise of confidential, proprietary or otherwise protected information, including personal information and customer confidential data; destruction, corruption, or theft of data or intellectual property; manipulation, disruption, or improper use of these technologies, systems, products or services; financial losses from fraudulent transactions, remedial actions, loss of business or potential liability; adverse media coverage; ~~and~~ legal claims or legal proceedings, including regulatory investigations, actions and fines; and damage to our reputation. **We regularly assess our threat landscape and monitor our systems and other technical security controls, maintain information security policies and procedures, including a breach response plan, ensure maintenance of backup and protective systems, and have a team of security personnel managing our efforts and initiatives. However,** ~~There~~ **there** has been a rise in the number of cyberattacks targeting confidential business information generally and in the manufacturing industry specifically, as well as an increase in cyberattacks targeting managed service providers, by both state- sponsored and criminal organizations. Moreover, there has been a rise in the number of cyberattacks that depend on human error or manipulation, including phishing attacks or schemes that use social engineering to gain access to systems or perpetuate wire transfer or other frauds. These trends increase the likelihood of such events occurring as well as the costs associated with protecting against such ~~attacks~~ **events** . It is possible for vulnerabilities in our ~~IT~~ systems to remain undetected for an extended period of time up to and including several years. We attempt to mitigate these risks by employing a number of measures, including employee training, systems monitoring and other technical security controls **, vulnerability scanning, risk assessments** , a breach response plan, maintenance of backup and protective systems, and security personnel. Notwithstanding those measures, our systems, networks, products and services remain potentially vulnerable to known or unknown cybersecurity attacks and other threats, any of which could have a material adverse effect on our consolidated results of operations, financial condition and cash flows. We ~~, and the service providers that we depend on to support our systems and business operations, are regularly the target of, and periodically respond to, cyberattacks, including phishing and denial- of- service attacks, and must~~ continuously monitor and develop our systems to protect our technology infrastructure and data from misappropriation or corruption. **However** ~~In addition~~ , a cybersecurity attack could persist for an extended period of time before being detected, and, following detection, it could take considerable time for us to obtain full and reliable information about the extent, amount and type of information compromised. During the course of an investigation, we may not know the full impact of the event and how to remediate it, and actions, decisions and mistakes that are taken or made may further increase the negative effects of the event on our business, results of operations and reputation. While we maintain insurance coverage that is intended to address certain aspects of cybersecurity risks, such insurance coverage may not cover all losses or all types of claims that arise. As cyber threats continue to evolve, cybersecurity and data protection laws and regulations continue to develop in the U. S. and globally, and our business continues to move towards increased online connectivity within our information systems and through more Internet- enabled products and offerings, we expect to expend additional resources to continue to build out our compliance programs, strengthen our information security, data protection and business continuity measures, and investigate and remediate vulnerabilities. **For additional information on our cybersecurity risk management, strategy and governance, see Item 1C." Cybersecurity."** • Unforeseen developments in contingencies such as litigation and product recalls could adversely affect our consolidated results of operations, financial condition and cash flows. We and certain of our subsidiaries are, and from time to time may become, parties to a number of legal proceedings incidental to our businesses, including alleged injuries arising out of the use of products or exposure to hazardous substances, or claims related to patent infringement, employment matters and commercial disputes. The defense of these lawsuits may require significant expenses and divert management' s attention, and we may be required to pay damages that could adversely affect our consolidated results of operations, financial condition and cash flows. In addition, any insurance or indemnification rights that we may have may be insufficient or unavailable to protect us against potential loss exposures. We may be exposed to product recalls and adverse public relations if our products are alleged to have defects, to cause property damage, to cause injury or illness, or if we are alleged to have violated governmental regulations. A product recall could result in substantial and unexpected expenditures, which would reduce operating profit and cash flow. In addition, a product recall may require significant management attention. Product recalls may hurt the value of our brands and lead to decreased demand for our products. Product recalls also may lead to increased scrutiny by federal, state or international regulatory agencies of our operations and increased litigation and could have a material adverse effect on our consolidated results of operations, financial condition and cash flows. • Our revenue, operating profits and cash flows could be adversely affected if our businesses are unable to protect or obtain patent and other intellectual property rights. Our businesses own patents, trademarks, licenses and other forms of intellectual property related to their products and continuously invest in research and development that may result in innovations and general intellectual property rights. Our businesses employ various measures to develop, maintain and protect their intellectual property rights. These measures may not be effective in capturing intellectual property rights, and they may not prevent their intellectual property from being challenged, invalidated, or circumvented, particularly in countries where intellectual property rights are not highly developed or protected. Unauthorized use of our businesses' intellectual property rights could adversely impact the competitive position of our businesses and could have a negative impact on our consolidated results of operations, financial condition and cash flows. • We could be negatively impacted by environmental, social and governance (ESG) and sustainability matters. Governments, shareholders, customers, employees and other stakeholders are increasingly focusing on corporate ESG practices and disclosures, and expectations in this area are rapidly evolving and growing. We have announced certain initiatives, including goals, regarding our focus areas, which include greenhouse gas emissions reductions, health and safety, diversity and inclusion, talent attraction and development, and innovation for sustainable products. The criteria by which our ESG practices are assessed may change due to the evolution of the sustainability landscape, which could result in greater expectations of us and may cause us to undertake costly initiatives to satisfy new criteria. Moreover, the increasing attention to sustainability could also result in reduced demand for certain of our products or services and / or reduced profits. If we are unable to respond effectively, investors may conclude that our policies and / or actions with respect to ESG matters are inadequate. If we fail or are perceived to have failed to achieve previously announced initiatives or goals or to accurately disclose our progress on such initiatives or goals, our reputation, business, financial condition and results of operations could be adversely impacted. Industry Risks • Increasing product, service and price competition by international and domestic competitors, including new entrants, and our inability to introduce new and competitive products could cause our businesses to generate lower revenue, operating profits and cash flows. Our competitive environment is complex because of the wide diversity of the products that our businesses manufacture and the markets they serve. In general, most of our businesses compete with only a few companies. Our ability to compete effectively depends on how successfully we anticipate and respond to various competitive factors, including new products, digital solutions and support services that may be introduced by competitors, changes in customer preferences, evolving regulations, new business models and technologies and pricing pressures. If our businesses are unable to anticipate their competitors' developments or identify customer needs and preferences on a timely basis, successfully introduce new products, digital solutions and support services in response to such competitive factors, or adopt to market changes relating to climate change related policies, they could lose customers to competitors. If our businesses do not compete effectively, we may experience lower revenue, operating profits and cash flows. • Our operating results depend in part on the timely development and commercialization, and customer acceptance, of new and enhanced products, digital solutions and support services based on technological innovation. The success of new and improved products, digital solutions and support services depends on their initial and continued acceptance by our customers. Certain of our businesses sell in markets that are characterized by rapid technological changes, frequent new product introductions, changing industry standards and corresponding shifts in customer demand, which may result in unpredictable product transitions, shortened life cycles and increased importance of being first to market. Failure to correctly identify and predict customer needs and preferences, to deliver high quality, innovative and competitive products to the market, to adequately protect our intellectual property rights or to acquire rights to third- party technologies, to provide adequate data security and privacy protections and to stimulate customer demand for, and convince customers to adopt new products, digital solutions and support services could adversely affect our consolidated results of operations, financial condition and cash flows. In addition, we may experience difficulties or delays in the research, development, production or marketing of new products, digital solutions and support services which may prevent us from recouping or realizing a return on the investments required to continue to bring new products and services to market. • We could lose customers or generate lower revenue, operating profits and cash flows if there are significant increases in the cost of our raw materials or components, or if suppliers are not able to meet our quality and delivery requirements. We purchase raw materials, sub- assemblies and components for use in our manufacturing operations. Factors such as freight costs, transportation availability, inventory levels, the level of imports, the imposition of duties, tariffs and other trade barriers and general economic conditions may affect the price of these raw materials, sub- assemblies and components. Significant price increases for certain commodities, other raw materials or components could adversely affect operating profits of our businesses. While we generally attempt to mitigate the impact of increased raw material prices by hedging or passing along the increased costs to customers, there may be a time delay between the increased raw material prices and the ability to increase the prices of products, or we may be unable to increase the prices of products due to a competitor' s pricing pressure or other factors. We use a wide range of raw materials and components in our manufacturing operations that come from numerous suppliers. While we believe that sources of supply for raw materials and components are generally adequate, it is difficult to predict what effects of extended lead times or shortages may have in the future. In addition, some of the raw materials and components may be available only from limited or single source suppliers. If a single source or limited source supplier were to cease or interrupt production for any reason or otherwise fail to supply those raw materials or components to us on favorable purchase terms, including at favorable prices, in sufficient quantities and with adequate lead times needed for efficient manufacturing, our ability to meet customer commitments, and satisfy market demands for affected products could be negatively affected. The disruption of our global supply chain for any reason, including for issues such as COVID- 19 or other health epidemics or pandemics, labor disputes, loss of single source or limited source supplier, inability to procure sufficient raw materials, quality control issues, ethical sourcing issues, a supplier' s financial distress, natural disasters, looting, vandalism or acts of war or terrorism, trade sanctions or other external factors over which we have no control, could interrupt product supply and, if not effectively managed and remedied, have a material adverse impact on our business operations, financial condition and results of operations. Legal and Regulatory Risks • Our businesses are subject to regulation and their profitability and reputation could be adversely affected by domestic and foreign governmental and public policy changes, risks associated with emerging markets, changes in statutory tax rates and unanticipated outcomes with respect to tax audits. Our businesses' domestic and international sales and operations must comply with a wide variety of laws, regulations and policies (including environmental, employment and health and safety regulations, data security laws, data privacy laws, export / import laws, tax policies such as export subsidy programs and research and experimentation credits, carbon emission regulations, energy efficiency and design regulations and other similar programs). These laws, regulations and policies are complex, change frequently, have tended to become more stringent over time and may be inconsistent across jurisdictions. Failure to comply (or any alleged or perceived failure to comply) with any of the foregoing could result in civil and criminal, monetary and non- monetary penalties as well as potential damage to our reputation and disruption to our business. We cannot provide assurance that our costs of complying with new and evolving regulatory reporting requirements and current or future laws will not exceed our estimates. Any of these factors could adversely affect customer demand, our relationships with customers and suppliers, and our business and financial position. Certain of our businesses have sales or operations in countries, including Brazil, India and China, and may in the future invest in other countries, any of which may carry high levels of currency, political, compliance, or economic risk. While these risks or the impact of these risks are difficult to predict, any one or more of them could adversely affect our businesses and reputation. Our effective tax rate is impacted by the mix of earnings among countries with differing statutory tax rates, changes in the valuation allowance of deferred tax assets and changes in income tax laws. The amount of income taxes and other taxes paid can be adversely impacted by changes in statutory tax rates and laws and are subject to ongoing audits by governmental authorities. If these audits result in assessments different from amounts estimated, then our consolidated results of operations, financial position and cash flows may be adversely affected by unfavorable tax adjustments. Financial and Strategic Risks • Our exposure to exchange rate fluctuations on cross- border transactions and the translation of local currency results into U. S. dollars could negatively impact our results of operations. We conduct business through our subsidiaries in many different countries, and fluctuations in currency exchange rates could have a significant impact on our reported consolidated results of operations, financial condition and cash flows, which are presented in U. S. dollars. Cross- border transactions, both with external parties and intercompany relationships, result in increased exposure to foreign exchange effects. Accordingly, significant changes in currency exchange rates, particularly the euro, Chinese renminbi (yuan), Swedish krona, pound sterling, Indian rupee, Singapore dollar, Danish krone, and Canadian dollar, could cause fluctuations in the reported results of our businesses' operations that could negatively affect our results of operations. Additionally, the strengthening of certain currencies such as the euro and U. S. dollar potentially exposes us to competitive threats from lower cost producers in other countries. Our sales are translated into U. S. dollars for reporting purposes. The strengthening of the U. S. dollar could result in unfavorable translation effects as the results of foreign locations are translated into U. S. dollars. • Our growth and results of operations may be adversely affected if we are unsuccessful in our capital allocation and acquisition program. We expect to continue our strategy of seeking to acquire value creating add- on businesses that broaden our existing position and global reach as well as, in the right circumstances, strategically pursue larger acquisitions that could have the potential to either complement our existing businesses or allow us to pursue a new platform. However, there can be no assurance that we will be able to continue to find suitable businesses to purchase, that we will be able to acquire such businesses on acceptable terms, or that all closing conditions will be satisfied with respect to any pending acquisition. In addition, we face the risk that a completed acquisition may underperform relative to expectations. We may not achieve the synergies originally anticipated, may become exposed to unexpected liabilities or may not be able to sufficiently integrate completed acquisitions into our current business and growth model. Further, if we fail to allocate our capital appropriately, in respect of either our acquisition program or organic growth in our operations, we could be overexposed in certain markets and geographies and unable to expand into adjacent products or markets. These factors could potentially have an adverse impact on our consolidated results of operations, financial condition and cash flows. • The indemnification provisions of acquisition and disposition agreements by which we have acquired or sold or disposed of companies may not fully protect us and may result in unexpected liabilities. Certain of the acquisition agreements by which we have acquired companies require the former owners to indemnify us against certain liabilities related to the operation of those companies before we acquired them. In most of these agreements, however, the liability of the former owners is limited and certain former owners may be unable to meet their indemnification responsibilities. Similarly, the purchasers of our disposed operations may from time to time agree to indemnify us for operations of such businesses after the closing. We cannot be assured that any of these indemnification provisions will fully protect us, and as a result we may face unexpected liabilities that adversely affect our consolidated results of operations, financial condition and cash flows. In addition, we have retained certain liabilities directly or through indemnifications made to the buyers of businesses we have sold or disposed against known and unknown contingent liabilities such as tax liabilities and environmental matters. There can be no assurance that the indemnity agreements will be sufficient to protect us against the full amount of any liabilities that may arise, or that the indemnitors will be able to fully satisfy their indemnification obligations. The failure to receive amounts for which we are entitled to indemnification could adversely affect our results of operations, cash flows and financial condition.