Risk Factors Comparison 2024-02-23 to 2023-02-24 Form: 10-K

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The following are important factors which could affect our financial performance and could cause our actual results for future periods to differ materially from our anticipated results or other expectations, including those expressed in any forward- looking statements made in this Form 10- K. See the section entitled " Forward- Looking Statements " set forth above. We may also refer to this disclosure to identify factors that may cause results to differ materially from those expressed in other forward- looking statements including those made in oral presentations, including telephone conferences and / or webcasts open to the public. Economic & Operational Risks Our results are impacted by general worldwide economic factors. ~~The~~ **Over the past year, global interest rates aimed at curbing inflation, as well as implications of geopolitical situations in Europe, the Middle East and China, have resulted in economic and demand uncertainty. Previously, the** COVID pandemic, geopolitical instability ~~, including the conflict between Russia and Ukraine,~~ and other global events have ~~significantly increased economic and demand uncertainty. Some of the results~~ **resulted in** ~~of these events, including~~ supply chain challenges, inflation, high interest rates, foreign currency exchange volatility, and volatility in global capital markets, **which** have affected our business ~~in the past~~ and could ~~continue to~~ have a material adverse impact on our business in the future. Countries such as ~~Russia,~~ **Argentina and** Turkey ~~and Argentina~~ have ~~recently~~ experienced economic upheaval and similar upheaval in other countries with Ecolab operations could have a material adverse impact on our consolidated results of operations, financial position and cash flows by negatively impacting economic activity, including in our key end- markets, and by further weakening the local currency versus the U. S. dollar, resulting in reduced sales and earnings from our foreign operations, which are generated in the local currency, and then translated to U. S. dollars. Our results depend upon the continued vitality of the markets we serve. Economic downturns, and in particular downturns in our larger markets including the foodservice, hospitality, travel, health care, food processing, refining, pulp and paper, mining and steel industries, can adversely impact our customers ~~. In particular~~ , **and** we ~~expect~~ **may find it difficult to restore margins by maintaining pricing due to easing inflation from slowing economic growth. Recently, the war and energy crisis in Europe have resulted in** a more challenging macroeconomic environment **with** ~~, especially in Europe, as the war and the energy crisis are having a significant~~ **significantly** ~~impact~~ **impacted** ~~on~~ costs and demand. ~~Additionally~~ **Previously** , ~~the last three years we have experienced the negative impact of~~ the COVID- 19 pandemic ~~on~~ **negatively impacted** the demand for our products and services provided to customers in the full- service restaurant, hospitality, lodging and entertainment industries. In prior years, ~~the~~ **a** weaker global economic environment has also negatively impacted certain of our **other** end- markets. During these periods of weaker economic activity, our customers and potential customers may reduce or discontinue their volume of purchases of cleaning and sanitizing products and water treatment and process chemicals, which has had, and may continue to have, a material adverse effect on our business, financial condition, results of operation or cash flows. Our significant non- U. S. operations expose us to global economic, political and legal risks that could impact our profitability. We have significant operations outside the United States, including joint ventures and other alliances. We conduct business in more than 170 countries and, in ~~2022~~ **2023** , approximately 47 % of our net sales originated outside the United States. There are inherent risks in our international operations, including: ● exchange controls and currency restrictions; ● currency fluctuations and devaluations; ● tariffs and trade barriers; ● export duties and quotas; ● changes in the availability and pricing of raw materials, energy and utilities; ● changes in local economic conditions; ● changes in laws and regulations, including the imposition of economic or trade sanctions affecting international commercial transactions; ● difficulties in managing international operations and the burden of complying with international and foreign laws; ● requirements to include local ownership or management in our business; ● economic and business objectives that differ from those of our joint venture partners; ● exposure to possible expropriation, nationalization or other government actions; ● restrictions on our ability to repatriate dividends from our subsidiaries; ● unsettled political conditions, military action, civil unrest, acts of terrorism, force majeure, war or other armed conflict **, including the Russian invasion of Ukraine, the Israel- Hamas conflict and other hostilities in the Middle East** ; and ● countries whose governments have been hostile to U. S.- based businesses. **Following** ~~In light of~~ Russia' s invasion of Ukraine and the United States' and other countries' sanctions against Russia, we **have limited** ~~announced in April 2022 that we will focus~~ our Russian business ~~on~~ **to** operations that are essential to life, providing minimal support for our healthcare, life sciences, food and beverage and certain water businesses ~~. We~~ **, and we** may further narrow our presence in Russia depending on developments in the conflict or otherwise. ~~Our Russian~~ **While our** operations ~~represented approximately 1 % for both our 2022 and 2021 annual sales. During 2022 we recorded pre- tax charges of $ 13. 1 million related to recoverability risk of certain assets~~ in ~~both~~ Russia and **areas experiencing** ~~Ukraine. Depending on developments, we may incur further charges relating to our Russia and Ukraine businesses. The~~ conflict **are not material to** ~~in Ukraine may escalate and / or expand in scope and the broader consequences of this conflict, which have included and / or may in the future include sanctions, embargoes, regional instability and geopolitical shifts; potential retaliatory action by the Russian government against companies, including us, such as nationalization of foreign businesses in Russia; and increased tensions between the United States and countries in which we operate cannot be predicted, nor can we predict the conflict' s impact on the global economy and on~~ our business and financial results ~~. The Russia and Ukraine~~ **, the escalation of these** ~~conflict~~ **conflicts** may also heighten many other risks disclosed in our report on Form 10- K, any of which **could** ~~couldmaterially~~ ----- **materially** and adversely affect our business and financial results. Such risks include, but are not limited to, adverse effects on macroeconomic conditions, including increased inflation, constraints on the availability of commodities, supply chain disruption and decreased business spending; disruptions to our or our business partners' global technology infrastructure, including through cyber- attack or cyber- intrusion; adverse changes in international trade policies and relations; claims, litigation and regulatory enforcement; our ability to implement and execute our business strategy; terrorist activities; our exposure to foreign currency fluctuations; reputational risk; and constraints, volatility, or disruption in the capital markets. Additionally, changes in U. S. or foreign government policy on international trade, including the imposition or continuation of tariffs, could materially and adversely affect our business. In 2018, the U. S. imposed tariffs on certain imports from China and other countries, resulting in retaliatory tariffs by China and other countries. While the U. S. and China signed a Phase One trade agreement in January 2020, which included the suspension and rollback of tariffs, the CHIPS and Science Act of 2022 with objectives including countering China' s technical ambitions was signed into law in August 2022. Any new tariffs or policies imposed by the U. S., China or other countries or any additional retaliatory measures by any of these countries, could increase our costs, reduce our sales and earnings or otherwise have an adverse effect on our operations. Further, our operations outside the United States require us to comply with a number of United States and non- U. S. laws and regulations, including anti-corruption laws such as the United States Foreign Corrupt Practices Act and the United Kingdom Bribery Act, as well as U. S. and non- U. S. economic sanctions regulations. We have internal policies and procedures relating to such laws and regulations; however, there is risk that such policies and procedures will not always protect us from the misconduct or reckless acts of employees or representatives, particularly in the case of recently acquired operations that may not have significant training in applicable compliance policies and procedures. Violations of such laws and regulations could result in disruptive investigations, significant fines and sanctions, which could have a material adverse effect on our consolidated results of operations, financial position or cash flows. Also, because of uncertainties regarding the interpretation and application of laws and regulations and the enforceability of intellectual property and contract rights, we face risks in some countries that our intellectual property rights and contract rights would not be enforced by local governments. We are also periodically faced with the risk of economic uncertainty, which has impacted our business in some countries. Other risks in international business also include difficulties in staffing and managing local operations, including managing credit risk to local customers and distributors. Our overall success as a global business depends, in part, upon our ability to succeed in differing economic, social, legal and political conditions. We may not continue to succeed in developing and implementing policies and strategies that are effective in each location where we do business, which could have a material adverse effect on our consolidated results of operations, financial position or cash flows. **We may experience** ~~Our results could be materially and adversely affected by difficulties in securing the supply of certain raw materials or by fluctuations in the cost of raw materials. The prices of raw materials used in our~~ business **disruption if** ~~fluctuate, and in recent years~~ we **fail to execute organizational** ~~have experienced periods of significant increased raw material costs. Changes~~ - **change** ~~in raw material prices, unavailability of adequate~~ and **management transitions** reasonably priced raw materials or substitutes for......; the labor market is very dynamic . Our continued success will ~~largely~~ depend ~~on our ability to attract, retain and develop a high caliber of talent and~~ on the efforts and abilities of our executive officers and certain other key employees, particularly those with sales and sales management responsibilities **,** to drive business growth, development and profitability ~~. As we continue to grow our business, make acquisitions, expand our geographic scope and offer new products and services, we need the organizational talent necessary to ensure effective succession for executive officer and key employee roles in order to meet the growth, development and profitability goals of our business~~ . Our operations could be materially and adversely affected if for any reason we ~~were~~ **are** unable to ~~attract, retain or develop such officers or key employees and~~ successfully execute organizational change and management transitions at leadership levels. **We** ~~More generally, in the wake of the COVID- 19 pandemic, expectations from qualified talent in many areas of the labor market have evolved. In light of this, if we are unable to attract and retain employees on terms and conditions that are consistent with our historical operating model, our business could be disrupted or our costs could increase, which may materially and adversely affect our businessWe~~ are subject to information technology system failures, network disruptions and breaches in data security. We rely to a large extent upon information technology systems and infrastructure to operate our business. The size and complexity of our information technology systems and those of strategic vendors make them vulnerable to failure, malicious intrusion and random attack. Acquisitions have resulted in further de- centralization of systems and additional complexity in our systems infrastructure. Likewise, data security breaches by employees or others with permitted access to our systems or to the systems of strategic vendors pose a risk that sensitive data may be exposed to unauthorized persons or to the public. Geopolitical tensions or conflicts, such as Russia' s invasion of Ukraine, may further heighten the risk of cybersecurity attacks. While we have ~~invested in protection of data~~ **continually matured our security program** and **capabilities and** ~~information technology, we~~ have ~~experienced~~ **had no** ~~immaterial~~ -- **material** ~~cybersecurity attacks and~~ incidents **to date** , **cyber threats continue to evolve** and there can be no assurance that our efforts will prevent ~~failures,~~ cybersecurity attacks or breaches in our systems or in the systems of strategic vendors **, including cloud providers,** that could cause reputational damage, business ~~18disruption~~ -- **disruption** or legal and regulatory costs; could result in third- party claims; could result in compromise or misappropriation of our intellectual property, trade secrets or sensitive information; or could otherwise **materially** adversely affect our business **, including our business strategy, results of operations, or financial condition** . Certain of our customer offerings include digital components, such as remote monitoring of certain customer operations. A breach of those remote monitoring systems could expose customer data giving rise to potential third- party claims and reputational damage. There may be other related challenges and risks as we complete implementation of our ERP system upgrade. **Our results could be materially and adversely affected by difficulties in securing the supply of certain raw materials or by fluctuations in the cost of raw materials.** The ~~increased raw material costs.Changes in raw material prices,unavailability of adequate and~~ reasonably priced raw materials or substitutes for those raw materials,or the inability to obtain or renew supply agreements on favorable terms has materially and adversely affected our business and can in the future materially and adversely affect our consolidated results of operations,financial position or cash flows.In addition,volatility and disruption in economic activity and conditions could disrupt or delay the performance of our suppliers and thus impact our ability to obtain raw materials at favorable prices or on favorable terms,which may materially and adversely affect our business. ~~17Severe~~ **We depend on key personnel to lead our business;the labor market is very dynamic** COVID- 19 ~~pandemic and measures taken in response thereto have materially and adversely impacted, and we expect~~ may ~~continue to materially and~~ adversely impact ~~,~~ our business ~~and results of operations, and the full impact of the pandemic will depend on future developments, which are highly uncertain and cannot be predicted~~ . **The** ~~Beginning in March 2020, the~~ COVID- 19 pandemic had a rapid and significant negative impact on the global economy, including a significant downturn in the foodservice, hospitality and travel industries. Measures taken to alleviate the pandemic (such as stay- at- home orders and other responsive measures) significantly impacted our restaurant and hospitality customers and negatively affected demand for our products and services in these segments, resulting in a material adverse effect on our business and results of operations. ~~There is continued uncertainty regarding the duration, scope and severity of the pandemic, particularly with the emergence of new variants of COVID- 19 and periodic spikes in COVID- 19 cases in various geographic regions, and the impacts on our business and the global economy from the effects of the pandemic and response measures. Travel and logistics restrictions, lockdowns, vaccine requirements and other measures from time to time implemented by foreign and domestic authorities have resulted in, and may continue to result in, supply chain and transportation disruptions, production delays and capacity limitations at Ecolab and some of its customers and suppliers, as well as reduced workforce availability or productivity at Ecolab and customer sites, and additional data, information and cyber security risks associated with an extensive workforce working remotely. The degree to which the pandemic ultimately impacts our business, financial condition and results of operations and the global economy will depend on future developments beyond our control, which are highly uncertain and difficult to predict, including the severity, duration and any resurgence of the pandemic, the extent, duration and effectiveness of periodic lockdowns and other containment actions, the availability, public adoption and efficacy of COVID vaccines, how quickly and to what extent normal economic and operating activity can resume, and the severity and duration of resulting global economic volatility.~~ Besides the COVID- 19 pandemic, the United States and other countries have experienced, and may experience in the future, public health outbreaks such as Zika virus, Avian Flu, SARS and H1N1 influenza. A prolonged occurrence of a contagious disease such as these could result in a significant downturn in the foodservice, hospitality and travel industries and also may result in health or other government authorities imposing restrictions on travel further impacting our end markets. Any of these events could result in a significant drop in demand for some of our products and services and materially and adversely affect our business. Strategic RisksIf we are unsuccessful in integrating acquisitions ~~, including Purolite,~~ our business could be materially and adversely affected. **We seek to** ~~In December 2021 we acquired~~ - **acquire complementary** ~~Purolite, which operates in the highly regulated life sciences, pharma and biopharma industries and has extensive international operations which complicate integration execution. If we have difficulty integrating Purolite operations or lose key employees or customers, our business~~ **businesses** ~~could be materially and adversely affected. Additionally,~~ as part of our long- term strategy ~~, we seek to acquire complementary businesses~~ . There can be no assurance that we will find attractive acquisition candidates or succeed at effectively managing the integration of acquired businesses ~~into existing businesses~~ **, including Purolite, which operates in the highly regulated life sciences, pharma and biopharma industries and has extensive international operations which complicate integration execution** . If the underlying business performance of such acquired businesses deteriorates, the expected synergies from such transactions do not materialize or we fail to successfully integrate new businesses into our existing businesses, our consolidated results of operations, financial position or cash flows could be materially and adversely affected. If we are unsuccessful in executing on key business initiatives, ~~including restructurings and our Enterprise Resource Planning (" ERP ") system upgrades,~~ our business could be materially and adversely affected. We continue to execute key business initiatives ~~, including restructurings and investments to develop business systems,~~ as part of our ongoing efforts to improve our efficiency and returns. In particular, we are **making supply chain investments to secure supply and add new capacity in our Life Sciences business. Additionally, we are continuing implementation of our ERP system upgrades, which are expected to continue in phases over the next several years. These upgrades, which include sales, supply chain and certain finance functions, are expected to improve the efficiency of certain financial and related transactional processes. These upgrades involve complex business process design and a failure of certain of these processes could result in business disruption. We are also** undertaking the **Combined Program focused on optimizing** ~~three~~ -- **the cost structure of our business in Europe and our Institutional and Healthcare businesses, which is discussed along with other** restructuring ~~plans, i. e. the Europe Program, the Institutional Advancement Program and Accelerate 2020 plan to simplify and automate processes and tasks, reduce complexity and management layers, consolidate facilities~~ - **activities** ~~and focus on key long term growth areas by leveraging technology and structural improvements as discussed~~ under Note 3 ~~entitled " Special (Gains) and Charges "~~ of this Form 10- K ~~. Additionally, we are continuing implementation of our ERP system upgrades, which are expected to continue in phases over the next several years. These upgrades, which include sales, supply chain and certain finance functions, are expected to improve the efficiency of certain financial and related transactional processes. These upgrades involve complex business process design and a failure of certain of these processes could result in business disruption~~ . If the projects in which we are investing or the initiatives which we are pursuing are not successfully executed, our consolidated results of operations, financial position or cash flows could materially and adversely be affected. Our growth depends upon our ability to compete successfully with respect to value, innovation and customer support. We have numerous global, national, regional and local competitors. Our ability to compete depends in part on providing high quality and high value- added products, technology and service. We must also continue to identify, develop and commercialize innovative, profitable and high value- added products for niche applications and commercial digital applications. We have made significant investments in commercial digital product offerings, and our culture and expertise must continue to evolve to develop, support and profitably deploy commercial digital offerings, which are becoming an increasingly important part of our business. There can be no assurance that we will ~~19be~~ **be** able to accomplish our technology development goals or that technological developments by our competitors **, including in the area of artificial intelligence,** will not place certain of our products, technology or services at a competitive disadvantage in the future. In addition, certain of the new products that we have under development will be offered in markets in which we do not currently compete, and there can be no assurance that we will be able to compete successfully in those new markets. If we fail to introduce new technologies or commercialize our digital offerings on a timely and profitable basis, we may lose market share and our consolidated results of operations, financial position or cash flows could be materially and adversely affected. Consolidation of our customers and vendors could materially and adversely affect our results. Customers and vendors in the foodservice, hospitality, travel, healthcare, energy, life sciences, food processing and pulp and paper industries, as well as other industries we serve, have consolidated in recent years and that trend may continue. This consolidation could have a material adverse impact on our ability to retain customers and on our pricing, margins and consolidated results of operations. We enter into multi- year contracts with customers that could impact our results. Our multi- year contracts with some of our customers include terms affecting our pricing flexibility. There can be no assurance that these restraints will not have a material adverse impact on our margins and consolidated results of operations. Legal, Regulatory & Compliance RisksOur business depends on our ability to comply with laws and governmental regulations and meet our contractual commitments and failure to do so could materially and adversely impact our business; and we may be materially and adversely affected by changes in laws and regulations. Our business is subject to numerous laws and regulations relating to the environment, including evolving climate change standards, and to the manufacture, storage, distribution, sale and use of our products as well as to the conduct of our business generally, including ~~employment~~ **18employment** and labor laws and anti- corruption laws. Furthermore, increasing public and governmental awareness and concern regarding the effects of climate change has led to significant legislative and regulatory efforts to limit greenhouse gas emissions and will likely result in further environmental and climate change laws and regulations. Compliance with these laws and regulations exposes us to potential financial liability and increases our operating costs. A violation of these laws and regulations could expose us to financial liability that may have a material adverse effect on our results of operations and cash flows. Regulation of our products and operations continues to increase with more stringent standards, causing increased costs of operations and potential for liability if a violation occurs. The potential cost to us relating to environmental and product registration laws and regulations is uncertain due to factors such as the unknown magnitude and type of possible contamination and clean- up costs, the complexity and evolving nature of laws and regulations, and the timing and expense of compliance. Changes to current laws (including tax laws), regulations and policies could impose new restrictions, costs or prohibitions on our current practices which would have a material adverse effect on our consolidated results of operations, financial position or cash flows. Changes to labor and employment laws and regulations, as well as related rulings by courts and administrative bodies, could materially and adversely affect our operations and expose us to potential financial liability. Defense of litigation, particularly certain types of actions such as antitrust, patent infringement, personal injury, product liability, breach of contract, wage hour and class action lawsuits, can be costly and time consuming even if ultimately successful, and if not successful could have a material adverse effect on our consolidated results of operations, financial position or cash flows. A chemical spill or release could materially and adversely impact our business. As a manufacturer and supplier of chemical products, there is a potential for chemicals to be accidentally spilled, released or discharged, either in liquid or gaseous form, during production, transportation, storage or use. Such a release could result in environmental contamination as well as a human or animal health hazard. Accordingly, such a release could have a material adverse effect on our consolidated results of operations, financial position or cash flows. Potential indemnification liabilities pursuant to the separation and split- off of our Upstream Energy business could materially and adversely affect our business and financial statements. With respect to the separation and subsequent split- off of our Upstream Energy business, we entered into a separation and distribution agreement with ChampionX Holding Inc. and ChampionX Corporation (f / k / a Apergy Corporation and taken together with ChampionX Holding Inc., " ChampionX ") as well as certain other agreements to govern the separation and related transactions and our relationship with ChampionX going forward. These agreements provide for specific indemnity and certain other obligations of each party and could lead to disputes between ChampionX and us. If we are required to indemnify ChampionX under the circumstances set forth in these agreements, we may be subject to substantial related liabilities. In addition, with respect to the liabilities for which ChampionX has agreed to indemnify us under these agreements, there can be no assurance that the indemnity rights we have against ChampionX will be sufficient to protect us against the full amount of such liabilities, or that ChampionX will be able to fully satisfy its indemnification obligations. Each of these risks could negatively affect our business and our consolidated results of operations, financial position or cash flows could be materially and adversely affected. ~~20Extraordinary -~~ **Extraordinary** events may significantly impact our business. The occurrence of (a) litigation or claims, (b) the loss or insolvency of a major customer or distributor, (c) repeated or prolonged federal government shutdowns or similar events, (d) war (including acts of terrorism or hostilities which impact our markets), (e) natural or manmade disasters, (f) water shortages or (g) severe weather conditions affecting our operations or the energy, foodservice, hospitality and travel industries may have a material adverse effect on our business. While we have a diverse customer base and no customer or distributor constitutes 10 percent or more of our consolidated revenues, we do have customers and independent, third- party distributors, the loss of which could have a material adverse effect on our consolidated results of operations or cash flows for the affected earnings periods. Government shutdowns can have a material adverse effect on our consolidated results of operations or cash flows by disrupting or delaying new product launches, renewals of registrations for existing products and receipt of import or export licenses for raw materials or products. War (including acts of terrorism or hostilities), natural or manmade disasters, water shortages or severe weather conditions, including the effects of climate change, affecting the energy, foodservice, hospitality, travel, health care, food processing, pulp and paper, mining, steel and other industries can cause a downturn in the business of our customers, which in turn can have a material adverse effect on our consolidated results of operations, financial position or cash flows. In particular, the U. S. Gulf Coast is a region with significant refining, petrochemicals and chemicals operations which provide us raw materials, as well as being an important customer base for our ~~Downstream and~~ Water operating ~~segments -~~ **segment** . Hurricanes or other severe weather events impacting the Gulf Coast, such as the winter freeze in

Texas and the Gulf Coast in February 2021, can materially and adversely affect our ability to obtain raw materials at reasonable cost, or at all, and could adversely affect our business with our customers in the region. Our commitments, goals, targets, objectives and initiatives related to sustainability, and our public statements and disclosures regarding them, expose us to numerous risks. We have developed, and will continue to establish, goals, targets, and other objectives related to sustainability matters, including our sustainability goals in alignment with the United Nations Global Compact’ s Business Ambition for 1. 5^{0}C and our commitments to science- based targets addressing Scope 1, 2 and 3 GHG emissions, discussed in Item 1 of Part I of this Form 10- K, entitled “ Business. ” ~~Achieving~~ **19Achieving** these goals and commitments will require evolving our business, capital investment and the development of technology that might not currently exist. We might incur additional expense or be required to recognize impairment charges in connection with our efforts. These commitments, goals, targets and other objectives reflect our current plans and there is no guarantee that they will be achieved. Our efforts to research, establish, accomplish, and accurately report on these commitments, goals, targets, and objectives expose us to operational, reputational, financial, legal, and other risks. Our ability to achieve any stated commitment, goal, target, or objective is subject to factors and conditions, many of which are outside of our control, including the pace of changes in technology, the availability of requisite financing, and the availability of suppliers that can meet our sustainability and other standards. Our business may face increased scrutiny from the investment community, other stakeholders, regulators, and the media related to our sustainability activities, including our commitments, goals, targets, and objectives, and our methodologies and timelines for pursuing them. If our sustainability practices do not meet investor or other stakeholder expectations and standards, which continue to evolve, our reputation, our ability to attract or retain employees, and our attractiveness as an investment, business partner, or as an acquiror could be negatively impacted. Similarly, our failure or perceived failure to pursue or fulfill our commitments, goals, targets, and objectives, to comply with ethical, environmental, or other standards, regulations, or expectations, or to satisfy reporting standards with respect to these matters, within the timelines we announce, or at all, could have operational, reputational, financial and legal impacts. Financial RisksIf the separation and split- off of our Upstream Energy business or certain internal transactions undertaken in anticipation of the divestiture are determined to be taxable in whole or in part, we and our stockholders may incur significant tax liabilities. In connection with the separation and split- off of our Upstream Energy business that was consummated on June 3, 2020, we obtained opinions of outside tax counsel that the related merger and exchange offer will qualify as tax- free transactions to us and our stockholders, except to the extent that cash was paid to Ecolab stockholders in lieu of fractional shares. We have not sought or obtained a ruling from the Internal Revenue Service (**“** IRS **”**) on the tax consequences of these transactions. An opinion of counsel is not binding on the IRS or the courts, which may disagree with the opinion. Even if the merger and exchange offer otherwise qualified as tax- free transactions, they may become taxable to us if certain events occur that affect either Ecolab or ChampionX Corporation. While ChampionX Corporation has agreed not to take certain actions that could cause the transactions not to qualify as tax- free transactions and is generally obligated to indemnify us against any tax consequences if it breaches this agreement, the potential tax liabilities could have a material adverse effect on us if we were not entitled to indemnification or if the indemnification obligations were not fulfilled. If the merger or exchange offer were determined to be taxable, we could be subject to a substantial tax liability, and each U. S. holder of our common stock who participated in the exchange offer could be treated as exchanging the Ecolab shares surrendered for ChampionX Corporation shares in a taxable transaction. ~~21Changes~~ -- **Changes** in tax laws and unanticipated tax liabilities could materially and adversely affect the taxes we pay and our profitability. We are subject to income and other taxes in the United States and foreign jurisdictions, and our operations, plans and results are affected by tax and other initiatives around the world. ~~In particular, we are affected by the impact of changes to tax laws or related authoritative interpretations in the United States, such as the Inflation Reduction Act (IRA) signed into law on August 16, 2022, which includes a corporate alternative minimum tax on certain large corporations, incentives to address climate change mitigation and other non- income tax provisions, including an excise tax on the repurchase of corporate stock.~~ We are also **impacted by** ~~subject to changes in tax law outside the United States and~~ actions taken ~~with respect~~ to tax- related matters by associations such as the Organization for Economic Co- operation and Development (“ OECD ”), which represents a coalition of member countries, and the European Commission which influence tax policies in countries where we operate. ~~For example~~ **In particular** , ~~approximately~~ **the OECD is coordinating negotiations among more than** 140 **jurisdictions with** ~~countries have agreed to~~ the ~~OECD’ s~~ **goal of achieving consensus on various substantial changes** ~~two~~ - **to the international tax** ~~- pillar base erosion and profit shifting project (“ BEPS ”). This~~ framework, **including** ~~which could be implemented in some countries as early as 2023, is focused on~~ a ~~number of issues, including shifting taxing rights on income from residence countries to source countries and establishing a minimum~~ 15 % global ~~tax rate~~ **minimum taxation regime (“ Pillar Two ”)** . **Pillar Two takes effect** ~~Some of the BEPS and related proposals, if enacted into law~~ in **several jurisdictions** ~~the United States and~~ in **which** ~~the foreign countries where~~ we ~~do business, could~~ **operate starting in 2024 and will** increase the burden and costs of our tax compliance **. The company continues to monitor** ~~, the amount of taxes we incur in those~~ **these** ~~jurisdictions and our global effective tax rate~~ **legislative developments, but based on information available does not anticipate material impacts to the 2024 financial statements** . In addition, we are impacted by settlements of pending or any future adjustments proposed by the IRS or other taxing authorities in connection with our tax audits, all of which will depend on their timing, nature and scope. Increases in income tax rates, changes in income tax laws or unfavorable resolution of tax matters could have a material adverse impact on our financial results. Future events may impact our deferred tax position, including the utilization of foreign tax credits and undistributed earnings of international affiliates that are considered to be reinvested indefinitely. We evaluate the recoverability of deferred tax assets and the need for deferred tax liabilities based on available evidence. This process involves significant management judgment about assumptions that are subject to change from period to period based on changes in tax laws or variances between future projected operating performance and actual results. We are required to establish a valuation allowance for deferred tax assets if we determine, based on available evidence at the time the determination is made, that it is more likely than not that some portion or all of the deferred tax assets will not be realized. In making this determination, we evaluate all positive and negative evidence as of the end of each reporting period. Future adjustments (either increases or decreases), to the deferred tax asset valuation allowance are determined based upon changes in the expected realization of the net deferred tax assets. The realization of the deferred tax assets ultimately depends on the existence of sufficient taxable income in either the carry- back or carry- forward periods under the tax law. Due to significant estimates used to establish the valuation allowance and the potential for changes in facts and circumstances, it is reasonably possible that we will be required to record adjustments to the valuation allowance in future reporting periods. Changes to the valuation allowance or the amount of deferred tax liabilities could have a material adverse effect on our consolidated results of operations or financial position. Further, should we change our assertion regarding the permanent reinvestment of the undistributed earnings of international affiliates, a deferred tax liability may need to be established. **20** ~~Our indebtedness may limit our operations and our use of our cash flow, and any failure to comply with the covenants that apply to our indebtedness could materially and adversely affect our liquidity and financial statements. As of December 31, 2022, we had approximately $ 8. 6 billion in outstanding indebtedness, with approximately $ 1. 5 billion in the form of floating rate debt. Our debt level and related debt service obligations may have negative consequences, including: • requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt, which reduces the funds we have available for other purposes such as acquisitions and capital investment; • reducing our flexibility in planning for or reacting to changes in our business and market conditions; • exposing us to interest rate risk since a portion of our debt obligations are at variable rates. For example, a one percentage point increase in the average interest rate on our floating rate debt at December 31, 2022 would increase future interest expense by approximately $ 15 million per year; and • increasing our cost of funds and materially and adversely affecting our liquidity and access to the capital markets should we fail to maintain the credit ratings assigned to us by independent rating agencies. If we add new debt, the risks described above could increase. We incur significant expenses related to the amortization of intangible assets and may be required to report losses resulting from the impairment of goodwill or other assets recorded in connection with the Nalco and Purolite transactions and other acquisitions. We expect to continue to complete selected acquisitions and joint venture transactions in the future. In connection with acquisition and joint venture transactions, applicable accounting rules generally require the tangible and intangible assets of the acquired business to be recorded on the balance sheet of the acquiring company at their fair values. Intangible assets other than goodwill are required to be amortized over their estimated useful lives and this expense may be significant. Any excess in the purchase price paid by the acquiring company over the fair value of tangible and intangible assets of the acquired business is recorded as goodwill. If it is later determined that the anticipated future cash flows from the acquired business may be less than the carrying values of the assets and goodwill of the acquired business, the assets or goodwill may be deemed to be impaired. In this case, the acquiring company may be required under applicable accounting rules to write down the value of the assets or goodwill on its balance sheet to reflect the extent of the impairment. This write- down of assets or goodwill is generally recognized as a non- cash expense in the statement of operations of the acquiring company for the accounting period during which the write down occurs. As of December 31, 2022, we had goodwill of $ 8. 0 billion which 22~~