Risk Factors Comparison 2023-08-18 to 2022-08-24 Form: 10-K

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There are risks associated with an investment in our securities. Please consider the following risks and all of the other information in this annual report on Form 10- K and in our subsequent filings with the Securities and Exchange Commission (" SEC "). Our business may also be adversely affected by risks and uncertainties not presently known to us or that we currently believe to be immaterial. If any of the events contemplated by the following discussion of risks should occur or other risks arise or develop, our business, which includes our prospects, financial condition and results of operations, the trading prices of our securities and our reputation, may be adversely affected. Risks related to our Business and our Industry ~~The extent to which the COVID- 19 pandemic could materially adversely affect our financial results will depend on future developments that are highly uncertain and difficult to predict. The outbreak and global spread of the COVID- 19 pandemic has continued to significantly disrupt our operating environment, including retail stores, travel retail, and the ability of some of our customers to operate. We have also seen shifts in consumer preferences and practices. Considerable uncertainty remains regarding this pandemic, including responsive measures being taken by various authorities and others. As we continue to monitor COVID- 19 developments, including the impacts on our consumers, customers and suppliers, we have taken and will continue to take further measures. Some of the actions we take could adversely impact our business, and there is no certainty that our actions will be sufficient to mitigate the risks and the impacts of COVID- 19. The degree to which COVID- 19 continues to impact our business will depend on future developments that are highly uncertain and cannot be predicted, many of which are outside our control, including the extent to which there are sustainable improvements in the retail environment and general economic conditions.~~ The beauty business is highly competitive, and if we are unable to compete effectively our results will suffer. We face vigorous competition from companies throughout the world, including multinational consumer product companies. Some competitors have greater resources than we do, others are newer companies (some backed by private- equity investors), and some are competing in distribution channels where we are less represented. In some cases, we may not be able to respond to changing business and economic conditions as quickly as our competitors. Competition in the beauty business is based on a variety of factors including pricing of products, innovation, perceived value, service to the consumer, promotional activities, advertising, special events, new product introductions, e- commerce and m- commerce initiatives and other activities. It is difficult for us to predict the timing and scale of our competitors' actions in these areas. Our ability to compete also depends on the continued strength of our brands, our ability to attract and retain key talent and other personnel, the efficiency of our manufacturing facilities and distribution network, and our ability to maintain and protect our intellectual property and those other rights used in our business. Our Company has a well- recognized and strong reputation that could be negatively impacted by social media and many other factors. If our reputation is adversely affected, our ability to attract and retain customers, consumers and employees could be impacted. In addition, certain of our key retailers around the world market and sell competing brands or are owned or otherwise affiliated with companies that market and sell competing brands. Our inability to continue to compete effectively in key countries around the world (e. g., China) could have a material adverse effect on our business. Our inability to anticipate and respond to market trends and changes in consumer preferences could adversely affect our financial results. Our continued success depends on our ability to anticipate, gauge and react in a timely and cost- effective manner to changes in consumer preferences for skin care, makeup, fragrance and hair care products, attitudes toward our industry and brands, as well as to where and how consumers shop. We must continually work to develop, manufacture and market new products, maintain and adapt our " High- Touch " services to existing and emerging distribution channels, maintain and enhance the recognition of our brands, achieve a favorable mix of products, successfully manage our inventories, and modernize and refine our approach as to how and where we market and sell our products. We recognize that consumer preferences cannot be predicted with certainty and can change rapidly, driven by the use of digital and social media by consumers and the speed by which information and opinions are shared. If we are unable to anticipate and respond to ~~sudden~~ challenges that we may face in the marketplace, trends in the market for our products and changing consumer demands and sentiment, our financial results will suffer. In addition, from time to time, sales growth or profitability may be concentrated in a relatively small number of our brands, channels or countries (e. g., China). If such a situation persists or one or more brands, channels or countries fails to perform as expected, there could be a material adverse effect on our business. In certain key markets, such as the United States, we have seen a longer- term decline in retail traffic in our department store customers ~~and in our freestanding stores. We continue to see the shift in consumer preference to the online channel, which accelerated in response to the COVID- 19 pandemic~~ . Consolidation or liquidation in the retail trade, from these or other factors, may result in us becoming increasingly dependent on key retailers and could result in an increased risk related to the concentration of our customers. A severe, adverse impact on the business operations of our customers could have a corresponding material adverse effect on us. If one or more of our largest customers change their strategies (including pricing or promotional activities), enter bankruptcy (or similar proceedings) or if our relationship with any large customer is changed or terminated for any reason, there could be a material adverse effect on our business. Our future success depends, in part, on our ability to achieve our long- term strategy. Achieving our long- term strategy will require investment in new capabilities, brands, categories, distribution channels, supply chain facilities, technologies and emerging and more mature geographic markets (e. g., China). These investments may result in short- term costs without any current sales and, therefore, may be dilutive to our earnings. In addition, we may dispose of or discontinue select brands or streamline operations and incur costs or restructuring and other charges in doing so. Although we believe that our strategy will lead to long- term growth in sales and profitability, we may not realize the anticipated benefits. The failure to realize benefits, which may be due to our inability to execute plans, global or local economic conditions, competition, changes in the beauty industry and the other risks described herein, could have a material adverse effect on our business. Acquisitions and divestitures may expose us to additional risks. We continuously review acquisition and strategic investment opportunities that would expand our current product offerings, our distribution channels, increase the size and geographic scope of our operations or otherwise offer growth and operating efficiency opportunities. In addition, we periodically review our brand portfolio, and our strategy includes potential divestitures of certain brands as we rationalize product offerings. There can be no assurance that we will be able to identify these strategic actions and consummate such transactions on favorable terms. Acquisitions including strategic investments or alliances entail numerous risks, which may include: (i) difficulties in integrating acquired operations or products, including the loss of key employees from, or customers, consumers or suppliers of, acquired businesses; (ii) diversion of management' s attention from our existing businesses; (iii) adverse effects on existing business relationships with suppliers, customers and consumers of ours or the companies in which we invest; (iv) adverse impacts of margin and product cost structures different from those of our current mix of business; (v) reputational risks associated with the activities of the businesses that we acquire or in which we invest; and (vi) risks of entering distribution channels, categories or markets in which we have limited or no prior experience. If required, the financing for these transactions could result in an increase in our indebtedness, dilute the interests of our stockholders or both. The purchase price for some acquisitions may include additional amounts to be paid in cash in the future, a portion of which may be contingent on the achievement of certain future operating results of the acquired business. If the performance of any such acquired business exceeds such operating results, then we may incur additional charges and be required to pay additional amounts. Completed acquisitions typically result in additional goodwill and / or an increase in other intangible assets on our balance sheet. We are required at least annually, or as facts and circumstances exist, to test goodwill and other intangible assets with indefinite lives to determine if impairment has occurred. We cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill or other intangible assets become impaired, there could be a material adverse effect on our business. Our failure to achieve the long-term plan for acquired businesses, as well as any other adverse consequences associated with our acquisition, divestiture and investment activities, could have a material adverse effect on our business. Our business could be negatively impacted by social impact and sustainability matters. There is an increased focus from certain investors, customers, consumers, regulators, employees, and other stakeholders concerning social impact and sustainability and other ESG matters. From time to time, we announce certain initiatives, including goals and commitments, regarding our focus areas, which include environmental **and climate** matters ~~,~~ **;** packaging **;** ~~, responsible~~ sourcing ~~,~~ **; product formulation;** social investments **;** and inclusion ~~and~~ **,** diversity **and equity** . We could fail, or be perceived to fail, in our achievement of such initiatives, or in accurately reporting our progress on such initiatives. Such failures could be due to changes in our business (e. g., shifts in business among distribution channels or acquisitions). Moreover, the standards by which ESG efforts and related matters are measured are developing and evolving, and certain areas are subject to assumptions that could change over time. In addition, we could be criticized for the scope of our initiatives or goals or perceived as not acting responsibly in connection with these matters. Any such matters, or related ESG matters, could have a material adverse effect on our business. A general economic downturn, or ~~sudden~~ disruption in business conditions may affect **our business including** consumer purchases of discretionary items and / or the financial strength of our customers that are retailers, which could adversely affect our financial results. The general level of consumer spending is affected by a number of factors, including general economic conditions, inflation, interest rates, energy costs, and consumer confidence generally, all of which are beyond our control. Consumer purchases of discretionary items tend to decline during recessionary periods, when disposable income is lower, and may impact sales of our products. A decline in consumer purchases of discretionary items also tends to impact our customers that are retailers. We generally extend credit to a retailer based on an evaluation of its financial condition, usually without requiring collateral. However, the financial difficulties of a retailer could cause us to curtail or eliminate business with that customer. We may also assume more credit risk relating to the receivables from that retailer. In the event of a retailer liquidation, we may incur additional costs if we choose to purchase the retailer' s inventory of our products to protect brand equity. Our inability to collect receivables from our largest customers or from a group of customers could have a material adverse effect on our business. In addition, ~~sudden~~ disruptions in local or global business conditions, for example, from events such as a pandemic or other health issues, geo- political or local conflicts, civil unrest, terrorist attacks, adverse weather conditions, climate changes or seismic events, can have a short- term and, sometimes, long-term impact on consumer spending. Events that impact consumers' willingness or ability to travel or purchase our products while traveling may impact our business, including travel retail, a significant contributor to our overall results, and our strategy to market and sell products to international travelers at their destinations. A downturn in the economies of, or continuing recessions in, the countries where we sell our products or a ~~sudden~~ disruption of business conditions in those countries could adversely affect consumer confidence, the financial strength of our retailers and our sales and profitability. We are also cautious of foreign currency movements, including their impact on tourism. Additionally, we continue to monitor the effects of the global macroeconomic environment; social, political and human rights issues; regulatory matters, including the imposition of tariffs or sanctions; geopolitical tensions; and global security issues. Volatility in the financial markets and a related economic downturn in key markets or markets generally throughout the world could have a material adverse effect on our business. While we typically generate significant cash flows from our ongoing operations and have access to global credit markets through our various financing activities, credit markets may experience significant disruptions. Deterioration in global financial markets or an adverse change in our credit ratings could make future financing difficult or more expensive. If any financial institutions that are parties to our revolving credit facility or other financing arrangements, such as foreign exchange or interest rate hedging instruments, were to declare bankruptcy or become insolvent, they may be unable to perform under their agreements with us. This could leave us with reduced borrowing capacity or unhedged against certain foreign currency or interest rate exposures which could have a material adverse effect on our business. Our success depends, in part, on the quality, efficacy and safety of our products. Our success depends, in part, on the quality, efficacy and safety of our products. If our products are found to be defective or unsafe, our product claims are found to be deceptive, or our products otherwise fail to meet our consumers' expectations, our relationships with customers or consumers could suffer, the appeal of our brands could be diminished, and we could lose sales and become subject to liability or claims, any of which could result in a material adverse effect on our business. In addition, counterfeit versions of some of our products may be sold by third parties, which may pose safety risks, may fail to meet consumers' expectations, and may have a negative impact on our business. Our success depends, in part, on our key personnel. Our success depends, in part, on our ability to retain our key personnel, including our executive officers and senior management team. The unexpected loss of, or misconduct by, one or more of our key employees could adversely affect our business. Our success also depends, in part, on our continuing ability to identify, hire, train and retain personnel across all levels of our business. Competition for employees can be intense. We may not be able to attract, assimilate or retain necessary personnel in the future, and our failure to do so could have a material adverse effect on our business. This risk may be exacerbated by the stresses associated with the implementation of our strategic plan and other initiatives, as well as by market conditions. We are subject to risks related to the global scope of our operations. We operate on a global basis, with a substantial majority of our fiscal ~~2022~~ **2023** net sales and operating income generated outside the United States. We maintain offices in over 50 countries and have key operational facilities located inside and outside the United States that manufacture, warehouse or distribute goods for sale throughout the world. Our global operations are subject to many risks and uncertainties, including: (i) fluctuations in foreign currency exchange rates and the relative costs of operating in different places, which can affect our results of operations, the value of our foreign assets, the relative prices at which we and competitors sell products in the same markets, the cost of certain inventory and non- inventory items required in our operations, and the relative prices at which we sell our products in different markets; (ii) foreign or U. S. laws, regulations and policies, including restrictions on trade, immigration and travel, operations, and investments; currency exchange controls; restrictions on imports and exports, including license requirements; tariffs; sanctions; and taxes; (iii) lack of well- established or reliable legal and administrative systems in certain countries in which we operate; (iv) adverse weather conditions and natural disasters; (v) concentration of sales growth or profitability in one or more countries (e. g., China); and (vi) social, economic and geopolitical conditions, such as a pandemic, terrorist attack, war or other military action. These risks could have a material adverse effect on our business. A disruption in our operations ~~or~~ **, including** supply chain **,** could adversely affect our business. As a company engaged in manufacturing and distribution on a global scale, we are subject to the risks inherent in such activities ~~,~~ **. Such risks** ~~including~~ **include** industrial accidents, environmental events, strikes and other labor disputes, capacity constraints, disruptions in ingredient, material or packaging supply, as well as global shortages, disruptions in supply chain or information technology, loss or impairment of key manufacturing or distribution sites or suppliers, product quality control, safety, increase in commodity prices and energy costs, licensing requirements and other regulatory issues, as well as natural disasters **, outages due to fire, floods, power loss, telecommunications failures, break- ins** and other **events or** external factors over which we have no control. If such an event were to occur, it could have a material adverse effect on our business. We use a wide variety of direct and indirect suppliers of goods and services from around the world. Some of our products rely on a single or a limited number of suppliers. Changes in the financial or business condition of our suppliers could subject us to losses or adversely affect our ability to bring products to market. Further, the failure of our suppliers to deliver goods and services in sufficient quantities, in compliance with applicable standards, and in a timely manner could adversely affect our customer service levels and overall business. In addition, any increases in the costs of goods and services for our business may adversely affect our profit margins if we are unable to pass along any higher costs in the form of price increases or otherwise achieve cost efficiencies in our operations. As we outsource functions, we become more dependent on the entities performing those functions. As part of our long- term strategy, we are continually looking for opportunities to provide essential business services in a more cost- effective manner. In some cases, this requires the outsourcing of functions or parts of functions that can be performed more effectively by external service providers. These include certain information technology, supply chain, finance and human resource functions. The failure of one or more such providers to deliver the expected services, provide them on a timely basis or to provide them at the prices we expect may have a material adverse effect on our business. In addition, when we transition external service providers, we may experience challenges that could have a material adverse effect on our business. Risks related to Legal and Regulatory Matters Changes in laws, regulations and policies that affect our business could adversely affect our financial results. Our business is subject to numerous laws, regulations and policies around the world. Changes in these laws, regulations and policies, including the interpretation or enforcement thereof, that affect our business could adversely affect our financial results. These changes include accounting standards, as well as laws and regulations relating to tax matters, trade (including sanctions), data privacy (e. g., General Data Protection Regulation (GDPR)), cybersecurity, anti- corruption, advertising, marketing, manufacturing, distribution, customs matters, product registration, ingredients, chemicals, packaging, selective distribution, and environmental or climate change matters. Disputes and other legal or regulatory proceedings could adversely affect our financial results. We are, and may in the future become, party to litigation, other disputes or regulatory proceedings across a wide range of matters, including ones relating to product liability matters (including asbestos- related claims), advertising, regulatory, employment, intellectual property, real estate, environmental, trade relations, tax and privacy. In general, claims made by us or against us in litigation, disputes or other proceedings can be expensive and time consuming and could result in settlements, injunctions or damages that could significantly affect our business. It is not possible to predict the final resolution of the litigation, disputes or proceedings to which we currently are or may in the future become party to, and the impact of certain of these matters could have a material adverse effect on our business. Government reviews, inquiries, investigations and actions could harm our business. As we operate in various locations around the world, our operations are subject to governmental scrutiny and may be adversely impacted by the results of such scrutiny. The regulatory environment with regard to our business is evolving, and officials often exercise broad discretion in deciding how to interpret and apply applicable regulations. From time to time, we may receive formal and informal inquiries from various government regulatory authorities, as well as self- regulatory organizations, about our business and compliance with local laws, regulations or standards. Any determination that our operations or activities, or the activities of our employees, are not in compliance with existing laws, regulations or standards could negatively impact us in a number of ways, including the imposition of substantial fines, interruptions of business, loss of supplier, vendor or other third- party relationships, termination of necessary licenses and permits, or similar results, all of which could potentially harm our business. Regardless of the outcomes, these reviews, inquiries, investigations and actions could create negative publicity which could harm our business. Risks related to Technology and Cybersecurity Matters ~~Our~~ **The compromise or interruption of, or damage to, our** information technology **(including our operational technology** and websites **) by** ~~may be susceptible to~~ cybersecurity **incidents, data security** breaches, ~~outages and~~ other ~~risks~~ **security problems, design defects or system failures could have a material negative impact on our business** . We rely on information technology that supports our business processes, including **research and development,** product development, **production, distribution,** marketing, sales, order processing, ~~production~~ **consumer experiences** , ~~distribution~~ **human resource management** , finance and ~~intracompany~~ **internal and external** communications throughout the world. We have e- commerce, m- commerce and other Internet websites in the United States and many other countries. ~~These~~ **We experience cybersecurity incidents of varying degrees on our information technology and, as a result, unauthorized parties have obtained in the past, and may obtain in the future, access to our** systems **and data (including unauthorized acquisition of such data). As we disclosed on July 18, 2023, and as noted in Part II, Item 7, Management' s Discussion and Analysis of Financial Condition and Results of Operations, an unauthorized third party gained access to some of our systems and data (including unauthorized acquisition of such data), which caused disruption to parts of our business operations and resulted in various expenses for investigation, remediation and other related matters. Cybersecurity incidents at our Company have in the past resulted from, and may in the future result from, social engineering or impersonation of authorized users, and may also result from efforts to discover and exploit design flaws, bugs, security vulnerabilities or security weaknesses, intentional or unintentional acts by employees or other insiders with access privileges, intentional acts of vandalism or fraud by third parties and sabotage. In some instances, efforts to correct vulnerabilities or prevent incidents have in the past and may in the future reduce the functionality or performance of our information technology, which could negatively impact our business. Cybersecurity incidents can be caused by ransomware, distributed denial- of- service attacks, worms, and other malicious software programs or other attacks, including the covert introduction of malware to our information technology, and the use of techniques or processes that change frequently,** may be ~~susceptible~~ **disguised or difficult** to **detect** ~~outages due to fire~~ , **or are designed to remain dormant until a triggering** ~~floods, power loss, telecommunications failures, break- ins and other events~~ - **event,** ~~. Our systems~~ and ~~data~~ may ~~be vulnerable to constantly evolving cybersecurity threats~~ **continue undetected for an extended period of time. In addition, some of our suppliers, vendors, service providers, cloud solution providers and customers have in the past experienced, and may in the future experience,** such **incidents** ~~as malware~~ , ~~break-~~ **which could** ~~ins~~ - **in turn** ~~and similar disruptions from unauthorized tampering. The occurrence of these or other events could~~ disrupt ~~or damage our information technology, including operational technology, and adversely affect~~ our business. Insurance policies that may provide coverage with regard to such events may not cover any or all of the resulting financial losses. ~~Failure to adequately maintain the security of our electronic and other confidential information could materially adversely affect our business. We are dependent upon automated information technology processes.~~ As part of our normal business activities, we collect and store certain information that is confidential, proprietary or otherwise sensitive, including personal information ~~with respect to~~ **of consumers,** customers, ~~consumers~~ **suppliers, service providers** and employees. We share some of this information with certain ~~vendors~~ **third parties** who assist us with business matters. Moreover, the success of our ~~e- commerce and m- commerce~~ operations depends upon the secure transmission of confidential ~~and personal~~ **, proprietary or otherwise sensitive** data ~~over public networks~~ , including ~~the use of cashless payments. Any failure on the part of us or our vendors to maintain the security of our confidential data and~~ personal information, **over** ~~including via the penetration of our network~~ **networks . Any unauthorized access or data acquisition, despite** security ~~and~~ **measures in place to protect such data, or** ~~the~~ **other** ~~misappropriation~~ **failure on the part** of ~~confidential and personal information,~~ **us or third parties to maintain the security of such data** could result in business disruption, damage to our reputation, financial obligations to third parties **, legal obligations** , fines, penalties, regulatory proceedings and private litigation with potentially large costs, and also **could** result in deterioration in ~~our employees', consumers' and customers'~~ confidence in ~~us~~ **our Company** and other competitive disadvantages, and thus could have a material adverse effect on our business. In addition, a ~~security~~ **cybersecurity incident** ~~or data privacy breach~~ could require that we expend significant additional resources ~~to~~ **on remediation, restoration and** ~~enhance~~ **enhancement of** our ~~information security systems and could result in a disruption to our operations. Furthermore, third parties, including our suppliers and customers, also rely on~~ information technology ~~and may be subject to cybersecurity breaches that could impact their businesses and could in turn disrupt our supply chain and / or our business. We are subject to risks associated with our global information technology. Our implementation, maintenance and utilization of global information technology, including operational technology, supply chain and finance systems, human resource management systems, creative asset management and retail operating systems, as well as associated hardware and use of cloud- based models, involve risks and uncertainties. Failure to implement, maintain or utilize these and other systems as planned, in terms of timing, specifications, security policies, costs, or otherwise, could have a material adverse effect on our business~~ . Risks related to our Securities and our Ownership Structure The trading prices of our securities periodically may rise or fall based on the accuracy of predictions of our financial performance. Our business planning process is designed to maximize our long- term strength, growth and profitability, not to achieve an earnings target in any particular fiscal quarter. We believe that this longer- term focus is in the best interests of the Company and our stockholders. At the same time, however, we recognize that it may be helpful to provide investors with guidance as to our expectations regarding certain aspects of our business. This could include forecasts of net sales, earnings per share and other financial metrics or projections. We assume no responsibility to provide or update guidance, and any longer- term guidance we may provide is based on goals that we believe, at the time guidance is given, are reasonably attainable for growth and performance over a number of years. We historically have paid dividends on our common stock and repurchased shares of our Class A Common Stock; however, at times we have suspended the declaration of dividends and / or the repurchase of our Class A Common Stock. Going forward, at any time, we could stop ~~or~~ **,** suspend ~~payment~~ **or change the amounts** of dividends or stop or suspend our stock repurchase program, and any such action could cause the market price of our stock to decline. In all of our public statements when we make, or update, a forward- looking statement about our business, whether it be about net sales or earnings expectations or expectations regarding restructuring or other initiatives, or otherwise, we accompany such statements directly, or by reference to a public document, with a list of factors that could cause our actual results to differ materially from those we expect. Such a list is included, among other places, in our earnings press release and in our periodic filings with the SEC (e. g., in our reports on Form 10- K and Form 10- Q). These and other factors may make it difficult for us and for outside observers, such as research analysts, to predict what our earnings or other financial metrics, or business outcomes, will be in any given fiscal quarter or year. Outside analysts and investors have the right to make their own predictions of our business for any future period. Outside analysts, however, have access to no more material information about our results or plans than any other public investor, and we do not endorse their predictions as to our future performance. Nor do we assume any responsibility to correct the predictions of outside analysts or others when they differ from our own internal expectations. If our actual results differ from those that outside analysts or others have been predicting, the market price of our securities could be affected. Investors who rely on the predictions of outside analysts or others when making investment decisions with respect to our securities do so at their own risk. We take no responsibility for any losses suffered as a result of such changes in the prices of our securities. We are controlled by the Lauder family. As a result, the Lauder family has the ability to prevent or cause a change in control or approve, prevent or influence certain actions by us. As of August ~~17~~ **11** , ~~2022~~ **2023** , members of the Lauder family beneficially own, directly or indirectly, shares of the Company' s Class A Common Stock (with one vote per share) and Class B Common Stock (with 10 votes per share) having approximately 84 % of the outstanding voting power of the Common Stock. In addition, there are four members of the Lauder family who are Company employees and members of our Board of Directors. As a result of their stock ownership and positions at the Company, as well as our dual- class structure, the Lauder family has the ability to exercise significant control and influence over our business, including all matters requiring stockholder approval (e. g., the election of directors, amendments to the certificate of incorporation, and significant corporate transactions, such as a merger or other sale of our Company or its assets) for the foreseeable future. In addition, if significant stock indices decide to prohibit the inclusion of companies with dual- class stock structures, the price of our Class A Common Stock could be negatively impacted and could become more volatile. We are a " controlled company " within the meaning of the New York Stock Exchange rules and, as a result, are relying on exemptions from certain corporate governance requirements that are designed to provide protection to stockholders of companies that are not " controlled companies. " The Lauder family and their related entities own more than 50 % of the total voting power of our common shares and, as a result, we are a " controlled company " under the New York Stock Exchange corporate governance standards. As a controlled company, we are exempt under the New York Stock Exchange standards from the obligation to comply with certain New York Stock Exchange corporate governance requirements, including the requirements that (1) a majority of our board of directors consists of independent directors; (2) we have a nominating committee that is composed entirely of independent directors with a written charter addressing the committee' s purpose and responsibilities; and (3) we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee' s purpose and responsibilities. While we have voluntarily caused our Board to have a majority of independent directors and the written charters of our Nominating and ESG Committee and ~~the~~ Compensation Committee to have the required provisions, we are not requiring our Nominating and ESG Committee and Compensation Committee to be comprised solely of independent directors. As a result of our use of the " controlled company " exemptions, investors will not have the same protection afforded to stockholders of companies that are subject to all of the New York Stock Exchange corporate governance requirements.