Risk Factors Comparison 2024-01-24 to 2023-01-24 Form: 10-K

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As a global manufacturer of adhesives, sealants and other specialty chemical products, we operate in a business environment that is subject to various risks and uncertainties. Below are the most significant factors that could adversely affect our business, financial condition and results of operations. Strategic and Operational Risks **We** are at risk of cyber- attacks or other security breaches that could compromise sensitive business information,undermine our ability to operate effectively and expose us to liability,which could cause our business and reputation to suffer.Increasingly,companies are subject to a wide variety of attacks on their networks on an ongoing basis.In addition to traditional computer " hackers," malicious code (such as viruses and worms),phishing attempts, ~~ransomware,~~ employee theft or misuse,and denial of service attacks,sophisticated nation- state and nation- state supported actors engage in intrusions and attacks (including advanced persistent threat intrusions) and add to the risks to internal networks,cloud deployed enterprise and customer- facing environments and the information they store and process.Despite significant efforts to create security barriers to such threats,it is virtually impossible for us to entirely mitigate these risks.We,and our third- party software and service providers, **may face** ~~have experienced and will continue to experience~~ security threats and attacks from a variety of sources.As part of our business,we store our data,including intellectual property,and certain data about our employees,customers and vendors in our information technology systems.Our security measures may be breached as a result of third- party action,including intentional misconduct by computer hackers,employee error,malfeasance or otherwise.Third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as usernames,passwords,or other information to gain access to our customers' data or our data,including our intellectual property and other confidential business information,or our information technology systems.In addition,given their size and complexity,our information systems could be vulnerable to service interruptions or to security breaches from inadvertent or intentional actions by our employees,third- party vendors and / or business partners,or from cyber-attacks by malicious third parties attempting to gain unauthorized access to our products,systems or confidential information. ~~We are subject to increasingly complex and evolving laws,regulations and customer- imposed controls,that govern privacy and cybersecurity.These laws and regulations have been adopted by multiple agencies at the federal and state level,as well as in foreign jurisdictions,and the regimes have not been harmonized.Our failure to comply with these regulatory regimes may result in significant liabilities or penalties.~~ If a third party gained unauthorized access to our data,including any data regarding our employees **,customers or vendors,the security breach could expose us to risks.Such unauthorized access and a failure to effectively recover from breaches could compromise confidential information,disrupt our business,harm our reputation,result in the loss of customer confidence,business and assets (including trade secrets and other intellectual property),result in regulatory proceedings and legal claims,and have a negative impact on our financial results.** Our business and operations have been, and may in the future, be adversely affected by epidemics, pandemics, outbreaks of disease and other adverse public health developments ~~, including COVID- 19~~ . Epidemics, pandemics, outbreaks of novel diseases and other adverse public health developments in countries and states where we operate may arise at any time. Such developments, including the COVID- 19 pandemic, have had, and in the future may have, an adverse effect on our business, financial condition and results of operations. These effects include a potentially negative impact on the availability of our key personnel, labor shortages and increased turnover, temporary closures of our facilities or facilities of our business partners, customers, suppliers, third- party service providers or other vendors, and interruption of domestic and global supply chains, distribution channels and liquidity and capital or financial markets. In particular, restrictions on or disruptions of transportation, port closures or increased border controls or closures, or other impacts on domestic and global supply chains or distribution channels, could increase our costs for raw materials and commodity costs, increase demand for raw materials and commodities from competing purchasers, limit our ability to meet customer demand or otherwise have a material adverse effect on our business, financial condition and results of operations or cash flows. Precautionary measures that we may take in the future intended to limit the impact of any epidemic, pandemic, disease outbreak or other public health development, may result in additional costs. In addition, such epidemics, pandemics, disease outbreaks or other public health developments may adversely affect economies and financial markets throughout the world, such as the effect that COVID- 19 has had on world economies and financial markets, which may affect our ability to obtain additional financing for our businesses and demand for our products and services. The extent to which **major public health issues** ~~COVID- 19 or other pandemics will~~ impact our business and our financial results in the future will depend on future developments, which are highly uncertain and cannot be predicted. ~~Such developments may include ongoing spread of the virus, disease severity, outbreak duration, extent of any reoccurrence of the coronavirus or any evolutions or mutations of the virus, and availability, administration and effectiveness of vaccines and development of therapeutic treatments that can restore consumer and business economic confidence.~~ As a result, it is not possible to predict the overall future impact of ~~COVID- 19~~ **major public health issues** on our business, liquidity, capital resources and financial results . Increases in prices and declines in...... to deliver, them to our customers . We experience substantial competition in each of the operating segments and geographic areas in which we operate. Our wide variety of products are sold in numerous markets, each of which is highly competitive. Our competitive position in markets is, in part, subject to external factors. For example, supply and demand for certain of our products is driven by end- use markets and worldwide capacities which, in turn, impact demand for and pricing of our products. Many of our direct competitors are part of large multinational companies and may have more resources than we do. Any increase in competition may result in lost market share or reduced prices, which could result in reduced profit margins. This may impair the ability to grow or even to maintain current levels of revenues and earnings. While we have an extensive customer base, loss of certain top customers could adversely affect our financial condition and results of operations until such business is replaced, and no assurances can be made that we would be able to regain or replace any lost customers. Failure to develop **and / or acquire** new products and protect our intellectual property could negatively impact our future performance and growth. Ongoing innovation and product development are important factors in our competitiveness **, as is acquisition of new technologies** . Failure to create **and / or acquire** new products and generate new ideas could negatively impact our ability to grow and deliver strong financial results **. We may face difficulties marketing products produced using new technologies including, but not limited to, sustainable adhesives, which may adversely impact our sales and financial results. Failure of the products to work as predicted could lead to liability and damage to our reputation** . We continually apply for and obtain U. S. and foreign patents to protect the results of our research for use in our operations and licensing. We are party to a number of patent licenses and other technology agreements. We rely on patents, confidentiality agreements and internal security measures to protect our intellectual property. Failure to protect this intellectual property could negatively affect our future performance and growth. Our operations may present health and safety risks. Notwithstanding our emphasis on the safety of our employees and contractors and the precautions we take related to health and safety, we may be unable to avoid safety incidents relating to our operations that result in injuries or deaths. Certain safety incidents may result in legal or regulatory action that could result in increased expenses or reputational damage. We maintain workers' compensation insurance to address the risk of incurring material liabilities for injuries or deaths, but there can be no assurance that the insurance coverage will be adequate or will continue to be available on terms acceptable to us, or at all, which could result in material liabilities to us for any injuries or deaths. Changes to federal, state and local employee health and safety regulations, and legislative, regulatory or societal responses to safety incidents may result in heightened regulations or public scrutiny that may increase our compliance costs or result in reputational damage. A failure in our information technology systems could negatively impact our business. We rely on information technology to record and process transactions, manage our business and maintain the financial accuracy of our records. Our computer systems are subject to damage or interruption from various sources, including power outages, computer and telecommunications failures, computer viruses, security breaches, vandalism, catastrophic events and human error. Interruptions of our computer systems could disrupt our business, for example by leading to plant downtime and / or power outages ~~,~~ and could result in the loss of business and cause us to incur additional expense. We are in the process of implementing a global Enterprise Resource Planning (“ ERP ”) system **, including upgrading to SAP S / 4HANA ® which is anticipated to occur at the beginning of fiscal 2025,** that we refer to as Project ONE, which will upgrade and standardize our information system. Implementation of Project ONE began in our North America adhesives business in 2014 and, through ~~2022~~ **2023** , we completed implementation of this system in various parts of our business including Latin America (except Brazil), Australia and various other businesses in North America and **Europe, India, Middle East and Africa (** EIMEA **)** . During ~~2023~~ **2024** and beyond, we will continue implementation in North America **; Europe** , **India, the Middle East and Africa ("** EIMEA **"); Brazil** and Asia Pacific. Any delays or other failure to achieve our implementation goals may adversely impact our financial results. In addition, the failure to either deliver the application on time or anticipate the necessary readiness and training needs could lead to business disruption and loss of business. Failure or abandonment of any part of the ERP system could result in a write- off of part or all of the costs that have been capitalized on the project. We are at risk of cyber-...... negative impact on our financial results. Risks associated with acquisitions could have an adverse effect on us and the inability to execute organizational restructuring may affect our results. As part of our growth strategy, ~~from time to time,~~ we have made **, and will likely continue to make,** acquisitions of complementary businesses or products. The ability to grow through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions. If we fail to successfully integrate acquisitions into our existing business, our results of operations and our cash flows could be adversely affected. Our acquisition strategy also involves other risks and uncertainties, including distraction of management from current operations, greater than expected liabilities and expenses, inadequate return on capital, unidentified issues not discovered in our investigations and evaluations of those strategies and acquisitions, and difficulties implementing and maintaining consistent standards, controls, procedures, policies and systems. Future acquisitions could result in additional debt and other liabilities, and increased interest expense, restructuring charges and amortization expense related to intangible assets. Our growth strategy depends in part on our ability to further penetrate markets outside the United States, where there is the potential for significant economic and political disruptions. Our operations in these markets may be subject to greater risks than those faced by our operations in the United States, including political and economic instability, project delay or abandonment due to unanticipated government actions, inadequate investment in infrastructure, undeveloped property rights and legal systems, unfamiliar regulatory environments, relationships with local partners, language and cultural differences and increased difficulty recruiting, training and retaining qualified employees. In addition, our profitability is dependent on our ability to drive sustainable productivity improvements such as cost savings through organizational restructuring. Delays or unexpected costs may prevent us from realizing the full operational and financial benefits of such restructuring initiatives and may potentially disrupt our operations. **Macroeconomic Risks Uncertainties in foreign economic, political, regulatory and social conditions and fluctuations in foreign currency may adversely affect our results. Approximately 56 percent, or $ 2. 0 billion, of our net revenue was generated outside the United States in 2023. International operations could be adversely affected by changes in economic, political, regulatory, and social conditions, especially in Brazil, Russia, China, the Middle East, including Turkey and Egypt, and other developing or emerging markets where we do business. An economic downturn in the businesses or geographic areas in which we sell our products could reduce demand for these products and result in a decrease in sales volume that could have a negative impact on our results of operations. Product demand often depends on end- use markets. Economic conditions that reduce consumer confidence or discretionary spending may reduce product demand. Challenging economic conditions may also impair the ability of our customers to pay for products they have purchased, and as a result, our reserves for doubtful accounts and write- offs of accounts receivable may increase. In addition, trade**

protection measures, anti- bribery and anti- corruption regulations, restrictions on repatriation of earnings and cash, currency controls implemented by foreign governments, differing intellectual property rights and changes in legal and regulatory requirements that restrict the sales of products or increase costs could adversely affect our results of operations. Fluctuations and volatility in exchange rates between the U. S. dollar and other currencies could potentially result in increases or decreases in net revenue, cost of raw materials and earnings and may adversely affect the value of our assets outside the United States. In 2023, the change in foreign currencies negatively impacted our net revenue by approximately $ 88. 5 million. In 2023, we spent approximately $ 1. 9 billion for raw materials worldwide of which approximately $ 1. 0 billion was purchased outside the United States. Based on 2023 financial results, a hypothetical one percent change in our cost of sales due to foreign currency rate changes would have resulted in a change in net income of approximately $ 9. 4 million or $ 0. 17 per diluted share. Although we utilize risk management tools, including hedging, as appropriate, to mitigate market fluctuations in foreign currencies, any changes in strategy in regard to risk management tools can also affect revenue, expenses and results of operations and there can be no assurance that such measures will result in cost savings or that all market fluctuation exposure will be eliminated. Distressed financial markets may result in dramatic deflation of financial asset valuations and high interest rates may disrupt the availability of capital. Adverse equity market conditions and volatility in the credit markets could have a negative impact on the value of our pension trust assets, our future estimated pension liabilities and other postretirement benefit plans. In addition, we could be required to provide increased pension plan funding. As a result, our financial results could be negatively impacted. In a rising interest rate environment, more costly debt and reduced access to capital markets may affect our ability to invest in strategic growth initiatives such as acquisitions. In addition, the reduced credit availability could limit our customers' ability to invest in their businesses, refinance maturing debt obligations, or meet their ongoing working capital needs. If these customers do not have sufficient access to the financial markets, demand for our products may decline. The military conflicts between Russia and Ukraine and Israel and Hamas, and the global response to these events, could adversely impact our revenues, gross margins and financial results. The U. S. government and other nations have imposed significant restrictions on most companies' ability to do business in Russia as a result of the military conflict between Russia and Ukraine. Increases in energy demand and supply disruptions caused by the Russia and Ukraine conflict have resulted in significantly higher energy prices, particularly in Europe. Further, in October 2023, a military conflict commenced between Israel and Hamas. It is not possible to predict the broader or longer- term consequences of these conflicts, which could include further sanctions, embargoes, regional instability, energy shortages, geopolitical shifts and adverse effects on macroeconomic conditions, security conditions, currency exchange rates and financial markets. Such geopolitical instability and uncertainty could have a negative impact on our ability to sell to, ship products to, collect payments from, and support customers in certain regions based on trade restrictions, embargoes and export control law restrictions, and logistics restrictions including closures of air space, and could increase the costs, risks and adverse impacts from these new challenges. We may also be the subject of increased cyber- attacks. While the countries involved in these conflicts do not constitute a material portion of our business, a significant escalation or expansion of economic disruption or the conflicts' current scope could have a material adverse effect on our results of operations. Catastrophic events could disrupt our operations or the operations of our suppliers or customers, having a negative impact on our financial results. Unexpected events, including global pandemics, natural disasters and severe weather events, fires or explosions at our facilities or those of our suppliers, acts of war or terrorism, supply disruptions or breaches of security of our information technology systems could increase the cost of doing business or otherwise harm our operations, our customers and our suppliers. Such events could reduce demand for our products or make it difficult or impossible for us to receive raw materials from suppliers and deliver products to our customers. Legal and Regulatory Risks The impact of changing laws or regulations or the manner of interpretation or enforcement of existing laws or regulations could adversely impact our financial performance and restrict our ability to operate our business or execute our strategies. New laws or regulations, or changes in existing laws or regulations or the manner of their interpretation or enforcement, could increase our cost of doing business and restrict our ability to operate our business or execute our strategies. In addition, compliance with laws and regulations is complicated by our substantial global footprint, which will require significant and additional resources to ensure compliance with applicable laws and regulations in the various countries where we conduct business. Our global operations expose us to trade and economic sanctions and other restrictions imposed by the U. S., the EU and other governments and organizations. The U. S. Departments of Justice, Commerce, State, Homeland Security, and Treasury and other federal agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of economic sanctions laws, export control laws, the FCPA and other federal statutes and regulations, including those established by the OFAC. Under these laws and regulations, as well as other anti- corruption laws, anti- money- laundering laws, export control laws, customs laws, sanctions laws and other laws governing our operations, various government agencies may require export licenses, may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries or with sanctioned persons or entities and modifications to compliance programs, including import restrictions, which may increase compliance costs, and may subject us to fines, penalties and other sanctions. A violation of these laws, regulations, policies or procedures could adversely impact our business, results of operations and financial condition. Although we have implemented policies and procedures in these areas, we cannot assure that our policies and procedures are sufficient or that directors, officers, employees, representatives, manufacturers, suppliers and agents have not engaged and will not engage in conduct in violation of such policies and procedures. Costs and expenses resulting from compliance with environmental laws and regulations may negatively impact our operations and financial results. We are subject to numerous environmental laws and regulations that impose various environmental controls on us or otherwise relate to environmental protection, the sale and export of certain chemicals or hazardous materials, and various health and safety matters. The costs of complying with these laws and regulations can be significant and may increase as applicable requirements and their enforcement become more stringent and new rules are implemented. Adverse developments and / or periodic settlements could negatively impact our results of operations and cash flows. See Item 3. Legal Proceedings for a discussion of current environmental matters. Climate change, or legal, regulatory or market measures to address climate change, may materially adversely affect our financial condition and business operations. Climate change resulting from increased concentrations of carbon dioxide and other greenhouse gases in the atmosphere could present risks to our future operations from natural disasters and extreme weather conditions, such as hurricanes, tornadoes, earthquakes, wildfires or flooding. Such extreme weather conditions could pose physical risks to our facilities and disrupt operation of our supply chain and may increase operational costs. The impacts of climate change on global water resources may result in water scarcity, which could in the future impact our ability to access sufficient quantities of water in certain locations and result in increased costs. Concern over climate change ~~could~~ **continues to** result in new legal or regulatory requirements designed to mitigate the effects of climate change on the environment **,** ~~. If~~ such ~~laws or~~ **as the EU' s CSRD, California' s Climate Corporate Data Accountability Act and Climate Related Financial Risk Act, and similar** regulations **under consideration by the SEC. We** are ~~more stringent than current legal or regulatory requirements, we may experience~~ **experiencing** increased compliance burdens and costs to meet the regulatory obligations and **these regulatory obligations** may adversely affect raw material sourcing, manufacturing operations and the distribution of our products **. Our business exposes us to potential product liability, warranty, and tort claims, and recalls, which may negatively impact our operations, financial results, and reputation. The development, manufacture and sale of adhesives, sealants, and other specialty chemical products by us, including products produced for the medical device, automotive, food and beverage, aerospace and defense, construction, and hygiene products end markets, involves a risk of exposure to product liability, warranty, and tort claims, product recalls, product seizures and related adverse publicity. A product liability, warranty, or tort claim or judgment against us could also result in substantial and unexpected expenditures, affect customer confidence in our products, and divert management' s attention from other responsibilities. Although we maintain product liability insurance, there can be no assurance that the level of coverage is adequate, that coverage will apply, or that we will be able to continue to maintain our existing insurance or obtain comparable insurance at a reasonable cost, if at all. We also have contracting policies and controls in place to limit our exposure to third party claims, though we might not always be able to limit our exposure to those claims** . We have lawsuits and claims against us with uncertain outcomes. Our operations from time to time are parties to or targets of lawsuits, claims, investigations and proceedings, including product liability, personal injury, asbestos, patent and intellectual property, commercial, contract, environmental, antitrust, health and safety, and employment matters, which are handled and defended in the ordinary course of business. The results of any future litigation or settlement of such lawsuits and claims are inherently unpredictable, but such outcomes could be adverse and material in amount. See Item 3. Legal Proceedings for a discussion of current litigation. The Company' s effective tax rate could be volatile and materially change as a result of the adoption of new tax legislation and other factors. A change in tax laws is one of many factors that impact the Company' s effective tax rate. The U. S. Congress and other government agencies in jurisdictions where the Company does business have had an extended focus on issues related to the taxation of multinational corporations. As a result, the tax laws in the U. S. and other countries in which the Company does business could change, and any such changes could adversely impact our effective tax rate, financial condition and results of operations. The Organization for Economic Co- operation and Development (" OECD"), an international association of 38 countries including the United States, ~~has proposed~~ **finalized and adopted numerous** changes to ~~numerous~~ long- standing tax principles. **Certain of** ~~These~~ **these changes become effective for** ~~proposals, if finalized and adopted by~~ the ~~associated countries,~~ **Company in 2025 and** will likely increase tax uncertainty and may adversely affect our provision for income taxes ~~. The current U. S. presidential administration could enact changes in tax laws that could negatively impact the Company' s effective tax rate. Prior to the U. S. presidential election, President Biden proposed an increase in the U. S. corporate income tax rate from 21 % to 28 %, doubling the rate of tax on certain earnings of foreign subsidiaries, the creation of a 10 % penalty on certain imports and a 15 % minimum tax on worldwide book income. Additionally, the proposed changes include significant provisions related to the deductibility of interest. If any or all of these (or similar) proposals are ultimately enacted into law, in whole or in part, they could have a negative impact to the Company' s effective tax rate~~ . Additional income tax expense or exposure to additional income tax liabilities could have a negative impact on our financial results. We are subject to income tax laws and regulations in the United States and various foreign jurisdictions. Significant judgment is required in evaluating and estimating our provision and accruals for these taxes. Our income tax liabilities are dependent upon the location of earnings among these different jurisdictions. Our income tax provision and income tax liabilities could be adversely affected by the jurisdictional mix of earnings, changes in valuation of deferred tax assets and liabilities and changes in tax laws and regulations. In the ordinary course of our business, we are also subject to continuous examinations of our income tax returns by tax authorities. Although we believe our tax estimates are reasonable, the final results of any tax examination or related litigation could be materially different from our related historical income tax provisions and accruals. Adverse developments in an audit, examination or litigation related to previously filed tax returns, or in the relevant jurisdiction' s tax laws, regulations, administrative practices, principles and interpretations could have a material effect on our results of operations and cash flows in the period or periods for which that development occurs, as well as for prior and subsequent periods **. The decision to repatriate foreign earnings could result in higher withholding taxes** . Financial Risks We may be required to record impairment charges on our goodwill or long- lived assets. Weak demand may cause underutilization of our manufacturing capacity or elimination of product lines; contract terminations or customer shutdowns may force sale or abandonment of facilities and equipment; or other events associated with weak economic conditions or specific product or customer events may require us to record an impairment on tangible assets, such as facilities and equipment, as well as intangible assets, such as intellectual property or goodwill, which would have a negative impact on our financial results. Our current indebtedness could have a negative impact on our liquidity or restrict our activities. Our current indebtedness contains various covenants that limit our ability to engage in specified types of transactions. Our overall leverage and the terms of our financing arrangements could: ● limit our ability to obtain additional financing in the future for working capital, capital expenditures and acquisitions ~~; ● make it more difficult to satisfy our obligations under the terms of our indebtedness; ● limit our ability to refinance our indebtedness on terms acceptable to us or at all; ● limit our flexibility to plan for and adjust to changing business and market conditions in the industries in which we operate and increase our vulnerability to general adverse economic and industry conditions; ● require us to dedicate a substantial portion of our cash flow to make interest and principal payments on our debt, thereby limiting the availability of our cash flow to fund future acquisitions, working capital, business activities and other general corporate requirements; ● limit our ability to obtain additional financing for working capital, to fund growth or for general corporate purposes~~ , even when necessary to maintain adequate liquidity, particularly if any ratings assigned to our debt securities by rating organizations were revised downward; **● make it more difficult to satisfy our obligations under the terms of our indebtedness; ● limit our ability to refinance our indebtedness on terms acceptable to us or at all; ● limit our flexibility to plan for** and **adjust to changing business and market conditions in the industries in which we operate and increase our vulnerability to general adverse economic and industry conditions; ● require us to dedicate a substantial portion of our cash flow to make interest and principal payments on our debt, thereby limiting the availability of our cash flow to fund future acquisitions, working capital, business activities and other general corporate requirements;** ● subject us to higher levels of indebtedness than our competitors, which may cause a competitive disadvantage and may reduce our flexibility in responding to increased competition **; and ● expose us to interest rate risk since a portion of our debt obligations are at variable rates. This could negatively impact our earnings, cash flows and our ability to grow. For example, a one percentage point increase in the average interest rate on our floating rate debt at December 2, 2023 would increase future interest expense by approximately $ 5. 3 million per year** . In addition, the restrictive covenants require us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests will depend on our ongoing financial and operating performance, which, in turn, will be subject to economic conditions and to financial, market and competitive factors, many of which are beyond our control. A breach of any of these covenants could result in a default under the instruments governing our indebtedness. ~~The interest rates of our term loans are priced using a spread over LIBOR. LIBOR, the London Interbank Offered Rate, is the basic rate of interest used in lending between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. We typically use LIBOR as a reference rate or index in our term loans such that the interest due to our creditors pursuant to a term loan extended to us is calculated using LIBOR. Most of our term loan agreements contain a stated minimum value for LIBOR. On July 27, 2017, the United Kingdom' s Financial Conduct Authority, which regulates the entity that calculates LIBOR, announced that LIBOR was to be phased out by the end of 2021. Subsequently, on March 5, 2021, LIBOR' s administrator announced that publication of overnight, one- month, three- month, six- month and 12- month U. S. dollar LIBOR would cease immediately following publication of such interest rates on June 30, 2023, and that publication of all other currency and tenor variants would cease immediately following publication on December 31, 2021. In December 2022, the FASB released an exposure draft that proposes deferring the sunset date of Financial Accounting Standards Board (" FASB ") Accounting Standard Codification (" ASC ") Topic 848, Reference Rate Reform, which provides optional relief for contract modifications that are related to reference rate reform, from December 31, 2022 to December 31, 2024. The U. S. Federal Reserve has selected the Secured Overnight Funding Rate (" SOFR") as the preferred alternate rate to LIBOR. We are planning for this transition and will amend any agreements to accommodate the SOFR rate where required. While our term loan is calculated using LIBOR as its underlying rate, our revolver has transitioned to now using SOFR as its underlying rate. We continue to evaluate the potential impact of the transition to the SOFR rate, which remains subject to uncertainty. MacroeconomicRisks Uncertainties in foreign economic, political, regulatory and social conditions and fluctuations in foreign currency may adversely affect our results. Approximately 55 percent, or $ 2. 1 billion, of our net revenue was generated outside the United States in 2022. International operations could be adversely affected by changes in economic, political, regulatory, and social conditions, especially in Brazil, Russia, China, the Middle East, including Turkey and Egypt, and other developing or emerging markets where we do business. An economic downturn in the businesses or geographic areas in which we sell our products could reduce demand for these products and result in a decrease in sales volume that could have a negative impact on our results of operations. Product demand often depends on end- use markets. Economic conditions that reduce consumer confidence or discretionary spending may reduce product demand. Challenging economic conditions may also impair the ability of our customers to pay for products they have purchased, and as a result, our reserves for doubtful accounts and write- offs of accounts receivable may increase. In addition, trade protection measures, anti- bribery and anti- corruption regulations, restrictions on repatriation of earnings, differing intellectual property rights and changes in legal and regulatory requirements that restrict the sales of products or increase costs could adversely affect our results of operations. Fluctuations in exchange rates between the U. S. dollar and other currencies could potentially result in increases or decreases in net revenue, cost of raw materials and earnings and may adversely affect the value of our assets outside the United States. In 2022, the change in foreign currencies negatively impacted our net revenue by approximately $ 191. 7 million. In 2022, we spent approximately $ 2. 2 billion for raw materials worldwide of which approximately $ 1. 2 billion was purchased outside the United States. Based on 2022 financial results, a hypothetical one percent change in our cost of sales due to foreign currency rate changes would have resulted in a change in net income of approximately $ 10. 5 million or $ 0. 19 per diluted share. Although we utilize risk management tools, including hedging, as appropriate, to mitigate market fluctuations in foreign currencies, any changes in strategy in regard to risk management tools can also affect revenue, expenses and results of operations and there can be no assurance that such measures will result in cost savings or that all market fluctuation exposure will be eliminated. Distressed financial markets may result in dramatic deflation of financial asset valuations and a general disruption in capital markets.~~

~~Adverse equity market conditions and volatility in the credit markets could have a negative impact on the value of our pension trust assets, our future estimated pension liabilities and other postretirement benefit plans. In addition, we could be required to provide increased pension plan funding. As a result, our financial results could be negatively impacted. Reduced access to capital markets may affect our ability to invest in strategic growth initiatives such as acquisitions. In addition, the reduced credit availability could limit our customers' ability to invest in their businesses, refinance maturing debt obligations, or meet their ongoing working capital needs. If these customers do not have sufficient access to the financial markets, demand for our products may decline. The military conflict between Russia and Ukraine, and the global response to it, could adversely impact our revenues, gross margins and financial results. The U. S. government and other nations have imposed significant restrictions on most companies' ability to do business in Russia as a result of the military conflict between Russia and Ukraine. Increases in energy demand and supply disruptions caused by the Russia and Ukraine conflict have resulted in significantly higher energy prices, particularly in Europe. It is not possible to predict the broader or longer- term consequences of this conflict, which could include further sanctions, embargoes, regional instability, energy shortages, geopolitical shifts and adverse effects on macroeconomic conditions, security conditions, currency exchange rates and financial markets. Such geo- political instability and uncertainty could have a negative impact on our ability to sell to, ship products to, collect payments from, and support customers in certain regions based on trade restrictions, embargoes and export control law restrictions, and logistics restrictions including closures of air space, and could increase the costs, risks and adverse impacts from these new challenges. We may also be the subject of increased cyber- attacks. While Russia does not constitute a material portion of our business, a significant escalation or expansion of economic disruption or the conflict' s current scope could have a material adverse effect on our results of operations. Catastrophic events could disrupt our operations or the operations of our suppliers or customers, having a negative impact on our financial results. Unexpected events, including global pandemics, natural disasters and severe weather events, fires or explosions at our facilities or those of our suppliers, acts of war or terrorism, supply disruptions or breaches of security of our information technology systems could increase the cost of doing business or otherwise harm our operations, our customers and our suppliers. Such events could reduce demand for our products or make it difficult or impossible for us to receive raw materials from suppliers and deliver products to our customers.~~