Risk Factors Comparison 2024-03-13 to 2023-03-15 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

Our business, results of operations, and financial condition are subject to numerous risks and uncertainties. In connection with any investment decision with respect to our securities, you should carefully consider the following risk factors, as well as the other information contained in this report and our other filings with the SEC. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. Should any of these risks materialize, our business, results of operations, financial condition and future prospects could be negatively impacted, which in turn could affect the trading value of our securities. You should read these Risk Factors in conjunction with Part II, Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes in Item 8. STRATEGIC RISKS Strong competition could adversely affect prices and demand for our products and services and could decrease our market share. Our industry is highly competitive, highly fragmented, and evolving. As a result, we face competition for customers for our products and services from a variety of retailers, suppliers, service providers, and distributors and manufacturers that sell products directly to their respective customer bases. These competitors range from traditional brick- and- mortar, to multichannel, to exclusively online, and they include a number of other home improvement retailers; **local, regional and national hardware stores;** electrical, plumbing and building materials supply houses; and lumber yards. With respect to some products and services, we also compete with specialty design stores, showrooms, discount stores, ~~local, regional and national hardware stores,~~ paint stores, specialty and mass digital retailers, warehouse clubs ~~, independent building supply stores~~ , MRO distributors, home décor retailers, and other retailers, as well as with providers of home improvement services and tool and equipment rental. The internet facilitates competitive entry, price transparency, and comparison shopping, increasing the level of competition we face. We compete primarily based on customer experience ~~,~~ **;** price ~~,~~ **;** quality ~~,~~ **;** product availability ~~and~~ **,** assortment, **and innovation;** and delivery options, both in- store and online. We also compete based on store location and appearance, presentation of merchandise, and ease of shopping experience **throughout every step of the project, from inspiration and research to any post- purchase support** . Our Pros also look for ~~a~~ dedicated sales ~~team~~ **support** , competitive credit **and** ~~Fiscal 2022 Form 10- K10and~~ pricing options, project planning tools, ~~and~~ product depth and job lot quantities, particularly for their ~~planned~~ **complex** purchase needs. Furthermore, customers are increasingly shopping online and seeking faster and / or guaranteed delivery times, low- price or free shipping, and / or convenient pickup options. Our ability to be competitive on delivery and pickup times, options and costs depends on many factors, including leveraging the momentum of our ~~strategic~~ investments in our supply chain and our interconnected retail capabilities to further enhance the customer shopping experience. Failure to successfully manage these factors and offer competitive delivery and pickup options could negatively impact our profit margins and the demand for our products. ~~We~~ **Fiscal 2023 Form 10- K10We** use our marketing, advertising and promotional programs to drive customer traffic and compete more effectively, and we must regularly assess and adjust our efforts to address changes in the competitive landscape. Intense competitive pressures from one or more of our competitors, such as through aggressive promotional pricing or liquidation events, or our inability to adapt effectively and quickly to a changing competitive landscape, could adversely affect our prices, our margins, or demand for our products and services. If we are unable to timely and appropriately respond to these competitive pressures, including through the delivery of a superior interconnected customer experience or through maintenance of effective sales and marketing, advertising or promotional programs leveraging both our digital and physical platforms, our market share and our financial performance could be adversely affected. In ~~addition,~~ **fiscal 2023** we ~~are~~ **also continued to** ~~operating~~ **operate** in **an inflationary and rising interest rate environment, and the long- term outlook is difficult to predict. If we experience inflation or deflation at** a **level** ~~highly inflationary environment. If inflation increases~~ beyond our ability to **respond effectively** ~~control our related costs~~ , we may not be able to adjust prices to sufficiently offset the ~~effect~~ **effects** ~~of the various cost increases~~ without negatively impacting consumer demand **or margins, as applicable** , or it may adversely affect our ability to compete based on price. We may not timely identify or effectively respond to consumer needs, expectations or trends, which could adversely affect our relationship with our customers, the demand for our products and services, and our market share. The success of our business depends in part on our ability to identify and respond promptly to evolving trends in demographics; shifts in consumer preferences, expectations and needs; **changes in the macroeconomic environment;** and unexpected weather conditions, **natural disasters, or** public health issues (including pandemics and related impacts) ~~, natural disasters, or changes in the macroeconomic environment~~ that impact our customers, while also managing appropriate inventory levels in our stores and distribution or fulfillment centers and maintaining an excellent customer experience. It is difficult to successfully predict the products and services our customers will demand. As our customers expect a more personalized experience, our ability to collect, use **, retain,** and protect relevant customer data is important to our ability to effectively meet their expectations. Our ability to collect and use that data, however, is subject to a number of external factors, including the impact of legislation or regulations governing data privacy **, data- driven technologies such as artificial intelligence,** and **data** security ~~and~~ **, as well as** customer expectations around data collection **, retention,** and use. In addition, each of our primary customer groups has different needs and expectations, many of which evolve as the demographics in a particular customer group change. Customer preferences and expectations related to sustainability of products and operations are also changing. **In addition, as the impacts of COVID- 19 have subsided, customers have shifted more of their spending back to travel, dining and other experiences, compared to the historic levels of home improvement spending we saw during the heights of the pandemic.** If we do not successfully differentiate the shopping experience to **attract our customers and** meet ~~the~~ **their** individual needs and expectations ~~of or within a customer group~~ , ~~we~~ **it** may ~~lose~~ **adversely impact our sales or our** market share ~~with respect to those customers~~ . Customer expectations about the methods by which they purchase and receive products or services are also becoming more demanding. Customers routinely and increasingly use technology and a variety of electronic devices and digital platforms to rapidly compare products and prices, read product reviews, determine real- time product availability, and purchase products, and new channels and tools to expand the customer experience appear and change rapidly. Our Pros also look for additional capabilities, including ~~a~~ dedicated sales ~~team~~ **support** , competitive credit and pricing options, project planning tools, and product depth and job lot quantities, particularly for their ~~planned~~ **complex** purchase needs. Once products are purchased, customers seek alternate options for delivery of those products, including advance ordering through digital platforms for Pros, and they often expect quick, timely, and low- price or free delivery and / or convenient pickup options. We must continually anticipate and adapt to these changes in the shopping and purchasing process by continuing to adjust and enhance the online and in- store customer experience as well as our delivery options. The coordinated operation of our network of physical stores, distribution facilities, and online platforms is fundamental to the success of our interconnected strategy. We cannot guarantee that our current or future fulfillment options will be maintained and implemented successfully or that we will be able to meet customer expectations on delivery or pickup times, options and costs. In addition, as our customers continue to leverage our enhanced interconnected shopping and fulfillment options, a greater concentration of online sales with direct fulfillment could result in a reduction in the amount of traffic in our stores, which would, in turn, reduce the opportunities for cross- selling of merchandise that such traffic creates and could reduce our overall sales and adversely affect our financial performance. A greater concentration of online sales with direct fulfillment could also result in higher costs for delivery, potentially impacting our profit margins. ~~Fiscal 2022 Form 10- K11~~ Failure to provide a relevant ~~or~~ **and** effective ~~online~~ customer experience in a timely manner that keeps pace with technological developments and dynamic customer expectations; to maintain appropriate inventory; to provide quick and low- price or free delivery alternatives and convenient pickup options; to differentiate the customer experience for our primary customer groups; to effectively implement an increasingly localized merchandising assortment; or to **Fiscal 2023 Form 10- K11** otherwise timely identify or respond to changing consumer preferences, expectations and home improvement needs could adversely affect our relationship with our customers, the demand for our products and services, and our market share. A positive brand and reputation are critical to our business success, and, if our brand and reputation are damaged, it could negatively impact our relationships with our customers, current and potential associates, suppliers, vendors, and shareholders, and, consequently, our business and results of operations or the price of our stock. Our brand and reputation are critical to attracting customers, current and potential associates, suppliers and vendors to do business with us. We must continue to manage and protect our brand and reputation. Negative incidents can erode trust and confidence quickly, and adverse publicity about us could damage our brand and reputation; undermine our customers' confidence in us; reduce demand for our products and services; affect our ability to recruit, engage, motivate and retain associates; attract regulatory scrutiny; and impact our relationships with current and potential suppliers and vendors. **Our suppliers' and vendors' business practices and positions may also be attributed to us, regardless of our Company' s actions, meaning the actions of third parties pose similar risks to our brand and reputation.** Further, our actual or perceived position or lack of position on social, environmental, governance, political, public policy, economic, geopolitical, or other sensitive issues, and any perceived lack of transparency about those matters, could harm our reputation with certain groups **. In addition, we could be criticized for the scope or nature of ESG- related initiatives or goals, or for any revisions to or failure to achieve these goals on a timely basis or at all. If our ESG- related data, processes and reporting are incomplete or inaccurate, we could face regulatory scrutiny, litigation and / or adverse reputational impacts** . Customers are also increasingly using social media to provide feedback and information about our Company, including our products and services, in a manner that can be quickly and broadly disseminated. Negative sentiment about the Company shared over social media, or misinformation from fraudulent accounts impersonating the Company, could impact our brand and reputation, whether or not it is based in fact. The execution of initiatives to ~~expand~~ **implement** our ~~supply chain and enhance the~~ interconnected ~~shopping experience~~ **retail strategy** could ~~disrupt~~ **adversely impact** our **business** operations **or financial results** ~~in the near term~~ , and these initiatives might not provide the anticipated benefits ~~or might fail~~ . ~~We continue~~ **Over the past several years, we have made significant investments** to **execute** ~~invest in~~ our interconnected retail strategy, including **enhancing and** ~~by making significant investments to expand~~ **expanding** our supply chain **, developing differentiated capabilities for our customers, expanding our store base, and making strategic acquisitions** . These investments are designed to streamline our operations to allow our associates to continue to provide high- quality service to our customers; simplify customer interactions; provide our customers with a more interconnected shopping experience; **expand our sales to larger Pros and** better address ~~Pro planned~~ **their complex** purchase needs; and create the fastest, most efficient **, and most reliable** delivery network for home improvement products. ~~Failure to choose the right investments and implement them in the right manner and at the right pace could disrupt our operations.~~ Executing our interconnected retail strategy requires continual investment in our operations and information technology systems, as well as the development and execution of new processes, systems and support. ~~Building out~~ **Investment in** our supply chain also involves significant real estate projects as we expand our distribution network, requiring us to identify and secure available locations with appropriate characteristics needed to support the different types of facilities. ~~If~~ **In addition, our stores are a key element of our interconnected retail strategy, serving as the hub of our customers' interconnected shopping experience. We have an aging store base that requires maintenance, investment, and space reallocation initiatives to deliver the shopping experience that our customers desire. We also need to identify and secure available locations with appropriate characteristics for new stores to ensure** we ~~are unable~~ **can continue** to **serve our customers effectively. We must** effectively manage the volume, timing, nature, location, and cost of ~~these~~ **our** investments, projects and changes ~~,~~ **. Failure to continue to make investments to effectively support our strategy and to implement or integrate those investments in the right manner and at the right pace could adversely impact** our business operations ~~and~~

or financial results ~~could be materially and adversely affected~~ . The cost and potential problems, defects of design, and interruptions associated with the implementation of these initiatives, including those associated with managing third- party service providers, employing new online tools and services, implementing new technologies **such as artificial intelligence** , implementing and restructuring support systems and processes, securing appropriate **store and** facility locations, and addressing impacts on inventory levels, could disrupt or reduce the efficiency of our operations in the near term, lead to product availability issues, **create complexity in our systems and operations** and impact our profitability. ~~In addition,~~ **Our investments to enhance** our ~~stores are a key element of our interconnected retail strategy, serving as the hub of our customers'~~ interconnected shopping experience ~~. We have an aging~~ **, including investments in our** store base ~~that requires maintenance~~ , ~~investment, and space reallocation initiatives to deliver the shopping experience that our customers desire. We also need to identify and secure available locations with appropriate characteristics for new stores to ensure we can continue to serve our customers effectively. Our investments in our stores may not deliver the relevant shopping experience our customers expect or fully support an interconnected shopping experience. We must also maintain a safe store environment for our customers and associates, as well as protect against loss or theft of our inventory (also called " shrink "), including as a result of organized retail crime. High rates of shrink, which we continue to experience, or an unsafe store environment, requires operational changes that may increase costs and adversely impact the customer and associate experience. Our investments to enhance our interconnected shopping experience and expand our~~ supply chain **, and capabilities,** might not provide the anticipated benefits, **or** might take longer than expected to complete **, integrate** or realize anticipated benefits, **each of which could adversely impact** ~~or~~ **our competitive position and our financial condition, results of operations, or cash flows.** Fiscal ~~2022~~ **2023** Form 10- K12 ~~might fail altogether, each of which could adversely impact our competitive position and our financial condition, results of operations, or cash flows.~~ If we are unable to effectively manage and expand our alliances and relationships with certain suppliers of both brand name and proprietary products, we may be unable to effectively execute our strategy to differentiate ourselves from our competitors. As part of our focus on product differentiation, we have formed strategic alliances and exclusive relationships with certain suppliers to market products under a variety of well- recognized brand names. We have also developed relationships with certain suppliers to allow us to market proprietary products that are comparable to national brands. Our proprietary products differentiate us from other retailers and generally carry higher margins than national brand products. If we are unable to manage and expand these alliances and relationships, maintain favorable terms with current suppliers, or identify alternative sources for comparable brand name and proprietary products, we may not be able to effectively execute product differentiation, which may impact our sales and gross margin results. Our **suppliers' business practices and positions may also be attributed to us, regardless of our Company' s actions, meaning that controversies regarding our suppliers of brand name or proprietary products pose risks to our reputation and brand, and could require us to quickly identify alternative sources for comparable products. Our** strategic transactions involve risks, which could have an adverse impact on our business, financial condition and results of operations, and we may not realize the anticipated benefits of these transactions. We regularly consider and enter into strategic transactions, including mergers, acquisitions, investments, alliances, and other growth and market expansion strategies. We generally expect that these transactions will result in sales increases, cost savings, synergies, enhanced capabilities or various other benefits. Assessing the viability and realizing the benefits of these transactions is subject to significant uncertainty. For each of our acquisitions, we need to determine the appropriate level of integration of the target company' s products, services, associates, and information technology, financial, human resources, compliance, and other systems and processes, and then successfully manage that integration into our corporate structure. Integration can be a complex and time- consuming process, and if the integration is not fully successful or is delayed for a material period of time, we may not achieve the anticipated synergies or benefits of the acquisition. In addition, the integration of businesses may create **increased** complexity in our financial systems, internal controls, technology and cybersecurity systems, and operations and may make them more difficult to manage. Even if the target companies are successfully integrated, the acquisitions may fail to further our business strategy as anticipated, expose us to increased competition or challenges with respect to our products or services, and expose us to additional risks and liabilities. Strategic transactions may also be subject to significant regulatory uncertainty. The changing enforcement landscape may result in additional costs or delays that affect the anticipated outcome of a transaction. Any failure in the execution of a strategic transaction or investment, our approach to the integration of an acquired asset or business, or achievement of synergies or other benefits could result in slower growth, higher than expected costs, the recording of an impairment of goodwill or other intangible assets, and other actions which could adversely affect our business, financial condition and results of operations. OPERATIONAL RISKS Our success depends upon our ability to attract, develop and retain highly qualified associates to provide excellent customer service and to support our strategic initiatives while also controlling our labor costs. Our customers expect a high level of customer service and product knowledge from our associates. To meet the needs and expectations of our customers, we must attract, develop and retain a large number of highly qualified associates and maintain a productive relationship with those associates. Our ability to meet our labor needs while controlling labor costs is subject to numerous external factors, including increased market pressures with respect to prevailing wage rates, unemployment levels, and health and other insurance costs; the impact of legislation or regulations governing labor relations, employment, immigration, minimum wage, and healthcare benefits; changing demographics and expectations among the workforce; public health concerns; and our reputation within the labor market. We also compete with other retail businesses for many of our associates in hourly positions, and we invest significant resources in training and motivating them to maintain a high level of job satisfaction. These positions often have high turnover rates, which can lead to increased training and retention costs, particularly in a competitive labor market. We have faced and may continue to face additional challenges in recruiting and retaining associates due to wage pressure; flexible scheduling needs; **health and safety concerns** ~~disruption in the availability of childcare~~ ; **and** challenges related to a remote or hybrid working environment for associates who work in our store support centers ~~; and health and safety concerns~~ . We are also subject to labor union efforts to organize groups of our associates from time to time and, if successful, those organizational efforts may decrease our operational flexibility and efficiency, and / or otherwise negatively impact our operations or reputation. These factors, together with ~~growing~~ competition among potential employers, have resulted in and may continue to result in increased salaries, benefits, or other employee- related **costs, and / or may impair our ability to recruit and retain** Fiscal ~~2022~~ **2023** Form 10- K13 ~~costs, and / or may impair our ability to recruit and retain~~ associates, which could have an adverse impact on our business operations, financial condition and results of operations. In addition, to execute our interconnected retail strategy, including our supply chain investments, we must attract and retain a large number of skilled professionals, including technology professionals, to implement our ongoing technology and other investments. The market for these professionals is very competitive. An inability to provide wages and / or benefits, including remote or hybrid work flexibility, that are competitive within the markets in which we operate could adversely affect our ability to retain and attract associates. Further, changes in market compensation rates may adversely affect our labor costs. Additionally, our ability to successfully execute organizational changes, including management transitions within the Company ~~'~~ **'** s senior leadership, and to effectively motivate and retain associates is critical to our business success. If we are unable to locate, attract or retain qualified associates, or manage leadership transitions successfully, our ability to effectively manage our strategy may be negatively impacted, the quality of service we provide to our customers may decrease, and our financial performance may be adversely affected. A failure of a key information technology system or process could adversely affect our business. We rely extensively on information technology systems and related personnel to collect, ~~process~~ **use** , retain, manage, transmit, and protect transactions and data. Some of these systems are managed or provided by third- party service providers, including certain cloud platform providers. In managing our business, we also rely heavily on the integrity of, security of, and consistent access to, **systems that provide** operational and financial data ~~for information such as~~ **and capabilities related to** sales **(both in store and online)** , customer data, supplier data, associate data, job applicant data, partner data, demand forecasting, merchandise ordering, inventory replenishment, supply chain management, payment processing, order fulfillment, customer service, and post- purchase matters. For these information technology systems, applications, and processes to operate effectively, we or our service providers must maintain and update them. Delays in the maintenance, updates, upgrading, or patching of these systems, applications or processes **, as well as the actions taken to maintain, update, upgrade and patch,** could ~~impair~~ , and on occasion have **,** impaired ~~,~~ their effectiveness or ~~could expose~~ **exposed** us to security risks. Our systems and the third- party systems with which we interact **, as well as any systems those third parties utilize,** are subject to and on occasion have experienced damage ~~or~~ **,** interruption **, or malicious activity** from a number of causes, including power and other critical infrastructure outages; computer and telecommunications failures; computer viruses; data or security breaches; internal or external data theft or misuse; cyber- attacks, including the use of malicious codes, worms, phishing, smishing, vishing, spyware, denial of service attacks, and ransomware; responsive containment measures by us that may involve voluntarily taking systems offline; natural disasters and catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, or other extreme weather events; public health concerns, such as pandemics and quarantines; **geopolitical or** military conflicts, acts of war, terrorism or civil unrest; other systems outages; inadequate or ineffective redundancy; and design or usage errors or malfeasance by our associates, contractors or third- party service providers. In addition, as more business activities have shifted online, and as many of our store support associates continue to work in a remote or hybrid environment, we face an increased risk due to the potential failure of internal or external information technology infrastructure as well as increased cybersecurity threats and attempts to breach our security networks. Although we and our third- party service providers seek to maintain our respective systems effectively and to successfully address the risk of compromise of the integrity, security and consistent operations of these systems, such efforts are not always successful. As a result, we or our service providers could experience **and on some occasions have experienced** errors, interruptions, delays or cessations of service in key portions of our information technology infrastructure, which could significantly disrupt our operations or impair data security; impact our ability to operate or access communications, financial or banking systems; be costly, time- consuming and resource- intensive to remedy; and adversely impact our reputation and relationship with our customers, **associates,** suppliers, shareholders or regulators **. We may have to expend significant resources to mitigate the impact of any errors, interruptions, delays or cessations of service and may have insufficient recourse against service providers who experience such events** . In addition, we are currently making, and expect to continue to make, substantial investments in our information technology systems, infrastructure and personnel, in certain cases with the assistance of strategic partners and other third- party service providers. These investments involve replacing existing systems, some of which are older, legacy systems that are less flexible and efficient, with successor systems; outsourcing certain technology and business processes to third- party service providers; making changes to existing systems, including the migration of applications to the cloud; maintaining or enhancing legacy systems that are not currently being replaced; ~~or~~ designing or cost- effectively acquiring new systems with new functionality **; or testing the use and incorporation of artificial Fiscal 2023 Form 10- K14 intelligence, including generative artificial intelligence** . These efforts ~~can~~ **could** result **, and on occasion have resulted,** in significant potential risks, including failure of the systems to operate as designed **, unexpected impacts on related systems or processes** , potential loss or corruption of data, failures in security processes and internal controls, cost overruns, implementation delays or errors, disruption of operations, and the potential inability to meet business and reporting requirements. Any system implementation and transition difficulty may result in operational challenges, security failures, reputational harm, and increased costs that could adversely affect our business operations **, our relationships with our customers,** and results of operations. ~~Fiscal 2022 Form 10- K14~~ Disruptions in our customer- facing technology systems could impair our interconnected retail strategy and give rise to negative customer experiences. Through our information technology systems, we are able to provide an improved overall shopping and interconnected experience that empowers our customers to shop and interact with us from a variety of electronic devices and digital platforms **at each stage of their shopping journey** . We use our digital platforms as sales channels for our products and services, as methods of providing inspiration, and as sources of product, project, and other relevant information to our customers to help drive sales. We also have multiple online communities, digital platforms, and knowledge centers that allow us to inform, assist and interact with our customers. The retail industry is continually evolving and expanding, with a significant increase in sales initiated online and via mobile applications **in recent years** . We may not be successful at managing this increased volume and related delivery options without interruption in the future. Additionally, we must effectively respond to new developments and changing customer preferences with respect to a **complex, evolving** digital and interconnected experience. We continually seek to enhance all of our online and digital properties to provide a personalized, user- friendly interface for our customers. Disruptions, delays, failures or other performance issues with our customer- facing technology systems, either due to increased volume, system modifications, or other factors, or a failure of these systems to meet our or our customers' expectations, could impair the value they provide, adversely impact our sales, and negatively affect our relationship with our customers. Disruptions in our supply chain and other factors affecting the availability and distribution of our merchandise could adversely impact our business. Disruption within our logistics or supply chain network, such as the industry- wide supply chain challenges ~~resulting~~ **that resulted** from the COVID- 19 pandemic, have in the past and may in the future adversely affect our ability to receive and deliver inventory in a timely manner, impair our ability to meet customer demand for products, and result in lost sales, increased supply chain costs, and / or damage to our reputation. Such disruptions may result from damage or destruction to our distribution or fulfillment centers or those of our supply chain service providers; weather- related events; cybersecurity incidents or attacks; natural disasters; international trade disputes, trade policy changes or restrictions, or import- or export- related governmental sanctions or restrictions; customs actions, including regulatory enforcement inquiries, holds, detentions, and exclusions; quotas, tariffs or other import- related taxes; strikes, lock- outs, work stoppages or slowdowns; shortages of supply chain labor, including truck drivers; shipping capacity constraints, including shortages of related equipment; raw material or other shortages; third- party contract disputes or inability to maintain favorable contract terms; supply or shipping interruptions or costs; increased costs or unavailability of fuel; **geopolitical or** military conflicts or acts of war, as well as any related sanctions or other government or private responses; acts of terrorism; public health issues, including pandemics or quarantines **and** ~~(such as the~~ **other** ~~COVID- 19 pandemic) and~~ related **impacts** ~~shut- downs, re- openings, or other actions by government regulators or others~~ ; civil unrest; or other factors beyond our control. In recent years, ports in the U. S. and elsewhere have been impacted by capacity constraints, port congestion and delays, periodic labor disputes, security issues, weather- related events, and natural disasters. **As we saw during the heights of the COVID- 19 pandemic, these types of** ~~Disruptions~~ **disruptions** ~~to our~~ **place strain on the domestic and international** supply chain ~~international supply chain~~ ,which ~~has~~ affected and may ~~continue to~~ **in the future** negatively affect the flow or availability of certain products.Even ~~if~~ **when** we are able to find alternate sources for certain products,they may cost more or require us to incur higher transportation costs,which could adversely impact our profitability and financial condition. ~~Similarly,increased~~ **Increased** demand for online purchases of products **,which we experienced during the COVID- 19 pandemic,can** ~~impacted~~ -- **impact** our fulfillment operations,as well as those of our third- party carriers,resulting in delays in delivering products to customers ~~.The operation~~ **and increases in our out-** of **- stock levels** ~~our distribution and fulfillment centers is crucial to our business operations~~ .We and our suppliers have experienced,and may continue to experience,labor shortages at some of our distribution and fulfillment centers **both** ~~,and any~~ due to **unexpected events such as the COVID- 19 pandemic and to the competitive labor market. Such labor shortages, whether temporary or sustained, may adversely impact the flow or availability of products to our stores and customers. Fiscal 2023 Form 10- K15 Any of these circumstances could impair our ability to meet customer demand for products and result in lost sales, increased supply chain costs, or damage to our reputation,** any of **which** ~~the factors listed above~~ could negatively impact our ~~financial~~ **business** performance or financial condition **. Failure to maintain a safe and secure store environment may adversely impact sales, costs, the customer and associate experience, or our brand and reputation. Our customers and associates expect a safe store environment in which to shop and work, and maintaining that environment helps protect against loss or theft of our inventory (also called " shrink "). Like other retailers, we have seen an increase in shrink in recent years, particularly as a result of organized retail crime. While we have a number of initiatives underway to address shrink, minimize theft, and maintain safety in and around our stores, these efforts require operational changes that may increase costs and reduce margins, and they may negatively impact the customer experience. Furthermore, an unsafe environment or negative incidents in or around our stores may erode trust and confidence with customers, associates, or potential associates, which can adversely impact sales, associate morale and retention, and our brand and reputation** . If our efforts to maintain the privacy and security of customer, associate, job applicant, business partner, and Company information are not successful, we could incur substantial costs and reputational damage and could become subject to litigation and enforcement actions. Our business, like that of most retailers, involves the collection, ~~processing~~ **use** , retention, management, transmission, and deletion of personal information (including identifiers **, localization** , internet activity, preferences, and payment information) from our customers, associates, job applicants, and business partners, as well as confidential Company information. We also work with third- party service providers that provide technology, systems and services that we use in connection with the handling of information. Our information systems, and those of our third- party service providers, are vulnerable to continually evolving data protection and cybersecurity risks. Unauthorized parties have in the past gained access, and will continue to attempt to gain access, to these systems and data through fraud or other means of deceiving **or coercing** our associates or third- party service providers **, which could jeopardize the confidentiality, integrity, or availability of such information systems or our information** . Hardware, software or applications we develop or obtain from third parties may contain exploitable vulnerabilities, bugs, or defects in design, maintenance or manufacture or other problems that could unexpectedly compromise information security. We have experienced and continue to face the ongoing risk of exploitation of our software providers and our software development and implementation process, including from coding and process vulnerabilities and the installation of so- called back doors that provide unauthorized access to systems and data. The increased use of a remote workforce has also expanded the possible attack surface areas. In addition, the risk of cyber- attacks has increased in connection with ~~Russia' s invasion of Ukraine and the resulting~~ geopolitical ~~conflict~~ **conflicts and ongoing trade and diplomatic tensions** . In light of ~~this~~ **the conflicts in Europe and the Middle East** and other geopolitical events, nation- state actors or their supporters may launch retaliatory cyber- attacks, and may attempt to cause supply chain and other third- party service provider disruptions, or take other geopolitically- motivated retaliatory actions that may disrupt our ~~Fiscal 2022 Form 10- K15~~ business operations, result in data compromise, or both. Nation- state actors have in the past carried out, and may in the future carry out, cyber- attacks to achieve their aims and goals, which may include espionage, monetary gain, disruption, and destruction. To achieve their objectives, nation- state actors and other cyber criminals have used and may continue to use numerous attack vectors and methods, including use of stolen passwords, social engineering, phishing, smishing, vishing, identity spoofing, ransomware or other disruptive and destructive malware, supply chain compromises, and man- in- the- middle and denial of service attacks. The methods used to obtain unauthorized access, disable or degrade service, or sabotage systems are constantly changing and evolving, increasing in frequency and sophistication, and may be difficult to anticipate or detect for long periods of time. **The** ~~To protect against unauthorized access to or use of data, prevent data loss, preserve data integrity, and protect our own access to systems, we have implemented and regularly review and update systems, processes, and procedures; third- party assessments and testing; and annual associate training and other specific training initiatives. However, the~~ ever- evolving **cybersecurity** ~~threats~~ - **threat landscape** ~~mean~~ **means** that we and our third- party service providers and business partners must continually evaluate and adapt our respective systems and processes and overall security environment, as well as those of companies we **or they** acquire. There is no guarantee that the measures we take will be adequate to safeguard against all threats, including vulnerabilities, data security breaches, system compromises or misuses of data. As we **have** ~~saw in connection with the data breach we~~ experienced in ~~2014~~ **the past** , any significant compromise or breach of our data security, whether external or internal, or misuse of customer, associate, job applicant, business partner, or Company data, could result in significant costs, including costs to investigate and remediate, as well as lost sales, fines, lawsuits, regulatory investigations, and damage to our reputation. ~~Furthermore, because~~ **Because** the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may not immediately produce signs of anomalous activity or compromise, we may be unable to anticipate these techniques or to implement adequate preventative measures. Additionally, as ~~occurred in the case of the data breach~~ we **have** experienced in ~~2014~~ **the past** , we or our third- party service providers may not discover any security breach, vulnerability or compromise of information for a significant period of time after the occurrence of a security incident. **Furthermore** ~~In addition~~ , **our cyber insurance coverage may not be Fiscal 2023 Form 10- K16 adequate for liabilities or costs actually incurred, and we cannot be certain that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage of a future claim.** ~~data~~ **Data** governance failures can **also** adversely affect our reputation and business. Our business depends on our customers', associates', job applicants' and business partners' willingness to entrust us with their personal information. Events that adversely affect that trust, including inadequate disclosure to our customers, associates, job applicants, or business partners of our uses of their information or failing to keep our information technology systems and our customers', associates', job applicants' and business partners' personal information secure from significant attack, theft, damage, loss or unauthorized disclosure or access, whether as a result of our action or inaction (including human error or malfeasance) or that of our service providers or other third parties, could adversely affect our brand and harm our reputation. **The** ~~Further, the~~ regulatory environment related to data privacy and cybersecurity is constantly changing, with new and increasingly rigorous requirements applicable to our business. The implementation of these requirements has also become more complex. Maintaining our ~~compliance with~~ **adherence to** evolving **data privacy and cybersecurity regulatory** requirements, including state privacy laws, requires significant effort and cost, requires changes to our business practices, and may limit our ability to collect and use certain data to support the customer experience. In addition, **many regulators have indicated an intention to take more aggressive enforcement actions regarding data privacy and cybersecurity matters, and private litigation resulting from such matters is increasing and resulting in progressively larger judgments and settlements.** ~~failure~~ **Failure** to comply with applicable requirements could subject us to fines, sanctions, governmental investigations, **or** lawsuits ~~or~~ **, which could lead to negative publicity and** reputational **harm** ~~damage. Additionally~~ , **and** ~~our cyber insurance coverage~~ may ~~not be adequate for liabilities~~ **cause customers to lose confidence in the effectiveness of** ~~or~~ **our cybersecurity measures** ~~costs actually incurred~~ , **data privacy practices** ~~and we cannot be certain that insurance will continue to be available to us on economically reasonable terms~~ , **or** ~~or~~ **our business more generally** ~~at all, or that any insurer will not deny coverage of a future claim~~ . We are subject to payment- related risks that could increase our operating costs, expose us to fraud or theft, subject us to potential liability, and potentially disrupt our business. We accept payments using a variety of methods, including credit and debit cards, our private label credit cards, cash, **electronic payments,** checks, ~~PayPal~~ **digital wallets** , ~~installment~~ loan programs **including installment loans** , trade credit, and gift cards, and we may offer new payment options over time. Acceptance of these payment options subjects us to rules, regulations, contractual obligations and compliance requirements, including payment network rules and operating guidelines, data security standards and certification requirements, and rules governing electronic funds transfers. These requirements may change over time or be reinterpreted, making compliance more difficult, costly, or uncertain. For certain payment methods, including credit and debit cards, we pay interchange **fees** and other ~~fees~~ **costs to accept these payments** , **and we may also incur losses, all of** which may increase over time and raise our operating costs. We rely on third parties to provide payment processing services, including the processing of credit cards, debit cards, and other forms of electronic payment. If these companies become unable to provide these services to us, or if their systems are compromised, it could potentially disrupt our business. The payment methods that we offer, and the selling channels in which we operate, also subject us to potential fraud and theft by threat actors, who are becoming increasingly more sophisticated, seeking to obtain unauthorized access to or exploit weaknesses that may exist in our sales, payments and payment processing systems. If we fail to comply with applicable rules or requirements for the payment methods we accept, or if payment- related data is compromised

~~Fiscal 2022 Form 10- K16~~ due to a breach or misuse of data, we may be liable for costs incurred by payment card issuing banks and other third parties or we may be subject to fines and higher transaction fees, or our ability to accept or facilitate certain types of payments may be impaired. **We anticipate expanding our trade credit as we grow our capabilities to support Pro complex purchase needs. If we fail to offer attractive terms or services, or employ underwriting criteria that are not competitive, our ability to grow our sales to these Pros may be adversely impacted. If trade credit continues to grow and our Pros are unable to make their payments, we may experience an increase in our losses.** In addition, our customers could lose confidence in certain payment types, **or may expect or demand payment methods that we do not currently offer,** which ~~may~~ **could** result in **competitive disadvantages or require** a shift to other payment types or potential changes to our payment systems that may result in higher costs. As a result, our business and operating results could be adversely affected. Our business is subject to seasonal influences, and uncharacteristic or significant weather conditions, climate change, natural disasters, as well as other catastrophic events, could impact our operations. Natural disasters, such as hurricanes, tropical storms, fires, floods, droughts or water scarcity, tornadoes, and earthquakes; unseasonable, unexpected or extreme weather conditions, whether as a result of climate change or otherwise; acts of terrorism or violence, including active shooter situations; public health concerns, such as pandemics and quarantines and related **impacts** ~~shut- downs, re- openings, or other actions by government regulators or others~~ ; civil unrest; **geopolitical or** military conflicts or acts of war, as well **Fiscal 2023 Form 10- K17** as any related sanctions or other government or private responses; or similar disruptions and catastrophic **events could have and have on occasion had an adverse effect on our operations or financial performance in a number of ways. These types of** events can affect consumer spending and confidence and consumers' disposable income, particularly with respect to home improvement or construction projects ~~, and could have an adverse effect on our financial performance~~ . **They** ~~These types of events~~ can also adversely affect our work force and prevent associates and customers from reaching our stores and other facilities. They can ~~also~~ , temporarily or on a long- term basis, disrupt or disable operations of stores, support centers, and portions of our supply chain and distribution network, including causing reductions in the availability of inventory and disruption of utility services. In addition, these events may affect our information systems and digital platforms, resulting in disruption to various aspects of our operations, including our ability to transact with customers and fulfill orders; to communicate with our stores, facilities, store support centers or senior management; or to access financial or banking systems. Unseasonable, unexpected or extreme weather conditions such as excessive precipitation, warm temperatures during the winter season, or prolonged or extreme periods of warm or cold temperatures, could render a portion of our inventory incompatible with customer needs. Furthermore, the long-term impacts of climate change, whether involving physical risks (such as extreme weather conditions) or transition risks (such as regulatory or technology changes) are expected to be widespread and unpredictable. These changes over time could affect, for example, the availability and cost of or demand for certain consumer products, commodities, and energy (including utilities), which in turn may impact our ability to procure certain goods or services for the operation of our business at the quantities and levels we consider optimal. As a consequence of these or other catastrophic or uncharacteristic events, we may experience interruption to our operations, increased costs, **changes in customer behavior or demand,** or losses of property, equipment or inventory, which would adversely affect our revenue and profitability. If we fail to identify and develop relationships with a sufficient number of qualified suppliers, or if our suppliers experience financial difficulties or other challenges, our ability to timely and efficiently access products that meet our high standards for quality could be adversely affected. We buy our products from suppliers located around the world, who in turn procure materials from across the globe. Our ability to continue to identify and develop relationships with qualified suppliers who can satisfy our ~~high~~ standards for quality and responsible sourcing, as well as our need to access products in a timely and efficient manner, is a significant challenge. Our ability to access products from our suppliers can be adversely affected by economic or political instability; civil unrest; **geopolitical or** military conflicts or acts of war, as well as any related sanctions or other government or private responses; acts of terrorism or violence; public health issues (including pandemics and related impacts); the financial instability of suppliers; suppliers' noncompliance with applicable laws; contract disputes or inability to maintain favorable contract terms; trade restrictions; tariffs; currency exchange rates; disruptions in our suppliers' logistics or supply chain networks or information technology systems; inability to sell certain products due to customs actions, including regulatory enforcement inquiries, holds, detentions, and exclusions; raw material or other shortages **; actual, potential or perceived noncompliance with our standards for suppliers or other controversies regarding suppliers' business practices** ; and other factors beyond our or our suppliers' control. If we are unable to access products to meet our customers' demands and expectations in a timely and efficient manner, our sales and gross margin results may be adversely impacted. Failure to achieve and maintain a high level of product and service quality and safety and ensure compliance with responsible sourcing laws and standards could damage our reputation with customers, expose us to litigation or enforcement actions, and negatively impact our sales and results of operations. Product and service quality issues could negatively impact customer confidence in our brands and our Company. If our product and service offerings do not meet applicable product standards or our customers' expectations regarding safety ~~or~~ **,** quality **, or responsible business practices** , we could experience lost sales and increased costs and be exposed to legal, financial ~~Fiscal 2022 Form 10- K17~~ and reputational risks, as well as governmental enforcement actions. Actual, potential or perceived product safety concerns, including health-related concerns, could expose **, and in some cases have exposed,** us to litigation or government enforcement actions, and could result in costly product recalls and other liabilities. We may not be successful in obtaining adequate contractual indemnification and insurance coverage from our suppliers and service providers, which may result in claims having an adverse effect on our business, financial condition and results of operations. Even with adequate insurance and indemnification, our reputation as a provider of high- quality products ~~and services~~ , including both national brand names and our proprietary products, could suffer, damaging our reputation and impacting customer loyalty. In addition, we and our customers have expectations around responsible sourcing, which is an increasing focus of government regulators as well. All of our suppliers must comply with our responsible sourcing standards, which cover a variety of expectations across multiple areas of social compliance, including supply chain transparency, health and safety, environmental laws and regulations, **Fiscal 2023 Form 10- K18** compensation, hours of work, and prohibitions on child and forced labor **. Further, all of our suppliers must comply with Company policies and applicable law, including the laws of the jurisdictions from which products and materials are sourced, regarding the sourcing of raw materials, including timber and minerals, used in our products** . We have a responsible sourcing audit process, but we are also dependent on our suppliers to ensure that the products and services we provide to our customers comply with our standards and applicable law **, including with respect to information provided by suppliers to government agencies about the source of the products or the constituent elements of those products. Further, the supply chain for some of the products we sell may be too attenuated for us to know with certainty the source of some of the components, such as timber, minerals, or other raw materials, of the products we sell** . Actual, potential or perceived supplier non- compliance **with our standards or applicable law — including allegations of non- compliance raised by non- governmental organizations or in third- party reports —** could, and in certain instances in the past has, exposed us to litigation or governmental enforcement actions or resulted in costly product recalls; **resulted in** inability to sell certain products due to **failure to meet our standards or due to** customs actions, including regulatory enforcement inquiries, holds, detentions, and exclusions; **impacted our reputation; and resulted in termination of supplier relationships** and / or other liabilities. Our proprietary products subject us to certain increased risks, including regulatory, product liability, intellectual property, supplier relations, and reputational risks. In addition to other product- related risks discussed in this section, as we expand our proprietary product offerings, we may become subject to increased risks due to our greater role in the design, manufacture, marketing and sale of those products. The risks include greater responsibility to administer and comply with applicable regulatory requirements, increased potential product liability and product recall exposure, and increased potential reputational risks related to the responsible sourcing of those products. To effectively execute on our product differentiation strategy, we must also be able to successfully protect our proprietary rights and successfully navigate and avoid claims related to the proprietary rights of third parties. In addition, an increase in sales of our proprietary products may adversely affect sales of our suppliers' products, which in turn could adversely affect our relationships with certain of our suppliers. Any failure to appropriately address some or all of these risks could damage our reputation and have an adverse effect on our business, results of operations, and financial condition. If we are unable to effectively manage our installation services business, we could suffer lost sales and be subject to fines, lawsuits, reputational damage or the loss of our general contractor licenses. We act as a general contractor to provide installation services to our DIFM customers through professional third- party licensed and insured installers. As such, we are subject to regulatory requirements and risks applicable to general contractors, which include management of background checks, licensing, permitting, and handling of environmental risks, as well as quality of work performed by our third- party installers. We have established processes and procedures to manage these requirements and manage customer satisfaction with the services provided by our third- party installers. However, as we experienced in part with our recent EPA investigation ~~and~~ **, the** resulting consent decree in April 2021 **, and the subsequent discussions with the EPA regarding compliance with the consent decree** , if we fail to manage these processes effectively, collect the appropriate documentation, perform regular job site inspections, or provide proper oversight of these services, we could suffer lost sales, fines, lawsuits, or governmental enforcement actions for violations of regulatory requirements, as well as claims for property damage or personal injury. In addition, we may suffer damage to our reputation or the loss of our general contractor licenses, which could adversely affect our business. LEGAL, FINANCIAL, REGULATORY, GLOBAL AND OTHER EXTERNAL RISKS Uncertainty regarding the housing market, economic conditions, political and social climate, public health issues, and other factors beyond our control could adversely affect demand for our products and services, our costs of doing business, and our financial performance. Our financial performance depends significantly on the stability of the housing and home improvement markets, as well as general economic conditions, including changes in gross domestic product. Adverse conditions in or uncertainty about these markets, the economy **,** or the political or social climate could adversely impact **, and we believe in some cases has adversely impacted,** our customers' confidence or financial condition, causing them to decide against purchasing home improvement products and services, causing them to delay purchasing decisions, or impacting their ability to pay for products and services. Other factors beyond our control – including unemployment and foreclosure rates; inventory loss due to theft (including as a result of organized retail crime); interest rate fluctuations **, including central banks' actions to control inflation** ; inflation or deflation; fuel and other energy costs; raw material or other shortages; labor and healthcare costs; the availability of financing; the state of **the credit markets, including mortgages, home equity loans and consumer credit; changes in tax rates and policy;** Fiscal ~~2022~~ **2023** Form 10- **K19** ~~K18 the credit markets, including mortgages, home equity loans and consumer credit; changes in tax rates and policy;~~ weather and natural disasters (including the potential impacts of climate change); acts of terrorism or violence, including active shooter situations; public health issues, including pandemics and related impacts; **geopolitical or** military conflicts or acts of war, as well as any related sanctions or other government or private responses; and civil unrest, could further adversely affect demand for our products and services, our costs of doing business, and our financial performance. A number of merchandise categories have been impacted by ~~higher~~ inflation ~~than that which we have experienced in recent years~~ due to, among other things ~~, the continuing impacts of the COVID- 19 pandemic~~ , global supply chain disruptions ~~,~~ and the uncertain economic and geopolitical environment. If **we experience** inflation ~~increases costs~~ **or deflation at a level** beyond our ability to **respond effectively** ~~control our related costs~~ , we may not be able to adjust prices ~~or use our portfolio strategy~~ to sufficiently offset the ~~effect~~ **effects** without negatively impacting consumer demand or ~~our gross margin~~ **margins . In an effort to address inflation, central banks have raised interest rates, which has impacted and may continue to adversely impact demand, including influencing in part the shifts in consumer purchasing from big- ticket, more discretionary purchases to smaller, less discretionary purchases that we experienced in fiscal 2023** . Further, our MRO customers, who have higher spend and longer- term relationships than a typical retail customer, primarily use trade credit to finance their purchases, and some of our **other** Pros use trade credit in order to purchase our products. As a result, their ability to pay is highly dependent on the economic strength of the industry in their areas. If these customers are unable to repay the trade credit from us, we may face greater default risk, which could reduce our cash flow and adversely affect our results of operations. Our costs of doing business could increase as a result of changes in, expanded enforcement of, or adoption of new federal, state ~~or~~ **,** local **or international** laws and regulations. We are subject to various **U. S.** federal, state and local laws and regulations **, as well as international laws and regulations,** that govern numerous aspects of our business. In recent years, a number of new laws and regulations have been adopted, there has been expanded enforcement of certain existing laws and regulations by federal, state and local agencies, and the interpretation of certain laws and regulations has become increasingly complex. These laws and regulations, and related interpretations and enforcement activity, may change as a result of a variety of factors, including political, economic or social events. Changes in, expanded enforcement of, or adoption of new federal, state ~~or~~ **,** local **or international** laws and regulations governing minimum wage or living wage requirements; the classification of exempt and non- exempt employees; the distinction between employees and contractors; other wage, labor or workplace regulations; healthcare; data privacy and cybersecurity; the sale, marketing, sourcing, and pricing of some of our products; transportation, logistics and interstate delivery operations, including Department of Transportation regulations on vehicles and drivers; international trade; supply chain transparency; **the sourcing of raw materials, including timber and minerals, used in our products;** taxes, including changes to corporate tax rates; restrictions on carbon dioxide and other greenhouse gas emissions; competition and antitrust requirements **and enforcement** ; ESG programs, transparency and reporting **, including U. S. federal or state or international regulations** ; unclaimed property; energy costs and consumption; or hazardous waste disposal and other environmental matters, including with respect to our installation services business, could increase our costs of doing business or impact our sales, operations or profitability **. In addition, regulators, customers, investors, associates, and other stakeholders are increasingly focusing on cybersecurity, data privacy, and ESG matters and related disclosures. These changing rules, regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased general and administrative expenses, heightened risks of litigation and enforcement actions, and increased management time and attention spent complying with or meeting such regulations and expectations. Initiatives and goals within the scope of ESG could be difficult and expensive to implement, the technologies needed to implement them may not be cost effective and may not advance at a sufficient pace, and we could be criticized or face reputational or regulatory risks regarding the accuracy, adequacy or completeness of the disclosure** . If we cannot successfully manage the unique challenges presented by international markets, we may not be successful in our international operations and our sales and profitability may be negatively impacted. Our ability to successfully conduct retail operations in, and source products and materials from, international markets is affected by many of the same risks we face in our U. S. operations, as well as unique costs and difficulties of managing international operations. Our international operations, including any expansion in international markets, may be adversely affected by local laws and customs, U. S. laws applicable to foreign operations and other foreign legal and regulatory constraints, as well as political, social and economic conditions. Risks inherent in international operations also include, among others, potential adverse tax consequences; international trade disputes, trade policy changes or potential tariffs and other import- related taxes and controls; inability to sell certain products due to customs actions, including regulatory enforcement inquiries, holds, detentions, and exclusions; greater difficulty in enforcing intellectual property rights; limitations on access to ports; risks associated with the Foreign Corrupt Practices Act and local anti- bribery law compliance; **geopolitical or** military conflicts or acts of war, as well as any related sanctions or other government or private responses; compliance with **Fiscal 2023 Form 10- K20** forced labor laws **; compliance with environmental and responsible sourcing laws and regulations** ; and challenges in our ability to identify and gain access to local suppliers. For example, trade tensions between the U. S. and China have led to a series of significant tariffs on the importation of certain product categories. As a portion of our retail products are sourced, directly or indirectly, outside of the U. S., major changes in tax or trade policies, tariffs or trade relations could adversely impact the cost of, demand for, and profitability of retail product sales in our U. S. locations. Other countries may also change their business and trade policies in anticipation of or in response to increased import tariffs and other changes in U. S. trade policy and regulations. In addition, our operations in international markets create risk due to foreign currency exchange rates and fluctuations in those rates, which may adversely impact our sales and profitability. ~~Fiscal 2022 Form 10- K19~~ The inflation or deflation of commodity and other prices could affect our prices, demand for our products, our sales and our profit margins. Prices of certain commodity products, including lumber and other raw materials, are historically volatile and are subject to fluctuations arising from changes in domestic and international supply and demand, inflationary **or deflationary** pressures, labor costs, competition, market speculation, government regulations, tariffs and trade restrictions, natural disasters, geopolitical conflicts, and periodic delays in delivery. For example, ~~Russia' s invasion of Ukraine~~ **conflicts in Europe and the Middle East** and the related international responses have exacerbated inflationary pressures, including causing increases in commodity prices **,** ~~as well as~~ fuel and other energy **costs, and shipping** costs. Rapid and significant changes in commodity and other prices, such as changes in lumber prices, and our ability to pass them on to our customers or manage them through our portfolio strategy, may affect the demand for our products, our sales and our profit margins. If product cost inflation increases beyond our ability to control our related costs, we may not be able to adjust prices to sufficiently offset the effect of the various cost increases without negatively impacting consumer demand . The continuing impacts of the COVID...... cost, litigation, and regulatory requirements . We may incur property, casualty or other losses not covered by our insurance. We are predominantly self- insured for a number of different risk categories, such as general liability (including product liability), **property loss,** workers' compensation, employee group medical, employment practices liability and wage and hour claims, automobile claims, and ~~network security~~ **cybersecurity** and privacy liability, with insurance coverage for certain catastrophic risks above the self- insurance levels. The types and amounts of insurance may vary from time to time based on our decisions with respect to risk retention and regulatory requirements. The occurrence of significant claims, a substantial rise in costs to maintain our insurance, the failure to maintain adequate insurance coverage, or disputes with insurers regarding coverage could have an adverse impact on our financial condition and results of operations. Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our financial results or financial condition. GAAP and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, such as asset impairment, inventories, lease obligations, self- insurance, vendor allowances, tax matters, business combinations, and litigation, are complex and involve many ~~Fiscal 2022 Form 10- K21~~ subjective assumptions, estimates and judgments. **Implementation of new accounting standards or** ~~Changes~~ **changes** in **existing** accounting standards or their application or interpretation, or changes in underlying assumptions, estimates or judgments, could significantly change our reported or expected financial performance or financial condition. The implementation of ~~new~~ **or changes in** accounting standards could also require certain systems, internal ~~process~~ **processes** , internal controls, and other changes that could increase our operating costs. We are involved from time to time in a number of legal, regulatory and governmental enforcement proceedings, and while we cannot predict the outcomes of those proceedings and other contingencies with certainty, some of these outcomes may adversely affect our operations or increase our costs. We are involved in a number of legal proceedings and regulatory matters, including government inquiries and investigations, and consumer, employment, tort and other litigation that arise from time to time in the ordinary course of business. Litigation is inherently unpredictable, and the outcome of some of these proceedings and other contingencies could require us to take or refrain from taking actions which could adversely affect our operations or could result in excessive adverse verdicts, fines, or results. Additionally, as we have seen in the past, involvement in these lawsuits, investigations and inquiries, and other proceedings, as well as compliance with any settlements or consent decrees that result from those proceedings, can involve significant expense, divert management' s attention and resources from other matters, and impact the reputation of the Company. **Fiscal 2023 Form 10- K21**