

Risk Factors Comparison 2024-02-13 to 2023-02-14 Form: 10-K

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Howmet's business, financial condition and results of operations may be impacted by a number of factors. In addition to the factors discussed elsewhere in this report, the following risks and uncertainties could materially harm the Company's business, results of operations, financial condition and / or cash flows, including causing its actual results to differ materially from those projected in any forward- looking statements. The following list of risk factors is not all- inclusive or necessarily in order of importance. Additional risks and uncertainties not presently known to Howmet or that Howmet currently deems immaterial may also adversely affect the Company materially in future periods.

Risks Related to Our Business and Operations The markets for Howmet's products are cyclical, and such markets and Howmet's operations are influenced by a number of factors, including global economic conditions. Howmet is subject to cyclical fluctuations in global economic conditions and lightweight metals end- use markets. Howmet sells many products to industries that are cyclical, such as the aerospace and commercial transportation industries, and the demand for our products is sensitive to, and quickly impacted by, demand for the finished goods manufactured by our customers in these industries, which may change as a result of changes in regional or worldwide economies, currency exchange rates, interest rates, inflation, energy prices or other factors beyond our control. In **addition particular**, Howmet derives a significant portion of our revenue from products sold to the aerospace industry, which is cyclical and reflective of changes in the general economy. The commercial aerospace industry is historically driven by the demand from commercial airlines for new aircraft and spare parts. Demand for commercial aircraft and spare parts is influenced by airline industry profitability, trends in airline passenger traffic domestically and globally, the state of U. S., regional and world economies, the ability of aircraft purchasers to obtain required financing and numerous other factors. **Changes and uncertainties in the timing and level of future aircraft production by OEMs may cause our future results to differ from prior periods due to changes in the Company's product mix**. The defense aerospace cycle is highly dependent on U. S. and foreign government funding. **It** ~~and, it~~ **is also driven impacted** by the effects of terrorism, a changing global geopolitical environment, U. S. foreign policy, whether older military aircraft are retired, and technological improvements to new engines and airframes. **The** ~~Further, the~~ demand for Howmet's commercial transportation products is driven by the number of vehicles produced by commercial transportation manufacturers. Commercial transportation sales and production are affected by many factors, including the age of the vehicle fleet, labor relations issues, fuel prices, regulatory requirements, government initiatives, trade agreements, and levels of competition. The ongoing conflict between Russia and Ukraine has impacted global energy markets, particularly in Europe, leading to high volatility and increasing prices for crude oil, natural gas and other energy supplies. Higher energy costs result in increases in operating expenses at our manufacturing facilities, in the expense of shipping raw materials to our facilities, and in the expense of shipping products to our customers. The costs of certain raw materials (including, but not limited to, nickel, titanium, aluminum, cobalt, and rhenium) necessary for the manufacture of Howmet's products and other manufacturing and operating costs are influenced by market forces and governmental constraints, including inflation, supply and demand, and shortages, and could be further influenced by export limits, sanctions, new or increased import duties, and countervailing or anti- dumping duties. **For example, as the Russia- Ukraine conflict continues, global titanium prices may continue to fluctuate or increase. Our customers' failure to return titanium revert (reusable scrap) to Howmet can result in an increase of the amount of titanium purchased at inflated costs**. Recent high levels of inflation worldwide and in the United States has resulted in an increase in the costs of materials and labor. While we generally attempt to pass along higher raw material and energy costs to our customers through contractual agreements in the form of price increases, there can be a delay between an increase in our costs and our ability to increase the prices of our products. Additionally, we may not be able to increase the prices of our products due to competitive pricing pressure and other factors. If the Company is unable to offset significant cost increases through customer price increases, productivity improvements, cost reduction or other programs, Howmet's business, operating results or financial condition could be materially adversely affected. Howmet is unable to predict the future course of industry variables, the strength of the U. S., regional or global economies, or the effects of government actions. Negative economic conditions, such as a major economic downturn or recession, continued inflation, or disruptions in the financial markets, could have a material adverse effect on Howmet's business, financial condition or results of operations. A material disruption of, or manufacturing difficulties at, Howmet's manufacturing operations could adversely affect Howmet's business. If Howmet's operations, particularly one of its key manufacturing facilities, were to be disrupted, including because of significant equipment failures, natural disasters, power outages, fires, explosions, terrorism, theft, sabotage, adverse weather conditions, public health crises, labor disputes, labor shortages or other reasons, Howmet may be unable to effectively meet its obligations to, or demand from, its customers. In addition, the manufacture of many of Howmet's products is a complex process. Manufacturing problems arising from equipment failure or malfunction, inadvertent failure to follow regulatory or customer specifications and procedures, including those related to quality or safety, and problems with raw materials could have an adverse impact on the Company's ability to fulfill orders or meet product quality or performance requirements, which may result in negative publicity and damage to our reputation, adversely impacting product demand and customer relationships. Interruptions in production capability could increase Howmet's costs and reduce its sales, including causing the Company to incur costs for premium freight, make substantial capital expenditures, or purchase alternative material at higher costs to fulfill customer orders. Additionally, a delivery delay by us due to production interruptions could subject us to liability from customer claims that such delay resulted in losses to the customer. Furthermore, product manufacturing or performance issues could result in recalls, customer penalties, contract cancellation and product liability exposure in addition to

a material adverse effect on our business, financial condition or results of operations. Because of approval, license and qualification requirements applicable to manufacturers and / or their suppliers, sources of alternatives to mitigate manufacturing disruptions may not be readily available to Howmet or its customers. Howmet is dependent on a limited number of suppliers for materials and services essential to our operations, including raw materials, and supply chain disruptions could have a material adverse effect on our business. Howmet has supply arrangements with suppliers for various materials and services, including raw materials. We maintain annual or long- term contracts for a majority of our supply requirements, and, for the remainder, we depend on spot purchases. There can be no assurance that we will be able to renew, or obtain replacements for, any of our long-term contracts when they expire on terms that are as favorable as our existing agreements, or at all. For certain raw materials and services, we depend on a number of limited source or sole source suppliers, **such as for titanium sponge and specialized metal alloys**. Supply constraints could impact our production or force us to purchase materials and other supplies from alternative sources, which may not be available in sufficient quantities or at prices that are favorable to us. Howmet could also have exposure if a key supplier is unable to deliver sufficient quantities of a necessary material on a timely basis. Several of our suppliers have ~~recently~~ had constraints on their ability to supply Howmet with its full requirements due to lack of capacity, labor shortages and / or material availability. If such constraints continue or escalate, it could result in an adverse impact on our business. Because of approval, license and qualification requirements applicable to manufacturers and / or their suppliers, sources of alternatives to mitigate supply disruptions may not be readily available to Howmet. Any delay in supply from these suppliers could prevent us from meeting customer demand for our products. The availability and costs of certain raw materials necessary for the production of Howmet' s products may also be influenced by private or government entities, including as a result of changes in geopolitical conditions or regulatory requirements, labor relations between the producers and their work forces, and unstable governments in exporting nations. Any of the foregoing supply chain disruptions or those due to trade barriers, business continuity, quality, cyberattacks, transportation, delivery or logistics challenges, weather, natural disaster, **war**, or pandemic events could adversely affect Howmet' s business, results of operations or financial condition. Howmet' s business depends, in part, on its ability to successfully meet program demand, production targets and commitments. Howmet is currently under contract to supply components for a number of existing and new commercial, general aviation, military aircraft and aircraft engine programs. Many of these contracts contemplate production increases over the next several years. If Howmet fails to meet production targets and commitments, or encounters difficulty or unexpected costs in meeting such levels, it could have a material adverse effect on the Company' s reputation, business, operating results or financial condition. Similarly, to the extent demand for our products increases rapidly and significantly in future periods, we may not be able to ramp up production quickly enough to meet the demand, which could result in lost opportunities for growth and adversely affect our business, financial condition, results of operations or competitive position. Failure to attract and retain a qualified workforce and key personnel or to provide adequate succession planning could adversely affect Howmet' s operations and competitiveness. Howmet' s global operations require qualified and skilled personnel with relevant industry and technical experience. Shortages in certain skills, in areas such as engineering, manufacturing and technology, and other labor market inadequacies have created more competition for talent. A sustained labor shortage, lack of skilled labor, increased turnover, labor inflation, or increase in general labor costs could lead to higher labor, recruiting or training costs to attract and retain personnel. If the Company fails to attract, train, develop and retain a global workforce with the skills and in the locations we need to operate and grow our business, our business and operations could be adversely impacted. Furthermore, the continuity of key personnel and the preservation of institutional knowledge are vital to the success of the Company' s growth and business strategy. The loss of key personnel could significantly harm Howmet' s business, and any unplanned turnover or failure to develop adequate succession plans for key positions could deplete the Company' s institutional knowledge base, result in loss of technical or other expertise, delay or impede the execution of the Company' s business plans and erode Howmet' s competitiveness. Howmet could be adversely affected by the loss of key customers or significant changes in the business or financial condition of its customers. Howmet has long- term contracts with a significant number of its customers, some of which are subject to renewal, renegotiation or re- pricing at periodic intervals or upon changes in competitive supply conditions. Howmet' s failure to successfully renew, renegotiate or favorably re- price such agreements, or a material deterioration in or termination of these customer relationships, could result in a reduction or loss in customer revenue. Additionally, a significant downturn or deterioration in the business or financial condition or loss of a key customer supplied by Howmet could adversely affect Howmet' s financial results. Howmet' s customers may experience delays in the launch of new products, labor strikes, diminished liquidity or credit unavailability, weak demand for their products, **decreases in production rates due to regulatory investigations or otherwise**, supply chain constraints or other difficulties in their businesses. ~~For example, our sales were negatively affected by Boeing' s pause in deliveries of its 787 aircraft from May 2021 through 2022 as a result of Boeing' s significantly reduced 787 production rates.~~ Howmet' s customers may also change their business strategies or modify their business relationships with Howmet, including to reduce the amount of Howmet' s products they purchase, to switch to alternative suppliers, or to enter into the markets themselves to compete with Howmet. If Howmet' s customers reduce, terminate or delay purchases from Howmet due to the foregoing factors or otherwise and Howmet is unsuccessful in enforcing its contract rights or replacing such business in whole or in part or replaces it with less profitable business, our financial condition and results of operations may be adversely affected. Howmet' s products are used in a variety of military applications, including military aircraft. Although many of the military programs in which Howmet participates extend several years, changes in military strategy, policy and priorities, or reductions in defense spending, may affect current and future funding of these programs and could reduce the demand for Howmet' s products, which could adversely affect Howmet' s business, financial condition or results of operations. Information technology system failures, cyberattacks and security breaches may threaten the integrity of Howmet' s intellectual property and other sensitive information, disrupt its business operations, and result in reputational harm and other negative consequences having a material adverse effect on its financial condition and results of operations. Howmet' s information technology systems could be

subject to damage or interruption from power outages; computer network and telecommunications failures; **cyberattacks** **computer viruses**; catastrophic events, such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism; and usage errors by employees. If Howmet's information technology systems are damaged or cease to function properly, the Company may have to make a significant investment to fix or replace them, and Howmet may suffer loss of critical data and interruptions or delays in its operations. Any material disruption in the Company's information technology systems, or delays or difficulties in implementing or integrating new systems or enhancing current systems, could have an adverse effect on Howmet's business, financial condition or results of operations. Increased global cybersecurity vulnerabilities, threats and more sophisticated and targeted cyberattacks pose a risk to the security of our **systems** and **networks, and the confidentiality, availability and integrity of our data, as well as those of** our customers ², suppliers ² and ~~third-party service providers' products, systems and networks, and the~~ **other counterparties** ~~confidentiality, availability and integrity of our data~~. The Company believes that it faces threats of cyberattacks due to the industries it serves, the locations of its operations, and its technological innovations. The Company has experienced cybersecurity attacks in the past, including breaches of its information technology systems in which information was taken, and may experience them in the future, potentially with more frequency or sophistication. Although past attacks did not result in known losses of any critical data or have a material impact on Howmet's financial condition or results of operations, the scope and impact of any future incident cannot be predicted. While the Company continually works to safeguard its systems and mitigate potential risks, there is no assurance that such actions will be sufficient to prevent ~~cyberattacks or security~~ **cybersecurity breaches incidents** that manipulate or improperly use the Company's systems or networks, compromise confidential, personal or otherwise protected information, destroy or corrupt data, block access to its systems, or otherwise disrupt its operations. The occurrence of such events could negatively impact Howmet's reputation and its competitive position and could result in litigation with third parties, regulatory action, loss of business, potential liability and increased remediation costs, any of which could have a material adverse effect on its financial condition and results of operations. ~~Our business, results of operations, financial condition and / or cash flows have been and could continue to be adversely impacted materially by the continued effects of the COVID-19 pandemic. The COVID-19 pandemic affecting the global community has had and may continue to have a material adverse effect on our business, results of operations, financial condition and / or cash flows, and the nature and extent of the impact over time remain uncertain. A sustained impact to our operations, financial results and market capitalization may require material impairments of our assets, including, but not limited to, goodwill and other intangible assets, long-lived assets, and right-of-use assets. The impact over time will depend on future developments that are beyond our control, including the duration of the pandemic, the continued severity of the virus, resurgences and emergence of variants of the virus, the efficacy and availability or uptake of vaccines and related drugs, and the actions that may be taken in response to COVID-19, such as travel limitations. For instance, the decrease in domestic and international air travel due to the pandemic adversely affected demand for narrow-body and wide-body aircraft. Although domestic air travel now approximates pre-pandemic levels, China domestic air travel is still below pre-pandemic 2019 levels on an average monthly basis in 2022. International travel also continues to be lower than pre-pandemic 2019 levels. We expect commercial aerospace growth to continue, with narrow-body demand returning faster than wide-body demand. The commercial wide-body aircraft market is taking longer to recover, which is creating a shift in our product mix compared to pre-pandemic conditions. In addition, several of our commercial aerospace and transportation customers have encountered, and may continue to encounter, challenges in their ability to increase production rates to meet demand due to labor and supply chain constraints stemming from the pandemic. Additionally, the COVID-19 pandemic has or may continue to exacerbate other risks disclosed herein, including, but not limited to, risks related to global economic conditions, competition, loss of customers, costs of supplies, supply chain disruptions, manufacturing difficulties and disruptions, investment returns, our credit profile, our credit ratings, and interest rates. Howmet faces significant competition, which may have an adverse effect on profitability. As discussed in "Competitive Conditions" in Part I, Item 1 (Business) of this report, the markets for Howmet's products are highly competitive. Howmet's competitors include a variety of both U. S. and non-U. S. companies in our product markets, which could include existing customers. New entrants in our markets, new product offerings, new and / or emerging technologies in the marketplace, or new facilities may compete with or replace Howmet products. The willingness of customers to accept ~~alternate~~ **alternative** solutions for the products sold by Howmet, pricing pressure from competitors, and technological advancements or other developments by or affecting Howmet's competitors or customers could adversely affect Howmet's business, financial condition or results of operations. Howmet's competitive position and future performance depends, in part, on the Company's ability to develop and innovate products, deploy technology initiatives and implement advanced manufacturing technologies. While Howmet intends to continue to develop innovative new products and services, it may not be able to successfully differentiate its products or services from those of its competitors or achieve and maintain technological advantages. In addition, Howmet may face increased competition due to industry consolidation. Companies that are strategic partners in some areas of Howmet's business may acquire or form alliances with Howmet's competitors, thereby reducing their business with Howmet. Industry consolidation may result in stronger competitors who are better able to obtain favorable terms from suppliers or who are better able to compete as sole-source vendors for customers. Consolidation within Howmet's customer base may result in customers who are better able to exert leverage in negotiating prices and other terms of sale, or may lead to reduced demand for Howmet's products if a combined entity replaces Howmet with a Howmet competitor with which it had prior relationships. The result of these circumstances could have a material adverse effect on Howmet's business, operating results and financial condition.~~ **Risks Related to Liquidity and Capital..... results of operation could be adversely affected.** Howmet's global operations expose Howmet to risks that could adversely affect its business, financial condition, results of operations, cash flows or the market price of its securities. Howmet has operations or activities in numerous countries and regions outside the United States, including Europe, Mexico, China, and Japan. As a result, Howmet's global operations are affected by economic, political, legal, and other conditions in the United States and foreign countries in which Howmet does

business, including (i) economic and commercial instability risks, including changes in local government laws, regulations and policies, such as those related to tariffs, sanctions and trade barriers, taxation, exchange controls, employment regulations and repatriation of assets or earnings; (ii) geopolitical risks such as political instability, civil unrest, expropriation, nationalization of properties by a government, imposition of sanctions, and renegotiation or nullification of existing agreements; (iii) **war wars such as those in Ukraine and the Middle East**, cyber threats, terrorist activities or other dangerous conditions; (iv) compliance with applicable U. S. and foreign laws, including antitrust and competition regulations, the Foreign Corrupt Practices Act and other anti- bribery and corruption laws, and laws concerning trade, including the International Traffic in Arms Regulations, the Export Administration Regulations, and the sanctions, regulations and embargoes administered by the U. S. Department of Treasury' s Office of Foreign Assets Control; (v) aggressive, selective or lax enforcement of laws and regulations by foreign governmental authorities; (vi) exposure to fluctuations in foreign currency exchange rates and interest rates, as well as inflation, economic factors, and currency controls in the countries in which it operates; and (vii) **imposition major public health issues, such as an outbreak of currency controls a pandemic or epidemic**. Although the effect of any of the foregoing factors is difficult to predict, any one or more of them could adversely affect Howmet' s business, financial condition or results of operations.

Risks Related to Liquidity and Capital Resources A decline in Howmet' s financial performance or outlook could negatively impact its credit profile, its access to capital markets and its borrowing costs. A decline in the Company' s financial performance or outlook due to internal or external factors, such as macroeconomic conditions, a deterioration in the Company' s financial metrics or a contraction in the Company' s liquidity, could adversely affect the Company' s credit ratings and its access to the capital or credit markets on terms and conditions that the Company finds acceptable. A downgrade of Howmet' s credit ratings could result in negative consequences, including limiting its ability to obtain future financing on favorable terms, if at all, increasing borrowing costs and credit facility fees, triggering collateral postings, and adversely affecting the market price of Howmet securities. For information on our credit ratings, see " Liquidity and Capital Resources " in Part II, Item 7 (Management' s Discussion and Analysis of Financial Condition and Results of Operations). Limitations on Howmet' s ability to access global capital markets, a reduction in Howmet' s liquidity or an increase in borrowing costs could materially and adversely affect Howmet' s ability to maintain or grow its business, which in turn may adversely affect its financial condition, liquidity and results of operations. An adverse decline in the liability discount rate, lower- than- expected investment return on pension assets and other factors could adversely affect Howmet' s results of operations or amount of pension funding contributions in future periods. Howmet' s results of operations may be negatively affected by the amount of expense Howmet records for its pension and other postretirement benefit plans, by reductions in the fair value of plan assets and by other factors. Howmet calculates income or expense for its plans using actuarial valuations in accordance with accounting principles generally accepted in the United States of America. These valuations reflect assumptions about financial market and other economic conditions, which may change due to changes in key economic indicators. The most significant year- end assumptions used by Howmet to estimate pension or other postretirement benefit income or expense for the following year are the discount rate applied to plan liabilities and the expected long- term rate of return on plan assets. In addition, Howmet is required to make an annual measurement of plan assets and liabilities, which may result in a significant charge to shareholders' equity. For a discussion regarding how Howmet' s financial statements can be affected by pension and other postretirement benefits accounting policies, see " Critical Accounting Policies and Estimates — Pension and Other Postretirement Benefits " in Part II, Item 7 (Management' s Discussion and Analysis of Financial Condition and Results of Operations) and Note **G-H** to the Consolidated Financial Statements in Part II, Item 8. Adverse capital market conditions could result in reductions in the fair value of plan assets and increase the Company' s liabilities related to such plans. Additionally, unpredictable future declines in the discount rate or lower- than- expected investment returns on plan assets could lead to a decline in the plans' funded status and result in higher than expected pension contributions. The foregoing factors may adversely affect the Company' s financial condition, liquidity and results of operations. Dividends and share repurchases fall within the discretion of our Board of Directors and depend on a number of factors. Share repurchases and the declaration of dividends fall within the discretion of Howmet' s Board of Directors, and the Board' s decision regarding such matters depends on many factors, including Howmet' s financial condition, earnings, capital requirements, debt service obligations, covenants associated with certain of the Company' s debt obligations, industry practice, legal requirements, regulatory constraints and other factors that the Board deems relevant. There can be no assurance that the Company will declare dividends or repurchase stock in the future in any particular amounts, or at all.

Risks Related to Legal and Regulatory Matters Howmet may be exposed to significant legal proceedings, investigations or changes in U.S. federal, state or foreign law, regulation or policy. The manufacture and sale of our products expose Howmet to potential product liability, personal injury, property damage and related claims. In the event that a Howmet product fails to perform as expected, regardless of fault, or is used in an unexpected manner, and such failure or use results in, or is alleged to result in, bodily injury and / or property damage or other losses, Howmet may be subject to product liability lawsuits and other claims, or may participate in a recall or other corrective action involving such product. In addition, if a Howmet product is perceived to be defective or unsafe, Howmet' s sales could decrease, its reputation could be adversely impacted and Howmet could be exposed to government investigations or regulatory enforcement actions. Howmet is also subject to a variety of global legal and regulatory compliance risks in connection with its business and products. These risks include, among other things, potential claims, class action lawsuits or compliance issues, including those relating to securities laws, employment laws, intellectual property rights, cyber, security and privacy, insurance, commercial matters, antitrust and competition, human rights, third- party relationships, ESG (including climate- related / sustainability and other) rules and regulations, supply chain operations and the manufacture and sale of products. An adverse outcome in one or more of proceedings or investigations, or unfavorable changes in laws, regulations or policies, or other contingencies that the Company cannot predict with certainty, could have a material adverse effect on the Company' s financial condition, results of operations or cash flows, including reputational harm, loss of customers and substantial monetary damages and / or non- monetary penalties. For additional information regarding the legal proceedings

involving the Company, see Note U-V to the Consolidated Financial Statements in Part II, Item 8. Our business may be adversely affected if we fail to comply with government contracting regulations. We derive a portion of our revenue from sales to U.S. and foreign governments and their respective agencies. Such contracts are subject to various procurement laws and regulations and contract provisions relating to their formation, administration and performance. New laws and regulations or changes to existing ones (including, but not limited to, those related to subcontracting, cybersecurity and specialty metals) can increase our risks and / or costs. Failure to comply with these laws, regulations or provisions in our government contracts could result in the imposition of various civil and criminal penalties, termination of contracts, forfeiture of profits, suspension of payments, increased pricing pressure or suspension from future government contracting. If our government contracts are terminated, if we are suspended from government work, or if our ability to compete for new contracts is adversely affected, our financial condition and results of operation could be adversely affected. Howmet may face challenges to its intellectual property rights which could adversely affect the Company's reputation, business and competitive position. Howmet owns important intellectual property, including patents, trademarks, copyrights and trade secrets. The Company's intellectual property plays an important role in maintaining Howmet's competitive position in a number of the markets that the Company serves. Howmet's competitors may develop technologies that are similar or superior to Howmet's proprietary technologies, or design around the patents Howmet owns or licenses. Despite its controls and safeguards, Howmet's technology may be misappropriated by its employees, its competitors or other third parties. The pursuit of remedies for any misappropriation of Howmet intellectual property is expensive and the ultimate remedies may be deemed insufficient. Further, in jurisdictions where the enforcement of intellectual property rights is less robust, the risk of misappropriation of Howmet intellectual property increases, despite efforts the Company undertakes to protect it. Developments or assertions by or against Howmet relating to intellectual property rights, and any inability to protect or enforce Howmet's rights sufficiently, could adversely affect Howmet's business and competitive position. Unanticipated changes in Howmet's tax provisions or exposure to additional tax liabilities could affect Howmet's future profitability. Howmet is subject to income taxes in both the United States and various non- U. S. jurisdictions. Its domestic and international tax liabilities are dependent upon the distribution of income among these different jurisdictions. Changes in applicable domestic or foreign tax laws and regulations, **including enactment of the Organization for Economic Cooperation and Development's Pillar 2 framework**, or their interpretation and application, including the possibility of retroactive effect, could affect the Company's tax expense and profitability. Howmet's tax expense includes estimates of additional tax that may be incurred for tax exposures and reflects various estimates and assumptions. The assumptions include assessments of future earnings of the Company that could impact the valuation of its deferred tax assets. The Company's future results of operations could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in the overall profitability of the Company, changes in tax legislation and rates, changes in generally accepted accounting principles, changes in the valuation of deferred tax assets and liabilities, the results of tax audits and examinations of previously filed tax returns or related litigation and continuing assessments of its tax exposures. Labor disputes and other employee relations issues could adversely affect Howmet's business, financial condition or results of operations. A significant portion of Howmet's employees are represented by labor unions in ~~several~~ **the United States and other** countries under various collective bargaining agreements, each with varying durations and expiration dates. For more information, see "Employees" in Part I, Item 1 (Business) of this report. Howmet may not be able to negotiate successor collective bargaining agreements upon expiration, ~~in the United States and other countries,~~ **or we may be unable to renegotiate such contracts on favorable terms. Labor organizations may attempt to organize groups of additional employees from time to time, and potential changes in labor laws could make it easier for them to do so.** Howmet may also be subject to general country strikes or work stoppages unrelated to its business or collective bargaining agreements. ~~Any such~~ **If we experience any extended interruption of operations at any of our facilities as a result of labor disputes, strikes or other work stoppages (, or our potential work stoppages) could have a material adverse effect on Howmet's** business, financial condition or results of operations **could be adversely affected.** Howmet is exposed to environmental, health and safety risks and is subject to a broad range of health, safety and environmental laws and regulations which may result in substantial costs and liabilities. Howmet's operations worldwide are subject to numerous complex and increasingly stringent health, safety and environmental laws and regulations. The costs of complying with such laws and regulations, as well as participation in assessments and cleanups of sites, and internal voluntary programs, have been, and in the future could be, significant. Environmental matters for which Howmet may be liable may arise in the future at its present sites, at sites owned or operated by its predecessors or affiliates, at sites that it may acquire in the future, or at third- party sites used by Howmet, its predecessors or affiliates for material and waste handling and disposal. Compliance with health, safety and environmental laws and regulations, including remediation obligations, may impact Howmet's results of operations or liquidity in a particular period. In addition, the industrial activities conducted at Howmet's facilities present a significant risk of injury or death to our employees or third parties that may be on site. Our operations are subject to regulation by various federal, state and local agencies in the United States, including the Occupational Safety and Health Administration, and regulation by foreign government entities abroad responsible for employee health and safety. Material liabilities relating to injury, death or other workers' compensation claims could have a material adverse effect on our results of operations and financial condition or result in negative publicity and / or significant reputational harm. Howmet may be affected by global climate change or by legal, regulatory, customer or supplier responses to such change. Increased concern over climate change has led to new and proposed legislative and regulatory initiatives, such as cap- and- trade systems and additional limits on emissions of greenhouse gases, which in turn may trigger customer decarbonization requirements. New or revised laws, regulations and policies in this area and customer decarbonization requirements could directly and indirectly affect Howmet and its customers and suppliers, including by increasing the costs of production or impacting demand for certain products, which could result in an adverse effect on our financial condition, results of operations and cash flows. Additionally, Howmet utilizes natural gas, electricity and other fuels to

operate its facilities. Significant increased energy costs and / or costs to transition to renewable energy sources, as a result of new laws, such as carbon pricing or product energy efficiency requirements, or as a result of customer requirements, could be passed along to the Company and its customers and suppliers. Compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, could require additional expenditures by the Company or its customers or suppliers. Physical risks associated with climate change may result in an increase of the exposure to, and impact of, events with damage due to flooding, extreme winds and extreme precipitation for Howmet locations, suppliers or customers. Prolonged periods of drought may result in wildfires and / or restrictions on process water use. These climate- related impacts may have an adverse effect on production capacity of Howmet sites, suppliers and customers. These types of incidents could have a material adverse effect on our results of operations and financial condition. With respect to the various transaction agreements that the Company entered into in connection with its separation transactions, if the counterparties fail to meet their obligations or if we have material indemnification obligations under such agreements, our business, results of operations and financial condition may be materially adversely affected. In connection with our separation transactions, we entered into various agreements with Arconic Corporation and Alcoa Corporation, including respective Separation and Distribution agreements pursuant to which Arconic Corporation and Alcoa Corporation agreed to indemnify us for certain liabilities, and we agreed to indemnify those parties for certain liabilities. We rely on these parties to satisfy their performance and payment obligations under these agreements. If either party is unable or unwilling to satisfy its obligations under its applicable agreements, we could incur operational difficulties and / or material losses. The indemnities that we are required to provide Alcoa Corporation and Arconic Corporation under these agreements are currently not material. If either Alcoa Corporation or Arconic Corporation, as applicable, is not able to fully satisfy its indemnification obligations to us, we may be required to bear such losses. Each of these risks could negatively affect our business, results of operations and financial condition. ~~The Arconic Inc. Separation Transaction could result in substantial tax liability. It was a condition to the distribution of all outstanding shares of Arconic Corporation common stock to the Company's stockholders (the "Distribution of Arconic"), which effected the Arconic Inc. Separation Transaction, that we receive an opinion of our outside counsel regarding the qualification of the distribution as a "reorganization" within the meaning of Sections 355 and 368 (a) (1) (D) of the Internal Revenue Code of 1986, as amended (the "Code"). This condition was satisfied prior to the Distribution of Arconic. However, if any of the facts, representations, or undertakings of the opinion is, or becomes, inaccurate or incomplete, the opinion of counsel may be invalid and the conclusions reached therein could be jeopardized. Further, the Internal Revenue Service (the "IRS") could determine that any of the facts, representations or undertakings are false or have been violated. Additionally, the opinion of counsel is not binding on the IRS or any court and the IRS or a court may disagree with the conclusions in the opinion of counsel. In the event the IRS were to prevail with such challenge, we, our stockholders and Arconic Corporation could be subject to significant U. S. federal income tax liability. In addition, even if the Distribution of Arconic, together with certain related transactions, otherwise qualifies for tax-free treatment under current U. S. federal income tax law, the Distribution of Arconic may nevertheless be rendered taxable to us as a result of certain post-distribution transactions, including certain acquisitions of shares or assets of ours or Arconic Corporation. Under the tax matters agreement we entered into with Arconic Corporation in connection with the Arconic Inc. Separation Transaction, Arconic Corporation may be required to indemnify us for any taxes resulting from the separation due to certain actions, including Arconic Corporation's representations, covenants or undertakings contained in the separation agreement and certain other agreements, including the opinion of counsel, being incorrect or violated. However, Arconic Corporation may not be able to fully satisfy its indemnification obligations. In addition, we may incur other tax costs in connection with the Arconic Inc. Separation Transaction, including non-U. S. tax costs resulting from transactions in non-U. S. jurisdictions, which may be material. Each of these risks could negatively affect our business, results of operations and financial condition.~~