Risk Factors Comparison 2024-02-29 to 2023-02-23 Form: 10-K

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

The current global geopolitical and trade environment creates the potential for increased escalation of domestic and international tariffs and retaliatory trade policies. Further changes in U. S. trade policy and additional retaliatory actions by U. S. trade partners could result in a worsening of economic conditions. If we are unable to successfully manage these and other risks associated with our international businesses, the risks could have a material adverse effect on our business, results of operations and financial condition ~~. Additionally, on January 31, 2020, the United Kingdom' s (" U. K. ") ended its membership in the European Union (" EU ") (commonly referred to as " Brexit "). Although the U. K. and the EU entered into a trade and cooperation agreement, uncertainty remains regarding its implications and implementation, and whether and how any new trade agreements with other countries or territories will be agreed and implemented and how they may impact our business. Brexit could adversely affect political, regulatory, economic or market conditions and contribute to instability in global political institutions, regulatory agencies, and financial markets. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations. Similar future trade disruptions or disputes could have a negative impact on our operations within the U. K., EU, and globally~~. The scope of our international operations subjects us to risks from currency fluctuations that could adversely affect our liquidity, financial position and results of operations. Our non- U. S. operations generate significant revenues and earnings. Fluctuations in foreign currency exchange rates may affect product demand and may adversely affect the profitability in U. S. dollars of the products and services we provide in international markets where payment for our products and services is made in the local currency. Our financial results are affected by currency fluctuations, particularly between the U. S. dollar and the euro, the **British pound sterling, the** Brazilian real, the Mexican peso, the Chinese renminbi ~~,~~ and the Indian rupee ~~,~~ and the impact of those currency fluctuations on the underlying economies. During the past three years, sales by our non- U. S. subsidiaries, which use their local currencies as their functional currency, accounted for approximately 60 % to 70 % of our consolidated net sales. We generally do not use financial instruments that expose us to significant risk involving foreign currency transactions; however, the relative size of our non- U. S. activities has a significant impact on reported operating results and our net assets. Therefore, as exchange rates change, our results can be materially affected. Incorporated by reference is the foreign exchange risk information contained in Item 7A of this Report and the geographic information in Note 4 of Notes to Consolidated Financial Statements included in Item 8 of this Report. Also, we occasionally source inventory in a different country than that of the intended sale. This practice can give rise to foreign exchange risk. We seek to mitigate this risk through local sourcing of raw materials in the majority of our locations. Risks Relating to Our Supply Chain If we are unable to obtain price increases or contract concessions sufficient to offset increases in the costs of raw materials, this can continue to result in a loss of sales, gross profit, and / or market share and can have a material adverse effect on our liquidity, financial position and results of operations. Conversely, if we fail to adjust prices in a declining raw material cost environment, we could lose sales, gross profit, and / or market share which could have a material adverse effect on our liquidity, financial position and results of operations. Quaker Houghton uses approximately 3, 000 different raw materials, including animal fats, vegetable oils, mineral oils, oleochemicals, ethylene, solvents, surfactant agents, various chemical compounds that act as additives to our base formulations, and a wide variety of other organic and inorganic compounds, and various derivatives of the foregoing. The price of mineral oils and their derivatives can be affected by the price of crude oil and industry refining capacity. Animal fat and vegetable oil prices, as well as the prices of other raw materials, are impacted by their own specific supply and demand factors, as well as by biodiesel consumption which ~~is~~ **can** also **be** affected by the price of crude oil. Accordingly, significant fluctuations in the ~~price~~ **prices** of ~~crude oil~~ **our raw materials** in the past have had and are expected to continue to have a material impact on the cost of our raw materials. In addition, many of the raw materials we use are commodity chemicals, which have experienced significant price volatility in **recent years** ~~2021 and 2022~~. We generally attempt to pass through changes in the prices of raw materials to our customers, but we may be unable to do so (or may be delayed in doing so). In addition, raising prices we charge to our customers in order to offset increases in the prices we pay for raw materials could cause us to suffer a loss of sales volumes. Although we have been successful in recovering a substantial amount of raw material cost increases while retaining our customers, there can be no assurance that we will be able to continue to offset higher raw material costs or retain customers in the future. A significant change in margin or the loss of customers due to pricing actions could result in a material adverse effect on our liquidity, financial position and results of operations as described within Item 7 of this Report. Lack of availability of raw materials and issues associated with sourcing from single suppliers and suppliers in volatile economic environments could have a material adverse effect on our liquidity, financial position and results of operations. The specialty chemical industry periodically experiences supply shortages for certain raw materials. In addition, we source some materials from a single supplier or from suppliers in jurisdictions that have experienced political or economic instability. Even if we have multiple suppliers of a particular raw material, there are occasionally shortages. Any significant disruption in supply could affect our ability to obtain raw materials or satisfactory substitutes or could increase the cost of such raw materials or substitutes, which could have a material adverse effect on our liquidity, financial position and results of operations. In addition, certain raw materials that we use are subject to various regulatory laws, and a change in our ability to legally use such raw materials may impact the products or services we are able to offer which could negatively affect our ability to compete and could adversely affect our liquidity, financial position and results of operations. Loss of a significant manufacturing facility or disruptions within our supply chain or in transportation could have a material adverse effect on our liquidity, financial position and results of operations. Our manufacturing facilities are located throughout the world. While we have some redundant capabilities, if one of our facilities is forced to shut down or curtail operations because of damage or other factors, including natural disasters, labor difficulties or widespread public health crises, we may not be able to timely supply our customers. This could result in a loss of sales over an extended period or permanently. While the Company seeks to mitigate this risk through business continuity and contingency planning and other measures, the loss of production in any one region over an extended period of time could have a material adverse effect on our liquidity, financial position and results of operations. In addition, **a widespread public health crisis** ~~the COVID- 19 pandemic caused, and~~ may ~~in the future~~ cause ~~,~~ significant travel disruptions, quarantines and / or closures, which could result in disruptions to our manufacturing and production operations at our facilities, as well as those of our suppliers and customers. Any losses due to these events may not be covered by our existing insurance policies or may be subject to certain deductibles. We could be similarly adversely affected by other disruptions to our supply chain and transportation network. The Company relies heavily on railroads, ships, and over- the- road shipping methods to transport raw materials to its manufacturing facilities and to transport finished products to customers. The costs of transporting our products could be negatively affected by factors outside of our control, including shipping container shortages or global imbalances in shipping capabilities, transportation disruptions or rate increases, increased border controls or closures, extreme weather events, tariffs, rising fuel costs **, armed conflicts** and capacity constraints. Significant delays or increased costs affecting our supply chain ~~, such as we experienced in 2021, and to a lesser degree in 2022,~~ could materially affect our financial condition and results of operations. Disruptions at our suppliers have recently and could in the future lead to short term or long term increases in raw material or energy costs and / or reduced availability of materials or energy, potentially affecting our financial condition and results of operations. Risks Relating to Domestic and Foreign Taxation and Government Regulation and Oversight Changes in tax laws could result in fluctuations in our effective tax rate and have a material effect on our liquidity, financial position and results of ~~operation~~ **operations** . We pay income taxes in the U. S. and various foreign jurisdictions. Our effective tax rate is derived from a combination of local tax rates and tax attributes applicable to our operations in the various countries, states and other jurisdictions in which we operate. Our effective tax rate and respective tax liabilities could therefore be materially affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in tax rates, expiration or lapses of tax credits or incentives, changes in uncertain tax positions, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or in how they are interpreted or enforced, including matters such as transfer pricing. In addition, we are regularly under audit by tax authorities, and the final decisions of such audits could materially affect our current tax estimates and tax positions. See Note 10 and Note ~~26~~ **25** of Notes to Consolidated Financial Statements in Item 8 of this Report for a discussion of ~~certain~~ **uncertain** ~~income and non- income~~ tax **positions, tax years subject to examination, and** audits and inspections. Any of these factors or similar tax-related risks could cause our effective tax rate and tax- related payments, including any such payments related to tax liabilities of businesses we have acquired, to significantly differ from previous periods and current or future expectations which could have a material effect on our liquidity, financial position and results of operations. Pending and future legal proceedings including environmental matters could have a material adverse effect on our liquidity, financial position and results of operations, as well as our reputation in the markets ~~it~~ **we** ~~serves~~ - **serve** . The Company and its subsidiaries are routinely party to proceedings, cases, and requests for information from, and negotiations with, various claimants and federal and state agencies relating to various legal matters, including tax and environmental matters. See Note 10 and Note ~~26~~ **25** of Notes to Consolidated Financial Statements in Item 8 of this Report, which describes uncertain tax positions and ~~tax~~ audits and inspections, as well as certain information concerning pending asbestos- related litigation against an inactive subsidiary, amounts accrued associated with certain environmental, non- capital remediation costs and other potential commitments or contingencies. An adverse result in one or more pending or ongoing matters or any potential future matter of a similar nature could materially and adversely affect our liquidity, financial position, and results of operations, as well as our reputation in the markets we serve. Failure to comply with the complex global regulatory environment in which we operate could have an adverse impact on our reputation and / or a material adverse effect on our liquidity, financial position and results of operations. We are subject to government regulation in all of the jurisdictions in which we conduct our business. Changes in the regulatory environments in which we operate, particularly, but not limited to, the U. S., Mexico, Brazil, China, India, Thailand, Australia, the U. K. and the EU, could lead to heightened regulatory compliance costs and scrutiny, could adversely impact our ability to continue selling certain products in the U. S. or foreign markets, and / or could otherwise increase the cost of doing business. While we seek to mitigate these risks through a variety of actions, including receiving Responsible Care Certification, ongoing employee training, and employing comprehensive environmental, health and safety programs, there is no guarantee these actions will prevent all potential regulatory compliance issues. For instance, failure to comply with the EU' s Registration, Evaluation, Authorization and Restriction of Chemicals (" REACH ") regulations or other similar laws and regulations could result in our inability to sell certain products or we could incur fines, ongoing monitoring obligations or other future business consequences, which could have a material adverse effect on our liquidity, financial position and results of operations. In addition, the U. S. Toxic Substances Control Act (" TSCA ") requires chemicals to be assessed against a risk- based safety standard and that unreasonable risks identified during risk evaluation be eliminated. This regulation and other pending initiatives at the U. S. state level, as well as initiatives in Canada, Asia and other regions, could potentially require toxicological testing and risk assessments of a wide variety of chemicals, including chemicals used or produced by us. These assessments may result in heightened concerns about the chemicals involved and additional requirements being placed on their production, handling, labeling or use. These concerns and additional requirements could also increase the cost incurred by our customers to use our chemical products and otherwise limit their use which could lead to a decrease in demand for these products. A decrease in demand due to these issues could have an adverse impact on our business and results of ~~operation~~ **operations** . Further, we are subject to the U. S. Foreign Corrupt Practices Act (the " FCPA "), the U. K. Bribery Act and other anti- bribery, anti- corruption and anti- money laundering laws in jurisdictions around the world. These and similar laws generally prohibit companies and their officers, directors, employees and third- party intermediaries, business partners and agents, from making improper payments or providing other improper items of value to government officials or other persons. While we have policies and procedures and internal controls designed to address compliance with such laws, including employee training programs, we cannot guarantee that our employees and third- party intermediaries, business partners and agents will not take, or be alleged to have taken, actions in violation of such policies and laws for which we may be ultimately held responsible. Detecting, investigating and resolving actual or alleged violations can be extensive and require a significant diversion of time, resources and attention from senior management. Any violation of these or other applicable anti- bribery, anti- corruption and anti- money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, and criminal or civil sanctions, penalties and fines, any of which could adversely affect our business and financial condition. The shipment of goods, services and technology across international borders subjects us to extensive trade laws and regulations. Our import activities are governed by the unique customs laws and regulations in each of the countries where we operate. Moreover, many countries, including the U. S., control the export and re- export of certain goods, services and technology and impose related export record- keeping and reporting obligations, which can be burdensome. Governments may also impose economic sanctions against certain countries, persons and entities that may restrict or prohibit transactions involving such countries, persons and entities, which may limit or prevent our conduct of business in certain jurisdictions. The laws and regulations concerning import activity, export record- keeping and reporting, export control and economic sanctions are complex and constantly changing. These laws and regulations can cause delays in shipments and unscheduled operational downtime. Moreover, any failure to comply with applicable legal and regulatory trading obligations could result in criminal and civil penalties and sanctions such as fines, imprisonment, debarment from governmental contracts, seizure of shipments and loss of import and export privileges. In addition, investigations by governmental authorities as well as legal, social, economic and political issues in these countries could have a material adverse effect on our business, results of operations and financial condition. We are also subject to the risks that our employees, joint venture partners and agents outside of the U. S. may fail to comply with other applicable laws. Uncertainty related to environmental regulation and industry standards relating to, as well as physical risks of, climate change and biodiversity loss, could impact our results of operations and financial position. Increased public and stakeholder awareness and concern regarding global climate change, biodiversity loss, and other environmental risks may result in more extensive international, regional and / or federal requirements or industry standards to reduce or mitigate the effects of these changes. These regulations could mandate even more restrictive regulatory or industry standards than the voluntary goals that we have established or require changes to be adopted on a more accelerated time frame. **New disclosure requirements have been adopted in the EU and California and additional rule making is expected to be adopted by the SEC.** There continues to be a lack of consistent ~~climate~~ legislation **related to disclosure and operational matters** , which creates economic and regulatory uncertainty. Though we are closely following developments in this area and changes in the regulatory landscape in the U. S. and across our other markets, we cannot predict how or when those challenges may ultimately impact our business. While certain climate change initiatives may result in new business opportunities for us in the area of alternative fuel technologies and emissions control, compliance with these initiatives may also result in additional costs to us including, among other things, increased production costs, additional taxes, reduced emission allowances or additional restrictions on production or operations. In addition, the potential physical impacts of climate change and biodiversity loss are highly uncertain and will be particular to the circumstances developing in various geographical regions. These may include extreme weather events and long- term changes in temperature levels and water availability as well as damaged ecosystems. The physical risks of climate change and biodiversity loss may impact our facilities, our customers and suppliers, and the availability and costs of materials and natural resources, sources and supply of energy, product demand and manufacturing. In particular, climate change serves as a risk multiplier increasing both the frequency and severity of natural disasters that may affect our business operations. If environmental laws or regulations or industry standards are either changed or adopted and impose significant operational restrictions and compliance requirements upon us or our products, or our operations are disrupted due to physical impacts of climate change or biodiversity loss, our business, capital expenditures, results of operations, financial condition and competitive position could be negatively impacted. We are subject to stringent labor and employment laws in many jurisdictions in which we operate, and our relationship with our employees could deteriorate which could adversely impact our operations. A majority of our full- time employees are employed outside the U. S. In many jurisdictions where we operate, labor and employment laws and regulations grant significant job protection to certain employees including rights on termination of employment. In addition, in certain countries our employees are represented by works councils or are governed by collective bargaining agreements and we are often required to consult with and seek the consent or advice of such representatives. These regulations and laws, together with our obligations to seek consent or consult with the relevant unions or works councils, could have a significant impact on our flexibility in managing costs and responding to market changes. While the Company believes it has generally positive relations with its labor unions and employees, there is no guarantee the Company will be able to successfully negotiate new or renew labor agreements without work stoppages, labor difficulties or unfavorable terms. If we were to experience any extended interruption of operations at any of our facilities because of strikes or other work stoppages, our results of operations and financial condition could be materially and adversely affected. We may be unable to adequately protect our proprietary rights and trade brands, which may limit our ability to compete in our markets and could adversely affect our liquidity, financial position and results of operations. We have a limited number of patents and patent applications, including patents issued, applied for, or acquired in the U. S. and in various foreign countries, some of which are material to our business. However, we rely principally on our proprietary formulae and the applications know- how and experience to meet customer needs. Also, our products are identified by trademarks that are registered throughout our marketing area. Despite our efforts to protect our proprietary information through patent and trademark filings, and the use of appropriate trade secret protections, it is possible that competitors or other unauthorized third parties may obtain, copy, use, disclose or replicate our formulae, products, and processes. Similarly, third parties may assert claims against us and our customers and distributors alleging our products infringe upon third- party intellectual property rights. In addition, the laws and / or judicial systems of foreign countries in which we design, manufacture, market and sell our products may afford little or no effective protection of our proprietary technology or trade brands. Also, security over our global information technology structure is subject to increasing risks associated with cyber- crime and other related cyber- security threats. These potential risks to our proprietary information, trade brands and other intellectual property could subject us to increased competition and a failure to protect, defend or enforce our intellectual property rights could negatively impact our liquidity, financial position and results of operations. General Risk Factors Our business could be adversely affected by environmental, health and safety laws and regulations or by potential product, service or other related liability claims. The development, manufacture and sale of specialty chemical products and other related services involve inherent exposure to potential product liability claims, service level claims, product recalls and related adverse publicity. Some customers have and may in the future require us to represent that our products conform to certain product specifications provided by them. Any failure to comply with such specifications could result in claims or legal action against us. Any of the foregoing potential product or service risks could also result in substantial and unexpected expenditures and affect customer confidence in our products and services, which could have a material adverse effect on our liquidity, financial position and results of operations. In addition, our business is subject to hazards associated with the manufacturing, handling, use, storage, and transportation of chemical materials and products, including historical operations at our current and former facilities. These potential hazards could cause personal injury and loss of life, severe damage to, or destruction of, property or equipment and environmental contamination or other environmental damage, which could have an adverse effect on our business, financial condition and results of operations. In the jurisdictions in which we operate, we are subject to numerous U. S. and non- U. S. national, federal, state and local environmental, health and safety laws and regulations, including those governing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes and the cleanup of contaminated properties. We currently use, and in the past have used, hazardous substances at many of our facilities, and we have in the past been, and may in the future be, subject to claims relating to exposure to hazardous materials. We also have generated, and continue to generate, hazardous wastes at a number of our facilities. Liabilities associated with the investigation and cleanup of hazardous substances, as well as personal injury, property damages or natural resource damages arising from the release of, or exposure to, such hazardous substances, may be imposed in many situations without regard to violations of laws or regulations or other fault, and may also be imposed jointly and severally (so that a responsible party may be held liable for more than its share of the losses involved, or even the entire loss). These liabilities may also be imposed on many different entities, including, for example, current and prior property owners or operators, as well as entities that arranged for the disposal of the hazardous substances. The liabilities may be material and can be difficult to identify or quantify. In addition, the occurrence of disruptions, shutdowns or other material operating problems at our facilities or those of our customers due to any of these risks could adversely affect our reputation and have a material adverse effect on our operations as a whole, including our results of operations and cash flows, both during and after the period of operational difficulties. Further, some of the raw materials we handle are subject to government regulation that affect the manufacturing processes, handling, uses and applications of our products. In addition, our production facilities and a number of our distribution centers require numerous operating permits. Due to the nature of these requirements and changes in our operations, our operations may exceed limits under permits or we may not have the proper permits to conduct our operations. Ongoing compliance with environmental laws, regulations and permits that impact registration / approval requirements, transportation and storage of raw materials and finished products, and storage and disposal of wastes could require us to make changes in manufacturing processes or product formulations and could have a material adverse effect on our results of operations. We may incur substantial costs, including fines, damages, criminal or civil sanctions and remediation costs, or experience interruptions in our operations, including as a result of revocation, non- renewal or modification of the Company' s operating permits and revocation of the Company' s product registrations, for violations arising under these laws or permit requirements. Any such revocation, modification or non- renewal may require the Company to cease or limit the manufacture and sale of its products at one or more of its facilities, which may limit or prevent the Company' s ability to meet product demand or build new facilities and may have a material adverse effect on the Company' s business, financial position, results of operations and cash flows. Additional information may arise in the future concerning the nature or extent of our liability with respect to identified sites, and additional sites may be identified for which we are alleged to be liable, that could cause us to materially increase our environmental accrual or the upper range of the costs we believe we could reasonably incur for such matters. Increased compliance costs may not affect competitors in the same way that they affect us due to differences in product formulations, manufacturing locations or other factors, and we could be at a competitive disadvantage, which might adversely affect our financial performance. We could be subject to indemnity claims and liable for other payments relating to properties or businesses we have divested. In connection with the sale of certain properties and businesses, we agreed to indemnify the purchasers for certain types of matters, including certain breaches of representations and warranties, taxes and certain environmental matters. With respect to environmental matters, the discovery of contamination arising from properties that we have divested may expose us to indemnity obligations under the sale agreements with the buyers of such properties or cleanup obligations and other damages under applicable environmental laws, even if we were not aware of the contamination. We may not have insurance coverage for such indemnity obligations. Further, we cannot predict the nature or amount of any indemnity or other obligations we may have to pay the applicable purchaser. These payments may be costly and may adversely affect our financial condition and results of operations. Our insurance may not fully cover all potential exposures. We maintain product, property, business interruption, casualty, and other general liability insurance, but this may not cover all risks associated with the hazards of our business and these coverages are subject to limitations, including deductibles and coverage limits. We may incur losses beyond the limits, or outside the coverage, of our insurance policies, including liabilities for environmental remediation. In addition, from time to time, various types of insurance for companies in the specialty chemical industry have not been available on commercially acceptable terms and, in some cases, have not been available at all. We are potentially at additional risk if one or more of our insurance carriers fail. Additionally, severe disruptions in the domestic and global financial markets could adversely impact the ratings and survival of some of our insurers. Future downgrades in the ratings of enough insurers could adversely impact both the availability of appropriate insurance coverage and its cost. In the future, we may not be able to obtain coverage at current levels, if at all, and our premiums may increase significantly on coverage that we maintain. Impairment evaluations of goodwill, intangible assets, investments or other long- lived assets could result in a reduction in our recorded asset values which could have a material adverse effect on our financial position and results of ~~operation~~ **operations** . We perform reviews of goodwill and indefinite- lived intangible assets on an annual basis, or more frequently if triggering events indicate a possible impairment. We test goodwill at the reporting unit level by comparing the carrying value of the net assets of the reporting unit, including goodwill, to the reporting unit' s fair value. Similarly, we test indefinite- lived intangible assets by comparing the fair value of the assets to their carrying values. If the carrying values of goodwill or indefinite- lived intangible assets exceed their fair value, the goodwill or indefinite- lived intangible assets would be considered impaired. In addition, we perform a review of a definite- lived intangible asset or other long- lived asset when changes in circumstances or events indicate a possible impairment. If any impairment or related charge is warranted, as we determined to be the case in the fourth quarter of 2022, when we recognized a $ 93. 0 million impairment charge related to our EMEA reportable segment, then our financial position and results of operations could be materially affected. See Note ~~16~~ **15** of Notes to Consolidated Financial Statements included in Item 8 of this Report. If we identify a material weakness in internal control over financial reporting, or if we fail to maintain an effective system of internal controls, we may not be able to accurately determine our financial results or prevent fraud, either of which could have a material effect on us. Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate and report on our internal control over financial reporting. We cannot be certain that we will be successful in maintaining adequate internal control over our financial reporting and financial processes in the future. We may in the future discover areas of our internal controls that need improvement. Furthermore, to the extent our business grows or significantly changes, our internal controls may become more complex, and we could require significantly more resources to ensure our internal controls remain effective ~~. In the past, we have identified certain material weaknesses in our internal control over financial reporting, all of which have been previously remediated as of December 31, 2021~~ . If we identify material weaknesses in the future, it could negatively impact our operations or the market value of our common stock. Additionally, the existence of any material weakness may require management to devote significant time and incur significant expense to remediate any such material weaknesses and management may not be able to remediate any such material weaknesses in a timely manner. Disruption of critical information systems or material breaches in the security of our systems could adversely affect our business and our customer relationships and subject us to fines or other regulatory actions. We rely on information technology systems to obtain, process, analyze, manage, transmit, and store electronic information in our day- to-day operations. We also rely on our technology infrastructure in all aspects of our business, including to interact with customers and suppliers, fulfill orders and bill, collect and make payments, ship products, provide support to customers, and fulfill contractual obligations. Our information technology systems are subject to potential disruptions, including significant network or power outages, cyberattacks, computer viruses, other malicious codes, and / or unauthorized access attempts, any of which, if successful, could result in data leaks or otherwise compromise our confidential or proprietary information and disrupt our operations. Security breaches could result in unauthorized disclosure of confidential information or personal data belonging to our employees, partners, customers or suppliers for which we may incur liability. Cybersecurity threats, attempted intrusions and other incidents, such as these, are becoming more sophisticated and frequent. Security breaches and cyber incidents have, from time to time, occurred and may occur in the future. Although the breaches and cyber incidents experienced to date have not had a material impact, there can be no assurance that our protective measures will prevent security breaches that could have a significant impact on our business, reputation and financial results. We are subject to the data privacy and protection laws and regulations adopted by federal, state and foreign legislatures and governmental agencies in various countries in which we operate, including the EU General Data Protection Regulation. Implementing and complying with these laws and regulations may be more costly or take longer than we anticipate or could otherwise affect our business operations. In addition, some U. S. state governments have enacted or are considering enacting more stringent laws and regulations protecting personal information and data. For instance, California passed the California Consumer Privacy Act of 2018, (" CCPA "), which went into effect in January 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as for private rights of action for certain data breaches that result in the loss of personal information. In addition, the California Consumer Rights Act (" CPRA ") was recently enacted to strengthen elements of the CCPA and ~~becomes~~ **became** effective January 1, 2023. A number of other states have considered similar privacy proposals, with states like Virginia and Colorado enacting their own privacy laws. These privacy laws and the evolving regulatory environment related to personal data may impact our business activities. Breaches, cyber incidents and disruptions, or failure to comply with laws and regulations related to information security or privacy could result in legal claims or proceedings against us by governmental entities or individuals, significant fines, penalties or judgements, disruption of our operations, remediation requirements, changes to our business practices, and damage to our reputation. Therefore, a failure to monitor, maintain or protect our information technology systems and data integrity effectively or to anticipate, plan for and recover from significant disruptions to these systems could have a material adverse effect on our business, results of operations or financial condition. Our business depends on attracting and retaining qualified management and other key personnel. Due to the specialized and technical nature of our business, our future performance is dependent on our ability to attract, develop and retain qualified leadership, commercial, technical, and other key personnel. Competition for such talent is intense, and we may be unable to continue to attract or retain such personnel. In an effort to mitigate such risks, the Company utilizes retention bonuses, offers competitive total rewards and maintains continuous succession planning, including for our senior executive officers. However, there can be no assurance that these mitigating factors will be adequate to attract or retain qualified management or other key personnel. Failure to retain key employees, failure to successfully transition key roles, or the inability to hire, train, retain and manage qualified personnel could also adversely affect our business. Increasing scrutiny and changing expectations from stakeholders with respect to our **Environmental, Social and Governance ("** ESG **")** practices may impose additional costs on us or expose us to new or additional risks. Companies across all industries are facing increasing scrutiny from stakeholders related to their ESG practices. Investor advocacy groups, institutional investors, investment funds, and other influential parties are also increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, investors' increased focus and activism related to ESG and similar matters may impact access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of a company' s ESG practices. We face pressures from certain stakeholders to prioritize and promote sustainable practices and reduce our carbon footprint. Our stakeholders may pressure us to implement ESG procedures or standards beyond those we have in place in order to continue engaging with us, to remain invested in us, or before they will make further investments in us. Additionally, we may face reputational challenges in the event our ESG procedures or standards do not meet the standards set by certain constituencies. We have adopted certain practices as highlighted in the Company' s Sustainability Report, including with respect to environmental stewardship. **The Company' s Sustainability Report is published annually and is available on the Company' s corporate website at home. quakerhoughton. com / sustainability.** Further, as we work to align with the recommendations of recognized third- party frameworks, we continue to expand our disclosures in these areas. This is consistent with our commitment to executing on a strategy that reflects the economic, social, and environmental impact we have on the world while advancing and complementing our business strategy. Our disclosures on these matters and standards we set for ourselves or a failure to meet these standards, may influence our reputation and the value of our brand. It is possible that our stakeholders might not be satisfied with our ESG efforts or the speed of their adoption. If we do not meet our stakeholders' expectations, our business and / or our ability to access capital could be harmed. Any harm to our reputation resulting from setting these standards or our failure or perceived failure to meet such standards could adversely affect our business, financial performance, and growth. Additionally, adverse effects upon our customers' industries related to the worldwide social and political environment, including uncertainty or instability resulting from climate change or biodiversity loss, changes in political leadership and environmental policies, changes in geopolitical- social views toward fossil fuels and renewable energy, concern about the environmental impact of climate change or biodiversity loss, and investors' expectations regarding ESG matters, may also adversely affect demand for our services. Any long- term material adverse effect on our customers or their industries could have a significant financial and operational adverse impact on our business. **Legislation requiring disclosure related to ESG matters is increasingly being adopted by governments in various jurisdictions, including the EU and California, which requirements are expected to be applicable to us or certain of our operations and which impose varying and differing requirements. These developing requirements can significantly expand climate and other sustainability related disclosure requirements, which could require substantial time and attention of management and financial resources. Additionally, we could be subjected to negative responses by governmental actors, such as anti-ESG legislation, which could have a material adverse effect on our business, financial condition, results of operations, and cash flows. We are closely monitoring these developments.** Terrorist attacks, other acts of violence or war, natural disasters, widespread public health crises or other uncommon global events may affect the markets in which we operate and our profitability which could adversely affect our liquidity, financial position and results of operations. Terrorist attacks, other acts of armed conflicts or war, including cyber- attacks, natural disasters, widespread public health crises, ~~including the COVID- 19 pandemic,~~ or other uncommon global events **,** such as the current ~~war~~ **military conflicts** between Russia and Ukraine **and between Israel and Hamas, as well as responses to such events including sanctions, boycotts, protests or other restrictive actions by the United States and / or other countries or its residents** , may negatively affect our operations. There can be no assurance that there will not be terrorist attacks against the U. S. or other locations where we do business. Also, other global events such as earthquakes, **tornados,** hurricanes, fires **, floods,** and tsunamis cannot be predicted. Terrorist attacks, other acts of armed conflicts or war, including cyber- attacks, and natural disasters, which may be amplified by ongoing global climate change and biodiversity loss, may directly impact our physical facilities and / or those of our suppliers or customers. In addition, terrorist attacks or natural disasters may disrupt the global insurance and reinsurance industries with the result that we may not be able to obtain insurance at historical terms and levels, if at all, for all of our facilities. In addition, available insurance coverage may not be sufficient to cover all of the damage incurred or, if available, may be prohibitively expensive. Widespread public health crises could also disrupt operations of the Company, its suppliers and customers which could have a material adverse impact on our results of operations. The consequences of terrorist attacks, other acts of armed conflicts or war, including cyber- attacks, natural disasters, widespread public health crises or other uncommon global events can be unpredictable, and we may not be able to foresee or effectively plan for these events, resulting in a material adverse effect on our business, results of operations or financial condition. Epidemic diseases ~~, similar to COVID- 19,~~ could negatively affect various aspects of our business, make it more difficult to meet our obligations to our customers, and could result in reduced demand from our customers. These could have a material adverse effect on our business, financial condition, results of operations, or cash flows. Our business could be adversely affected by the effects of a widespread outbreak of contagious disease, ~~similar to COVID- 19,~~ which **could** ~~impacted~~ -- **impact** all **or any** locations in which the Company does business as well as the Company' s customers and suppliers. A significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our products and likely impact our operating results. To the extent that the Company' s customers and suppliers are materially and adversely impacted by a widespread outbreak of contagious disease, this could reduce the availability, or result in delays, of materials or supplies to or from the Company, which in turn could materially interrupt the Company' s business operations. ~~The full extent of the outbreak and business impact of COVID- 19 continue to remain uncertain, and the ultimate impact on our business of a widespread outbreak of a contagious disease will depend on, among other things, the extent and duration of the outbreak, the severity of the disease and the number of people infected, the development and continued uncertainty regarding availability, administration and long- term efficacy of a vaccine or other treatments, the longer- term effects on the economy, including market volatility, and the measures taken by governmental authorities and other third parties restricting day- to- day life and the length of time that such measures remain in place, as well as laws and other governmental programs implemented to address the outbreak or assist impacted businesses, such as fiscal stimulus and other legislation designed to deliver monetary aid and other relief.~~