

Risk Factors Comparison 2024-06-17 to 2023-06-20 Form: 10-K

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Our business is subject to a variety of risks. Any of the following risks could materially and adversely affect our business, results of operations, financial condition, or future prospects. The risks discussed below should be carefully considered, together with the other information provided in this Annual Report on Form 10-K, including **in** Management's Discussion and Analysis of Financial Condition and Results of Operations, **Item 1C. Cybersecurity**, and our financial statements, including the related notes. These risk factors do not identify all risks that we face. There may be additional risks that are presently unknown to us or that we currently believe to be immaterial that could affect us. Investors should carefully consider all risks, including those disclosed, before making an investment decision. Macroeconomic, Market and Strategic Risk Factors Declines in certain economic and market conditions that impact consumer confidence and consumer spending, or cause further disruption in our business, could negatively impact our sales, results of operations and liquidity. The furniture industry and our business are particularly sensitive to cyclical variations in the general economy and to uncertainty regarding future economic conditions because our principal products are consumer goods that may be considered postponable discretionary purchases. Economic downturns and prolonged negative economic conditions have ~~in the past~~ affected, and could continue to affect general consumer spending, resulting in a decrease in the overall demand for such discretionary items, including home furnishings. Factors influencing consumer spending include, among others, general economic conditions, consumer disposable income, recession and fears of recession, United States government default or shutdown or the risk of such default or shutdown, inflation, unemployment, war and fears of war, availability of consumer credit, consumer debt levels, consumer confidence, conditions in the housing market, fuel prices, interest rates, sales tax rates, civil disturbances and terrorist activities, natural disasters, adverse weather, and health epidemics or pandemics. **We** ~~During the COVID-19 pandemic, like many businesses, we experienced significant disruption in our supply chain resulting in unprecedented increases in material and freight costs, as well as significant unavailability or delay of parts or finished goods. While the pandemic-era disruptions have diminished, further significant supply chain shocks, more significant disruption of the furniture industry, disruption within our independent dealer network or third-party wholesalers, or other unusual developments could cause significant disruption to our business and negatively affect our results. Also during the COVID-19 pandemic, we experienced an increase in demand, as more discretionary consumer spending was allocated to home furnishings. While we have seen a slow-down in demand relative to the COVID-19 era due to the negative impact of various cited factors and the return to more normal seasonality, we are unable to identify and predict to what extent such factors may further impact consumer spending on our products in the short and long term.~~ **During the COVID-19 pandemic, like many businesses, we experienced significant disruption in our supply chain resulting in unprecedented increases in material and freight costs, as well as significant unavailability or delay of parts or finished goods. Future significant disruptions of this nature in our supply chain, in the furniture industry, within our independent dealer network or third-party wholesalers, or other unusual developments could cause significant disruption to our business and negatively affect our results.** Loss of market share and other financial or operational difficulties due to competition would likely result in a decrease in our sales, earnings, and liquidity. The residential furniture industry is highly competitive and fragmented. We currently compete with many other manufacturers and retailers, including online retailers. Some of these competitors offer widely advertised products or are large retail furniture dealers offering their own store-branded products. Competition in the residential furniture industry is based on **, among other factors,** quality, style of products, perceived value, price, promotional activities, service to the customer, and advertising. Changes in pricing and promotional activities of competitors may adversely affect our performance. In addition, due to the large number of competitors and their wide range of product offerings, we may not be able to differentiate our products (through styling, finish, and other construction techniques) from those of our competitors. The highly competitive nature of the industry means we are constantly subject to the risk of losing market share, which would likely decrease our future sales, earnings, and liquidity. A majority of our sales are to distribution channels that rely on physical stores to merchandise and sell our products and a significant shift in consumer preference toward purchasing products online could have a material adverse effect on our sales and operating margin. Over the past several years, the furniture industry in general has experienced a shift to more online purchasing ~~and during the COVID-19 pandemic, this shift accelerated as customer shopping patterns and behaviors changed.~~ We are attempting to meet consumers where they prefer to shop by expanding our online capabilities and improving the user experience at www.la-z-boy.com to drive more traffic to both our online site and our physical stores. We also own Joybird, a leading e-commerce retailer and manufacturer of upholstered furniture. Joybird sells product **primarily** ~~almost exclusively~~ online, where there is significant competition for customer attention among online and direct-to-consumer brands. These and other competitive pressures could cause us to lose market share, revenue and customers, increase expenditures or reduce prices, any of which could have a material adverse effect on our results of operations or liquidity. Operational Risk Factors Our business and our reputation could be adversely affected by cybersecurity incidents and the failure to protect sensitive employee, customer, consumer, vendor or Company data. Cyber-attacks designed to gain access to and extract sensitive information or otherwise affect or compromise the ~~confidentially~~ **confidentiality**, integrity, and availability of information, including phishing attempts, denial of service attacks, and malware or ransomware incidents, have occurred over the last several years at a number of major U. S. companies and have resulted in, among other things, the unauthorized release of confidential information, material business disruptions, and negative brand and reputational impacts. Despite widespread recognition of the cyber-attack threat and improved data protection methods, cyber-attacks on organizations continue to be sophisticated, persistent, and ever-changing, making it difficult to

prevent and detect these attacks. Similar to many other retailers, we receive and, process, store certain, use and share data about our customers, consumers, employees, contractors, suppliers, vendors and others, including payment information and personally identifiable information, as well as other personal, confidential and proprietary information about our employees, wholesale customers, consumers, and vendors. Additionally, we rely on third- party service providers to execute certain business processes and maintain certain information technology systems and infrastructure, and we supply such third- party providers with the data personal information required for those services. During fiscal 2023-2024, we were subject, and in the future, we will likely continue to be subject, to attempts to breach the security of our networks and IT infrastructure through cyber- attack, malware, ransomware, computer viruses, phishing attempts, social engineering and other means of unauthorized access. To the best of our knowledge, attempts to breach our systems have not been successful to date. A breach of our systems, either internally, through potential vulnerabilities of our employees' home networks, or at our third- party technology service providers, could adversely affect our business operations and result in the loss or misappropriation of, and unauthorized access to, sensitive information. As a result of a breach involving that results in the unauthorized release of sensitive information, our reputation could be adversely affect affected our reputation resulting in a loss of our existing customers and potential future customers, lead to financial losses due to remedial actions or potential liability, possibly including punitive damages, or we could face claims, demands, lawsuits, regulatory investigations and could incur regulatory fines or, penalties, or become subject to injunctive relief imposing additional compliance obligations. An electronic security breach resulting in the unauthorized release of sensitive data from our information systems or those of our third- party service providers could also materially increase the costs we already incur to protect against these risks, including costs associated with insurance coverage and potential remediation measures. We continue to balance the additional risk with the cost to protect us against a breach and have taken steps to ensure that losses arising from a breach would be covered in part by insurance that we carry, although the costs, potential monetary damages, and operational consequences of responding to cyber incidents and implementing remediation measures may be in excess of our insurance coverage or be not covered by our insurance at all. We have implemented a hybrid work approach for certain employees. Although we continue to implement strong physical and cybersecurity measures to ensure that our business operations remain functional and to ensure uninterrupted service to our customers, our systems and our operations remain vulnerable to cyberattacks and other disruptions due to the fact that a portion of our employees work remotely and we cannot be certain that our mitigation efforts will be effective. We rely extensively on information technology systems to process transactions, summarize results, and manage our business and that of certain independent dealers. Disruptions in both our primary and back- up systems could adversely affect our business and results of operations. Our primary and back- up information technology systems are subject to damage or interruption from power outages, telecommunications failures, hardware and software failures, computer hacking, cybersecurity breaches, computer viruses, phishing attempts, cyber- attacks, malware and ransomware attacks, errors by employees, natural disasters, adverse weather, and similar events. We also rely on technology systems and infrastructure provided by third- party service providers, who are subject to these same cyber and other risks. Interruptions of our critical business information technology systems or failure of our back- up systems could result in longer production times or negatively impact customers resulting in damage to our reputation and a reduction in sales. If our critical information technology systems or back- up systems were damaged or ceased to function properly, we might have to make a significant investment to repair or replace them. If a ransomware attack or other cybersecurity breach occurs, either internally or at our third- party technology service providers, it is possible we could be prevented from accessing our data which may cause interruptions or delays in our business, cause us to incur remediation costs or require us to pay ransom to a hacker which takes over our systems, or damage our reputation. While we carry insurance that would mitigate losses from certain damage, interruption, or breach of our information technology systems, insurance may be insufficient to compensate us fully for potential significant losses. Further, information systems of our suppliers or service providers may be vulnerable to attacks by hackers and other security breaches, including computer viruses and malware, through the internet, email attachments and persons with access to these information systems. If our suppliers or service providers were to experience a system disruption, attack or security breach that impacts a critical function, it could result in disruptions in our supply chain, the loss of sales and customers, potential liability for damages to our customers, reputational damage and incremental costs, which could adversely affect our business, results of operations and profitability. Inability to maintain and enhance our brand and respond to changes in our current and potential consumers' tastes and trends in a timely manner could adversely affect our business and results of operations. The success of our business depends on our ability to maintain and enhance our brands to increase our business by retaining consumers and attracting new ones. Furniture product is fashion- oriented so changes in consumers' tastes and trends and the resultant change in our product mix, as well as failure to offer our consumers multiple avenues for purchasing our products, could adversely affect our business and results of operations. As mentioned above, there is significant competition for customer attention among online and direct- to- consumer brands. We attempt to minimize these risks by maintaining strong advertising and marketing campaigns promoting our brands. We also attempt to minimize our risk by updating our current product designs, styles, quality, prices, and options to purchase our products in- store or online. If these efforts are unsuccessful or require us to incur substantial costs, our business, results of operations and financial or competitive condition could be adversely affected. Fluctuations in the price, availability and quality of raw materials could cause delays that could result in our inability to timely provide goods to our customers and. Such fluctuations have increased, and could continue to increase, our costs- cost and therefore, either of which could decrease our earnings. In manufacturing furniture, we use various types of wood, fabrics, leathers, upholstered filling material, including polyurethane foam, steel, and other raw materials, and metal components. Additionally, our manufacturing processes and plant operations use various electrical equipment and components and tooling. Because we are dependent on outside suppliers for these items, fluctuations in their price, availability, and quality have had, and could continue to have, a negative effect on our cost of sales and our ability to meet our customers' demands. We have a higher concentration in upholstery sales, including

motion furniture, than many of our competitors, and the effects of **price and wage inflation related to** steel, polyurethane foam, wood, electrical components for power units, leather and fabric **price increases** or quantity shortages **could of such materials or parts** have **had, and could continue to have,** a significant negative impact **to on** our business. Competitive and marketing pressures may prevent us from passing along price increases to our customers, and the inability to meet our customers' demands could cause us to lose sales. Further, most of our polyurethane foam comes from **two-three** suppliers. These suppliers have several facilities across the United States, but adverse weather, natural **or man-made** disasters, or public health crises (such as pandemics or epidemics) could result in delays in shipments of polyurethane foam to our plants. Similarly, adverse weather **(including increased risk of catastrophic events as a result of climate change)**, natural **or man-made** disasters, public health crises (such as pandemics or epidemics), labor disputes, possible acts of terrorism, port and canal blockages and congestion, and availability of shipping containers **have and** could **in the future** result in delays in shipments or the absence of required raw materials **or components** from any of our suppliers. A change in the financial condition of our domestic and foreign fabric suppliers could impede their ability to provide products to us in a timely manner. Upholstered furniture is fashion oriented, and if we are unable to acquire sufficient fabric variety, or to predict or respond to changes in fashion trends, we might lose sales and have to sell excess inventory at reduced prices. Doing so would have a negative effect on our sales and earnings. Changes in the availability and cost of foreign sourcing and economic and political uncertainty in countries outside of the United States in which we operate or from which we purchase product, could adversely affect our business and results of operations. We have operations in countries outside the United States, some of which are located in emerging markets. Long-term economic and political uncertainty in some of the countries in which we operate, such as the United Kingdom, Mexico, and Thailand, could result in the disruption of markets and negatively affect our business. Our casegoods business imports products manufactured by foreign sources, mainly in Vietnam, and our Wholesale segment purchases cut- and- sewn fabric and leather sets, electronic component parts, and some finished goods from Chinese and other foreign vendors. Our cut- and- sewn leather sets are primarily purchased from suppliers that operate in China and the majority of our fabric products are also purchased from suppliers that operate in China. One of these primary suppliers provides both cut- and- sewn leather sets and fabric products. As a result of factors outside of our control, at times our sourcing partners have not been able to, and in the future may not be able to, produce or deliver goods in a timely fashion or the quality of their product may lead us to reject it, causing disruptions in our domestic operations and delays in shipments to our customers. Financial Risk Factors Our current retail markets and other markets that we may enter in the future may not achieve the growth and profitability we anticipate. We could incur charges for the impairment of long-lived assets, goodwill, or other intangible assets if we fail to meet our earnings expectations for these markets. From time to time we may acquire **retail locations independent La- Z- Boy Furniture Galleries @ stores** or other retail businesses, such as **our acquisition of Joybird in fiscal 2019**. We **may** also **plan to** remodel and relocate existing stores **,-and** experiment with new store formats **,-and** **may** close underperforming stores. Our assets include goodwill and other intangible assets acquired in connection with these acquisitions. Profitability of acquired, remodeled, relocated, and new format stores will depend on lease rates (for stores we lease) and retail sales and profitability justifying the costs of acquisition, remodeling, and relocation. If we do not meet our sales or earnings expectations for these stores or businesses, we have in the past incurred and may in the future incur charges for the impairment of long-lived assets, the impairment of right- of- use lease assets, the impairment of goodwill, or the impairment of other intangible assets. We also operate a wholesale sales office that is responsible for distributing La- Z- Boy products in the United Kingdom and Ireland, as well as a manufacturing business in the United Kingdom which was acquired in **the third quarter of** fiscal 2022. Our assets include goodwill and other intangible assets, including acquired customer relationships, in connection with our acquisition of the wholesale business. If we do not meet our sales or earnings expectations for these operations, we may incur charges for the impairment of goodwill or the impairment of our intangible assets. We may require funding from external sources, which may not be available at the levels we require or may cost more than we expect, and as a result, our expenses and results of operations could be negatively affected. We regularly review and evaluate our liquidity and capital needs. We believe that our cash and cash equivalents, short-term investments, cash from operations, and amounts available under our credit facility will be sufficient to finance our operations and expected capital requirements for at least the next 12 months. In the event that we draw on our credit facility, outstanding amounts may become immediately due and payable upon certain events of default, including a failure to comply with the financial covenants in the credit agreement — a consolidated net lease adjusted leverage ratio requirement and a consolidated fixed- charge coverage ratio requirement — or with certain other affirmative and negative covenants in the credit agreement. If we are unable to access additional credit at the levels we require, or the cost of credit is greater than expected, it could adversely affect our results of operations or financial condition. Due to the nature of our business and our payment terms, we may not be able to collect amounts owed to us by customers, which may adversely affect our sales, earnings, financial condition, and liquidity. We grant payment terms to most wholesale customers ranging from 15 to 60 days. Some of our customers have experienced, and may in the future experience, cash flow and credit-related issues. If a major event with negative economic effects were to occur, and such effects have occurred in the past, we may not be able to collect amounts owed to us or such payment may only occur after significant delay. While we perform credit evaluations of our customers, those evaluations may not prevent uncollectible trade accounts receivable. Credit evaluations involve significant management diligence and judgment, especially in the current environment. Should more customers than we anticipate experience liquidity issues, if payment is not received on a timely basis, or if a customer declares bankruptcy or closes stores, we may have difficulty collecting amounts owed to us by these customers, which could adversely affect our sales, earnings, financial condition and liquidity. Legal and Regulatory Risk Factors Our business and our reputation could be adversely affected by the failure to comply with **or the cost of compliance with** evolving regulations relating to our obligation to protect sensitive employee, customer, consumer, vendor or Company data. We receive, process, store, use and share data **about our customers**, **some of which contains** **consumers, employees, contractors, suppliers, vendors and others, including payment information and**

personally identifiable information, as well as other personal, confidential and proprietary information. There are numerous federal, state, local and foreign laws and regulations regarding privacy, data protection, and data security, including those related to the collection, storage, handling, use, disclosure, transfer, and security of personal data. **These Regulatory focus on data privacy and security concerns continues to increase globally, and laws and regulations concerning the collection, use, and disclosure of personal information are regularly changing expanding and becoming more complex, while being subject to uncertain and differing interpretations and that may be inconsistent among countries or conflict with other rules.** For example, the European General Data Protection Regulation (“GDPR”) applies to us and creates a range of requirements and compliance obligations regarding the treatment of personal data, including the public disclosure of significant data breaches, and imposes significant penalties for non-compliance. **Several state laws include The California Consumer Privacy Act (“CCPA”), among other things, imposes additional requirements with respect to disclosure and deletion of personal information of California residents. The CCPA provides, as well as civil penalties for violations and, as well as a private right of action for data breaches. The These GDPR, the CCPA, the California Privacy Rights Act, and other privacy and data protection laws may increase our costs of compliance and risks of non-compliance, which could result in substantial penalties, negative publicity and harm to our brand. These risks may be heightened by our online marketing and customer engagement activities.** It is possible that these laws may be interpreted or applied in a manner that is adverse to us, unforeseen, or otherwise inconsistent **from one jurisdiction to another or** with our practices, or that we may not adequately adapt our internal policies and / or procedures to evolving regulations, any of which could result in litigation, regulatory investigations, **enforcement actions, fines, penalties** and potential legal liability, require us to change our practices in a manner adverse to our business or limit access to our products and services in certain countries. As a result, our reputation and brand, which are critical to our business operations, may be harmed, we could incur substantial costs, including costs related to litigation, or we could lose both customers and revenue. Changes in the domestic or international regulatory environment or trade policies could adversely affect our business and results of operations. We are subject to numerous laws and regulations, including those relating to labor and employment, customs, sanctions, truth-in-advertising, consumer protection, e-commerce, privacy, health and safety, real estate, environmental and zoning and occupancy, intellectual property and other laws and regulations that regulate retailers, manufacturers or otherwise govern our business. Changes in laws and regulations in the United States or internationally may require us to modify our current business practices or otherwise increase our costs of compliance, which could adversely affect our results of operations. Because we manufacture components and finished goods in Mexico **and the United Kingdom**, purchase components and finished goods manufactured in foreign countries, including China and Vietnam, participate in consolidated joint ventures in Thailand, and operate a wholesale and retail business in Canada, we are subject to risks relating to changes in the domestic or international regulatory environment or trade policies, including new or increased duties, tariffs, retaliatory tariffs, trade limitations and termination or renegotiation of bilateral and multilateral trade agreements impacting our business. The United States has enacted certain tariffs on many items sourced from China, including certain furniture, accessories, furniture parts, and raw materials which are imported into the United States and that we use in our domestic operations. We may not be able to fully or substantially mitigate the impact of these tariffs, pass price increases on to our customers, or secure adequate alternative sources of products or materials. The tariffs, along with any additional tariffs or retaliatory trade restrictions implemented by other countries, could negatively impact customer sales, including potential delays in product received from our vendors, our cost of goods sold and results of operations. Conversely, if certain tariffs are eliminated or reduced, we may face additional competition from foreign manufacturers entering the United States market and from domestic retailers who rely on imported goods, putting pressure on our prices and margins, which could adversely affect our results of operations. Finally, our business **in the United Kingdom has been, including and could further be, affected by the United Kingdom's exit from the European Union, and our sales and margins, there and in other foreign countries** could be adversely affected by the imposition in **Mexico, the United Kingdom or other** foreign countries of import bans, quotas, and increases in tariffs. Changes in regulation of our international operations, including anti-corruption laws and regulations, could adversely affect our business and results of operations. Our operations outside of the United States and sale of product in various countries subject us to U. S. and foreign laws and regulations, including but not limited to the UK Bribery Act 2010, the U. S. Foreign Corrupt Practices Act, the U. S. Export Administration Act, and other anti-bribery and anti-corruption statutes. These laws and regulations include prohibitions on improper payments to government officials, restrictions on where we can do business, what products we can supply to certain countries, and what information we can provide to certain governments. Violations of these laws, which are complex, frequently changing, and are often subject to varying interpretation and enforcement, may result in civil or criminal penalties or sanctions that could have a significant adverse effect on our business and results of operations. **Although we have implemented It is possible that our employees, contractors, or agents could violate our** policies and procedures designed to ensure compliance with these laws and regulations, **there can be no assurance that our employees, contractors, or agents will not violate our policies and procedures or otherwise fail to** comply with these laws and regulations. We may be subject to product liability and other claims or undertake to recall one or more products, which could adversely affect our business, results of operations and reputation. Millions of our products, sold over many years, are currently used by consumers. We have voluntarily recalled products in the past, and while none of those recalls has resulted in a material expense or other significant adverse effect, a significant product recall or other product-related litigation could result in future additional expense, penalties, and injury to our brands and reputation, and adversely affect our business and results of operations. In addition, we are involved in lawsuits, claims and proceedings incident to the ordinary course of our business. Litigation is inherently unpredictable. Any claims against us, whether meritorious or not, could result in costly litigation that could adversely affect our business and results of operations. Although we maintain liability insurance in amounts that we believe are reasonable, in most cases, we are responsible for large, self-insured retentions and defense costs. We **may not cannot provide assurance that we will** be able to maintain such insurance on acceptable terms, if at all in the future, or that

product liability or other claims will not exceed the amount of insurance coverage, or that all such matters would be covered by our insurance. As a result, product liability and other claims could have a material adverse effect on our business, results of operations and financial condition.

General Risk Factors Our operations are subject to risks of unsettled political conditions, natural or man-made disasters, adverse weather, climate change, acts of war, terrorism, organized crime, pandemics and other public health concerns, any one of which could adversely affect our business and results of operations. Our operations are subject to risks of unsettled political conditions, natural or man-made disasters, adverse weather, climate change, acts of war, terrorism, organized crime, pandemics and other public health concerns. If any of these events cause disruptions or damage in our manufacturing plants, distribution facilities, company-owned La-Z-Boy Furniture Galleries® stores or corporate headquarters, or the facilities of our vendors, **or if such events impact the availability of raw materials or cause disruption in our supply chain**, that could make servicing our customers more difficult or result in the potential loss of sales and customers. In addition, we may incur costs in repairing any damage beyond our applicable insurance coverage. **Any of The COVID-19 pandemic negatively impacted the these outcomes could have world economy, significantly impacted global supply chains, and an adverse increased volatility within financial markets, all of which negatively affected affect on the home furnishings manufacturing and retail industry and our business and results**. The impact of any resurgence of COVID-19 or any other pandemic on our operational **operations** and financial performance will depend on future developments, including the availability and adoption of effective vaccines, governmental orders and mitigation measures, recovery of the business environment, global supply chain conditions, economic conditions, inflationary pressures, consumer confidence, and consumer demand for our products. We make certain assumptions, judgments and estimates that impact the amounts reported in our consolidated financial statements, which, if not accurate, may impact our financial results. Certain assumptions, judgments and estimates impact amounts reported in our consolidated financial statements, including but not limited to, inventories, goodwill, intangible assets, product warranty liabilities, insurance and legal-related liabilities, **contingent consideration** and income taxes. To derive our assumptions, judgments and estimates, we use historical experience and various other factors that we believe are reasonable as of the date we prepare our consolidated financial statements. Our goodwill and **contingent consideration liability**, resulting from certain acquisitions, **are is** based on the expected future performance of the operations acquired. **At and at** least annually, we reassess the goodwill for impairment **and quarterly, we reassess the fair value of any contingent consideration**. Changes in business conditions or other events could materially change the projection of future cash flows or the discount rate we used in the fair value calculation of the goodwill **and contingent consideration**. Actual results could differ materially from our estimates, and such differences may impact our financial results. We may not be able to recruit and retain key employees and skilled workers in a competitive labor market or we could experience continued increases in labor costs, which could adversely affect our business and results of operations. If we cannot successfully recruit and retain key employees and skilled workers or we experience the unexpected loss of those employees, our operations may be negatively impacted. A shortage of qualified personnel along with continued labor cost inflation may require us to further enhance our compensation in order to compete effectively in the hiring and retention of qualified employees. Changes in tax policies could adversely affect our business and results of operations. Changes in United States or international income tax laws and regulations may have an adverse effect on our business in the future. We are subject to income taxes in the United States and numerous foreign jurisdictions. Our effective income tax rate in the future could be adversely affected by a number of factors, including changes in the mix of earnings in countries with differing statutory tax rates, changes in tax laws, the outcome of income tax audits in various jurisdictions, and any repatriation of non-U.S. earnings for which the Company has not previously provided for U.S. taxes. We regularly assess these matters to determine the adequacy of our tax provision, which is subject to significant judgement. Our strategy, goals and disclosures related to Environmental, Social, and Governance ("ESG") matters expose us to numerous risks, including risks to our reputation and stock price. There has been increased focus from our stakeholders, including consumers, employees, and investors, on our ESG practices. We **have plan to establish established and announce goal goals** statements will reflect our current plans and are not guarantees that we will be able to achieve them. Our efforts to accomplish and accurately report on these goals and objectives present numerous operational, reputational, financial, legal, and other risks, any of which could have a material negative impact, including on our reputation, stock price, and results of operation. We could also incur additional costs and require additional resources to implement various ESG practices to make progress against our public goals and to monitor and track our performance with respect to such goals. The standards for tracking and reporting on ESG matters are relatively new, **have not been formalized** and continue to evolve. Collecting, measuring, and reporting ESG information and metrics can be difficult and time consuming. Our selected disclosure framework or standards may need to be changed from time to time, which may result in a lack of consistent or meaningful comparative data from period to period. In addition, our interpretation of reporting frameworks or standards may differ from those of others and such frameworks or standards may change over time, any of which could result in significant revisions to our goals or reported progress in achieving such goals. Our ability to achieve any ESG-related goal or objective is subject to numerous risks, many of which are outside of our control, including: the availability and cost of low- or non-carbon-based energy sources and technologies, evolving regulatory requirements affecting ESG standards or disclosures, the availability of vendors and suppliers that can meet our sustainability, diversity and other standards, and the availability of raw materials that meet and further our sustainability goals. If our ESG practices do not meet evolving consumer, employee, investor or other stakeholder expectations and standards or our publicly-stated goals, then our reputation, our ability to attract or retain employees and our competitiveness, including as an investment and business partner, could be negatively impacted. Furthermore, if our competitors' ESG performance is perceived to be better than ours, potential or current customers and investors may elect to do business with our competitors instead, and our ability to attract or retain employees could be negatively impacted. Our failure, or perceived failure, to pursue or fulfill our goals, targets, and objectives or to satisfy various reporting standards within the timelines we announce, or at all, could also expose us to government enforcement actions and

private litigation.