Risk Factors Comparison 2024-02-29 to 2023-03-01 Form: 10-K

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Many risk factors both within and outside of our control could have an adverse impact on our business, financial condition, results of operations and cash flows and on the market price of our common stock. While not an exhaustive list, the following important risk factors could affect our future results, including our actual results for ~~2022~~ **2023** and thereafter and could also cause our actual results to differ materially from those expressed in any forward- looking statements we have made or may make. Risk Factors Summary Material risks that may affect our business, operating results and financial condition include, but are not necessarily limited to, those relating to: • Our technological advantages are unlikely to continue indefinitely; • Policing our intellectual property and patent rights is costly and may be unsuccessful; • International geopolitical and other risks associated with our sales and operations outside of the United States, due to political unrest, terrorist acts, and national and international ~~conflict~~ **disputes** , including Russia' s invasion of Ukraine **and the conflict between Israel and Hamas** ; • Failure to comply with the U. S. Foreign Corrupt Practices Act (" FCPA") and other anti- corruption laws or trade control laws, as well as other laws governing our operations; • The effect of foreign currency exchange rates; • We could be subject to changes in our tax rates, the adoption of new U. S., or foreign tax legislation or exposure to additional tax liabilities; • Competition from several established competitors and limited market transparency; • ~~Our FBS segment is dependent upon a small number of customers for a significant portion of its sales; • Continued governmental actions relating to tobacco products, as well as decreased demand for traditional products or the impacts of new related technologies such as e- cigarettes and vaping, may adversely impact our business; •~~ The availability of credit and changes in interest rates ~~; • The replacement of LIBOR with SOFR~~ ; • Our failure to comply with the covenants contained in our credit agreements and other debt instruments could result in an event of default that could cause acceleration of our indebtedness; • Future dividends on our common stock may be restricted or eliminated; • Risks related to our internal and external expansion plans and asset dispositions; • The substantial costs related to the integration of Neenah; • Our failure to realize some or all of the anticipated benefits of the Merger **; • Our failure to recognize the strategic benefits of the EP Divestiture** ; • A loss of customers, distributors, suppliers, vendors, landlords, joint venture partners and other business partners as a result of the Merger; • Our future results may suffer if we do not effectively manage our expanded operations; • We may not successfully integrate acquisitions into Mativ' s operations; • Our restructuring activities are time- consuming and expensive; • The cost and availability of raw materials and energy; • A failure of, or a security breach in, a key information technology system could compromise our information and expose us to liability; • We rely on a limited number of key employees; • We face various risks related to **public health emergencies** ~~the COVID- 19 pandemic~~ and similar health- related outbreaks **such as the COVID- 19 pandemic** ; • Our business is subject to various environmental laws, regulations and related litigation that could impose substantial costs or other liabilities on us; • Environmental, social and governance (" ESG") issues may have an adverse effect on our business, financial condition and results of operations, the desirability of our stock, and may damage our reputation; • Increases in costs of pension benefits may reduce our profitability; • We are subject to various legal actions and other claims; • Any loss or interruption of the operations of our facilities; • Fluctuations in construction and infrastructure spending; and • We have historically experienced significant cost savings and productivity benefits relating to our ongoing operational excellence program **which we** ~~. New smoking technologies such as e- cigarette and vaping technologies provide an alternative to and~~ may **not be able to achieve** ~~decrease demand for traditional cigarettes and cigars, which could result~~ in ~~a decrease in demand for our products and adversely affect our consolidated results of operations, financial position and cash flows. New smoking technologies, including e- liquids, vapable oils and other~~ -- **the** ~~vaping products, provide an alternative to traditional cigarettes and cigars, which could result in a decrease in demand for our products, including cigarette papers, reconstituted tobacco leaf (" RTL") and associated items. As of December 31, 2022, approximately 60 % of FBS segment sales are to customers in the tobacco end- market, with the majority of tobacco sales comprised of cigarette papers. Future sales and any~~ future ~~profits from cigarette papers and reconstituted tobacco products are substantially dependent upon the continued use of traditional cigarettes and cigars. Growth in the use of, and interest in, e- liquids, vapable oils and other vaping products is likely to continue. While traditional tobacco products are well established and revenue from traditional cigarette sales represents a substantial majority of total industry revenue, new smoking technologies may become more widely adopted and the business, growth prospects and financial condition of our FBS segment may be adversely affected~~ . Our technological advantages are unlikely to continue indefinitely. We consider our intellectual property and patents to be a material asset. We have been at the forefront of developing new products and technology within our industries and have patented ~~several~~ **many** of our innovations ~~, particularly with regard to cigarette paper used to produce LIP cigarettes~~ . This has enhanced our ability to sell products and to provide added functionality and other value to the products we sell allowing them to command higher margins. This advantage has also enabled us to license certain of our patents and know- how to, and earn royalty income from, third parties. Ultimately, our various patents will expire and some may be held invalid in certain jurisdictions before their expiration dates. In addition to protecting certain of our technological advantages through patenting, we also protect a significant amount of our technological advantages as trade secrets, especially with regard to our ATM segment ~~and our RTL products~~ . As we expand our operations to more locations and countries, the risk of the loss of proprietary trade secrets will increase, and any significant loss would result in the loss of the competitive advantages provided by such trade secrets. While we cannot predict the impact or the timing of these trends and eventualities, they likely will reduce our sales and margins from the levels that we otherwise would have achieved. Effectively policing our domestic and international intellectual property and patent rights is costly and may not be successful. Our portfolio of granted patents varies by country, which could have an impact on any competitive advantage provided by patents in individual countries. We cannot guarantee that any U. S. or foreign patent, issued or pending, will provide us with any continued competitive advantage. We rely on patent, trademark, and other intellectual property laws of the U. S. and other countries to protect our intellectual property rights. However, we cannot guarantee that one or more of our patents will not be challenged by third parties and / or ultimately held invalid by courts or patent agencies of competent jurisdiction ~~, which could remove the legal barriers preventing competitors from practicing our LIP technology among others~~ . Further, there can be no assurances that we will be able, or that it will be economic for us, to prevent third parties from using our intellectual property or infringing our patents without our authorization, which may reduce any competitive advantage we have developed. In the event that we need to enforce certain of our patents against infringement through judicial or administrative actions, the litigation to protect these rights is often costly and time consuming and diverts management resources; moreover, there can be no assurance that our efforts to protect our intellectual property will be successful, or that a defendant will not assert counterclaims against us or challenges to other intellectual property we may own. Some of our patents have been the subject of opposition hearings. Like the actions we undertake to enforce our IP rights, oppositions filed against us in respect of our intellectual property are expensive and divert management time and resources. Even when the Company is initially successful, there can be no assurance that the counterparty will not appeal, or that the appeal will not be successful. Even when successful at the appeal level, there can be no assurance that a patent will not be later successfully challenged in individual national court jurisdictions. We do not believe that any of our products infringe the valid intellectual property rights of third parties. However, we may be unaware of intellectual property rights of others that may cover some of our products or services or a court or other governmental body may come to a different conclusion from ours. In that event, we may be subject to significant claims for damages or disruptions to our operations. Because of the geographic diversity of our business, we are subject to a range of international risks. Our operations are located in many countries around the world and operate, to a degree, in a decentralized manner. There are inherent control and fraud risks in such a structure. Moreover, we have manufacturing facilities in ~~fourteen~~ **twelve** countries ~~and two joint ventures in China~~ and sell products in over 100 countries, many of which are emerging and undeveloped markets. As a result, our manufacturing operations, sales and results, depending on their location, are subject to various international business risks, including, but not limited to, the following: • Foreign countries can impose significant import, export, excise and income tax and other regulatory restrictions on our business, including limitations on repatriation of profits and proceeds of liquidated assets. While we attempt to manage our operations and international movements of cash from and amongst our foreign subsidiaries in a tax- efficient manner, unanticipated international movement of funds due to unexpected changes in our business or changes in tax and associated regulatory schemes could materially affect our financial position, results of operations and cash flows. • We are exposed to global as well as regional macroeconomic and microeconomic factors, which can affect demand and pricing for our products, including unsettled political and economic conditions; expropriation; import and export tariffs; regulatory controls and restrictions; and inflationary and deflationary economies. Events occurring in countries having a large share of the global economy (such as China, Japan, or the EU) can have an impact on economies that are interdependent and thereby affect those in which the Company primarily operates. These factors together with risks inherent in international operations, including risks associated with any non-compliance with anti- corruption and anti- bribery laws, could adversely affect our financial condition, results of operations and cash flows. • We ~~participate in two joint ventures and~~ have one manufacturing facility in China ~~. The joint ventures sell our products primarily to Chinese tobacco companies~~ . Operations in China entail a number of risks including international and domestic political risks, the need to obtain operating and other permits from the government, adverse changes in the policies or in our relations with government- owned or run customers and the uncertainty inherent in operating within an evolving legal and economic system ~~. There are also risks inherent with 50 % joint ventures, such as a lack of ability to control, and visibility with respect to operations, customer relations and compliance practice, among others~~ . • Changes or increases in international trade sanctions or quotas may restrict or prohibit us from transacting business with established customers or securing new ones, including as to Russia and ~~the~~ Ukraine, ~~which are areas where the Company has offices and / or significant customers and~~ as to which the applicable sanctions have changed unexpectedly on a number of occasions since 2014. Changes in the laws and regulations described above, adverse interpretations or applications of such laws and regulations, and the outcome of various court and regulatory proceedings, including in Europe and Brazil, could adversely impact the Company' s business in a variety of ways, including increasing expenses, increasing liabilities, decreasing sales, limiting its ability to repatriate funds and generally conduct business, all of which could adversely affect our financial condition, results of operations and cash flows. We are subject to the U. S. Foreign Corrupt Practices Act and other anti- corruption laws or trade control laws, as well as other laws governing our operations. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures, and legal expenses, which could adversely affect our business, financial condition and results of operations. We are subject to anti- corruption laws, including the FCPA, and other anti- corruption laws that apply in countries where we do business. The FCPA, the ~~2013 Brazilian Clean Companies Act, the~~ U. K. Bribery Act of 2010 ~~, the 2013 Russian Law on Preventing Corruption~~ and ~~these~~ other **similar** laws generally prohibit us, our employees, consultants and agents from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage. We operate in a number of jurisdictions that pose a high risk of potential FCPA violations, and we participate in joint ventures and relationships with third parties whose actions could potentially subject us to liability under the FCPA or local anti- corruption laws. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted. We are also subject to other laws and regulations governing our international operations, including regulations administered by the U. S. Department of Commerce' s Bureau of Industry and Security, the U. S. Department of Treasury' s Office of Foreign Asset Control, and various non- U. S. government entities, including applicable export control regulations, economic sanctions on countries and persons, customs requirements, currency exchange regulations and transfer pricing regulations, or collectively, Trade Control laws. There is no assurance that we will be completely effective in ensuring our compliance with all applicable anti- corruption laws, including the FCPA or other legal requirements, including Trade Control laws. If we are not in compliance with such laws or requirements, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, financial condition, results of operations and liquidity. Likewise, any investigation of any potential violations of the FCPA, other anti- corruption laws or Trade Control laws by U. S. or foreign authorities could also have an adverse impact on our reputation, business, financial condition and results of operations. Fluctuations in foreign currency exchange rates could adversely impact our financial condition, results of operations and cash flows. A significant portion of our revenues are generated from operations outside the U. S. In addition, we maintain significant operations and acquire or manufacture many of our products outside the U. S. The functional currency of our international subsidiaries is generally the local currency in which each subsidiary operates. In particular, a large portion of our commercial business is denominated in euros and British ~~pounds~~ **Pounds** . Since our consolidated financial statements are presented in U. S. dollars, we must translate revenues, expenses, assets and liabilities from functional currencies into U. S. dollars. As a result, our future revenues, costs, results of operations and earnings could be significantly affected by changes in foreign currency exchange rates, especially the euro to U. S. dollar exchange rate and the British pounds to U. S. dollar exchange rate. In addition, some of our sale and purchase transactions are denominated in a currency other than the local currency of our operations. As a result, changes in exchange rates between the currencies in which the transaction is denominated versus the local currency of our operations into which the transaction is being recorded can impact the amount of local currency recorded for such transaction. This can result in more or less local currency revenue or cost related to such transaction and thus have an effect on our operating profit. We also hold a significant amount of our cash balances in euros and British pounds, thus any weakening of these currencies versus the U. S. dollar would reduce the amount of U. S. dollars for which such balances could be exchanged. Changes in foreign currency exchange rates also impact the amount reported in Other income (expense), net. For instance, when a non- local currency receivable or payable is not settled in the period in which it is incurred, we are required to record a gain or loss, as applicable, to reflect the impact of any change in the exchange rate as of the end of the period. We also have to reflect the translation rate impact on the carrying value of our foreign assets and liabilities as of the end of each period, which is recorded as unrealized translation adjustment in Other comprehensive income (loss). We utilize a variety of practices to manage this risk, including operating and financing activities and, where considered appropriate, derivative instruments. All derivative instruments we use are either exchange traded or entered into with major financial institutions in order to reduce credit risk and risk of nonperformance by third parties. Counterparty risk cannot be eliminated and there can be no assurance that our efforts will be successful. We generally hedge foreign currency transaction risk through the use of derivative instruments, including forward and swap contracts and, to a lesser extent, option contracts. The use of derivative instruments is intended to mitigate or reduce transactional level volatility in the results of foreign operations but does not completely eliminate volatility. If our future revenues, costs and results of operations are significantly affected by economic conditions abroad and / or we are unable to effectively hedge these risks, they could materially adversely affect our financial condition, results of operations and cash flows. The Company could be subject to changes in its tax rates, the adoption of new U. S., or foreign tax legislation or exposure to additional tax liabilities. The Company is subject to taxes in the U. S. and in foreign jurisdictions where a number of the Company' s subsidiaries are organized. The Company' s future effective tax rate could be affected by changes in the mix of earnings in countries with differing statutory tax rates or future changes in tax laws or new interpretations of existing tax laws. Recent developments, such as the European Commission' s investigations on illegal state aid, individual European countries implementation of Anti- Tax Avoidance Directives, continued regulatory development of the Tax Cuts and Jobs Act of 2017, and the Organization for Economic Cooperation and Development projects on base erosion and profit shifting may result in changes to long- standing tax principles or new challenges to our cross- border arrangements, which could materially affect our effective tax rate or could require potential restructuring of the foreign subsidiaries. If the Company' s effective tax rates were to increase, or if any ultimate determination of the Company' s taxes owed is for an amount in excess of amounts previously accrued, the Company' s operating results, cash flows, and financial condition could be adversely affected. **In particular, the Organization for Economic Cooperation and Development (" OECD ") has reached agreement on an approach to establish a minimum global tax, set at 15 %, for large multi- national enterprises, such as the Company. The OECD has recommended that certain aspects of this approach, referred to as " Pillar Two ", be made effective beginning in 2024, and many jurisdictions, including most European Member States, have already legislated Pillar Two into their statutory law and others are in the process of doing so. The Company expects that Pillar Two will introduce new challenges with respect to compliance with Pillar Two reporting requirements. Therefore, the Company continues to monitor for updates as countries within its global footprint announce Pillar Two legislation and related guidance.** We face competition from several established competitors and we have limited market transparency ~~. Four of our largest competitors for engineered papers in the FBS business are delfort group AG (" delfort"), Julius Glatz GmbH (" Glatz"), Miquel y Costas & Miquel S. A. (" Miquel y Costas") and PT BUKIT Muria Jaya (" BMJ"). All four primarily operate from modern and cost- effective plants in Western Europe and Asia and are capable and long- standing suppliers to the tobacco industry. Further, three such competitors, delfort, Glatz and BMJ, are privately held and the third, Miquel y Costas, is a closely held public company. Thus, their financial results and other business developments and strategies are not disclosed to the same extent as ours, which provides them some advantage in dealing with customers. Given the concentration of most of our competitors in Western Europe, which has seen declining demand for combustible products and has labor laws that make reducing capacity expensive and slow, excess capacity exists and therefore price competition is acute. We believe that all four competitors have good relationships with the multinational cigarette companies, as does the Company. The multinational cigarette companies have been known to use these close relationships to encourage the development of enhanced competition through supporting competitive products and~~

~~facilities, especially when confronted with new, high- value technologies such as porous plug wrap in the past and LIP today. We believe our Engineered paper products compete primarily on product features, price, innovations and customer service. Due to many of the factors described above, we have a limited ability to predict trends in the industry and there may be a time lag before we become aware of developing trends in the industry~~ . Our ATM segment products compete to some degree against specialty products made by competitors such as Shaoxing Naite Plastics Co. Ltd., 3M Company, Covestro AG, ORAFOL Europe GmbH, Hollingsworth and Vose Company, Advanced Medical Solutions Group plc, Avery Dennison, Ahlstrom ~~- Munksjo~~ **Holding 3 Oy** , Mondi plc, Loparex LLC, Monadnock Paper Mills, Inc., and Potsdam Specialty Paper, Inc. We believe our ATM products compete primarily on product features, innovations and customer service. Some of these competitors are larger than we are and have more resources, thus the actions of these competitors could have an impact on the results of our ATM segment operations. **We** ~~Currently, fine papers used to produce cigarettes are only exported on a limited basis from available capacity in China and other Asian locations to western multinational cigarette companies due to government taxes and tariffs, which limit price competitiveness, as well as due to customer preferences. Should conditions change in this regard, capacity that currently is operating in China and elsewhere in Asia would present a risk to our competitive position outside Asia and place further pressure on our legacy paper production platforms. Similarly, we~~ are starting to see increased competition for some of our ATM products from companies in China, which, we believe, may have lower operating costs than us, resulting in a potential price advantage for such companies. **As** ~~Further, as~~ a result of ~~excess capacity in the~~ **these** ~~combustibles papers industry and increased operating costs,~~ competitive **advantages** ~~levels of selling prices for certain of the Company' s products are not sufficient to cover those costs with a margin that the Company considers reasonable. Such competitive pressures have resulted~~ , ~~and could result in the future, in downtime of certain paper production machines and, in some cases, accelerated depreciation or~~ **our competitors** ~~impairment charges for certain equipment as well as employee severance expenses associated with downsizing or restructuring activities. FBS segment is dependent upon a small number of customers for a significant portion of its sales; the loss of one or more of these customers could have a material adverse effect on the business. Five FBS customers, together with their respective affiliates and designated converters, accounted for approximately 12 % of our FBS net sales in 2022. The loss of one or more of these customers, or a significant reduction in their purchases, particularly those that impact our sales of LIP papers or Recon, could have a material adverse effect on our financial condition, results of operations and cash flows. In addition, significant consolidation has occurred among our tobacco customers and may continue to occur, thereby increasing our dependence upon a fewer number of industry customers and increasing the negotiating leverage of those customers that remain. If any of our customers were to change suppliers, in- source production of combustible products, institute significant cost- cutting measures or experience financial difficulty, then these customers may substantially reduce their purchases from us, which could adversely impact our financial condition, results of operations and cash flows. In addition, adverse results in the negotiation of any of our significant customer contracts, the terms of which are typically negotiated every one to three years, could significantly impact our financial condition, results of operations and cash flows. We expect our business to continue to be adversely impacted by governmental actions relating to tobacco products, as well as by decreased demand for tobacco products due to declining social acceptance of smoking, new smoking technologies such as e- cigarette and vaping technologies, and litigation in the U. S. and other countries. In 2022, approximately 20 % of our net sales were from products used by the tobacco industry in making cigarettes or other tobacco products. Cigarette consumption outside of Asia has generally declined due to, among other things, the diminishing social acceptance of smoking, public reports with respect to the possible harmful effects of smoking, including effects of second- hand~~ - **and potential competitors** ~~smoke, the use of other tobacco products, the development and use of new tobacco- related or substitute products or technologies, such as e- cigarettes, e- liquids, vapable oils and other vaping products, that do not use our products, and, particularly in the U. S., to litigation and actions on the part of private parties to restrict smoking. For instance, litigation is continuing against major U. S. manufacturers of consumer tobacco products seeking damages for health problems allegedly resulting from the use of tobacco in various forms. It is not possible to predict the outcome of such litigation or the effect adverse developments in pending and future litigation may have on the tobacco industry or its demand for our products, but in the past, litigation has adversely affected demand for consumer tobacco products. These factors have led, and could lead, to certain merchants deciding not to sell tobacco products. As a result, the overall demand for conventional tobacco cigarettes outside of Asia has generally been declining in terms of volume of sales. These declines have had an adverse effect on demand for our products in these regions. We expect these trends to accelerate and thus to continue to reduce smoking levels and adversely affect demand for our products, which could have a material adverse impact on our future financial condition, results of operations and cash flows. In recent years, governmental entities around the world, particularly in the U. S., Brazil, Russia, Australia and Western Europe, have taken, or have proposed, actions that had, or are likely to have, the effect of reducing consumption of tobacco products which, in turn, reduces demand for our products. These actions, including efforts to regulate, restrict or prohibit the sale, advertisement and promotion of tobacco products and their components, to limit smoking in public places, to control or restrict additives that~~ may be ~~used in tobacco~~ **able to respond more quickly to market forces, take advantage of acquisitions or other opportunities more readily, undertake more extensive marketing campaigns for their brands,** products and **services** ~~to increase taxes on such products~~ , **more successfully utilize developing technology** ~~are intended to discourage the consumption of cigarettes and other tobacco products. For example~~ , ~~in the U. S., the regulatory jurisdiction of the federal Food and Drug Administration was extended in 2009 to include~~ **including** ~~tobacco products~~ **data analytics** , **artificial intelligence** ~~and again in 2016 to include cigars and additional tobacco products. These products are now subject to product component disclosure regulations~~ , ~~new controls on ingredients~~ and ~~design changes~~ **machine learning** , and ~~additional restrictions relating~~ **make more attractive offers** to ~~marketing and labeling. The federal Food and Drug Administration could promulgate additional regulations. In Brazil, regulations limit the use of additives to cigarettes. In the E. U., the Tobacco Products Directive regulates the content, effects, marketing and labeling of tobacco products, and both revisions to the Directive and the ongoing phase- in of the Registration,~~

~~Evaluation, Authorization, and Restriction of Chemical Substances regulation (" REACH") may further restrict product ingredients. Additionally, the World Health Organization is actively promoting tobacco regulation, and other countries worldwide are in the process of adopting some or~~ **our existing and potential** ~~all of these restrictions. It is not possible to predict the additional legislation or regulations relating to tobacco products that may be instituted, or additional countries that may adopt such legislation or regulations, or the extent to which such legislation or regulations may impact the design or formulation of our~~ customers ~~' products. Such legislation or regulation may adversely impact the demand for traditional cigarettes and cigars, with corresponding impacts on our sales of cigarette papers, RTL and associated items, which could have a material adverse effect on our future financial condition, results of operations and cash flows. Our joint ventures in China serve only the local market. Declines in Chinese cigarette consumption could have a material adverse effect on our future financial condition, results of operations and cash flows, including our China Tobacco Schweitzer (Yunnan) Reconstituted Tobacco Co. Ltd. (" CTS ") and China Tobacco Mauduit (Jiangmen) Paper Industry Ltd. (" CTM ") joint ventures~~ . We are dependent upon the availability of credit, and changes in interest rates can impact our business. We supplement operating cash flow with bank borrowings under a secured credit agreement with a syndicate of banks. Borrowings under this agreement will mature in 2027 and 2028. To date, we have been able to access credit when needed and on commercially reasonable terms. However, deterioration of credit markets, including an economic crisis in the U. S. or elsewhere, whether or not caused by the U. S. or European debt ceiling, deficits and budget issues, could have an adverse impact on our ability to negotiate new credit facilities or access or renew our existing one. Constraints on the availability of credit, or the unavailability of credit at reasonable interest rates, would negatively impact our business, including potentially impairing our ability to declare dividends, conduct share buy-backs and make acquisitions. Our secured credit facility contains certain financial covenants. In the event of material unforeseen events that impact our financial performance, particularly during a time when we have material amounts of debt, a situation could arise where we are unable to fully draw from our existing credit facility notwithstanding that there is otherwise available capacity. Our credit facilities are secured by substantially all of the personal property of the Company and its domestic subsidiaries. In the event of a default on these agreements, substantially all of the assets of the Company could be subject to foreclosure or liquidation by the secured creditors. We may utilize a combination of variable and fixed- rate debt consisting of short- term and long- term instruments. We selectively hedge our exposure to interest rate increases on our variable rate long-term debt when we believe that it is practical to do so. We have utilized various forms of interest rate hedge agreements, including interest rate swap agreements, forward rate agreements and cross currency swaps. There are inherent risks associated with interest rate hedges, including those associated with the movement of interest rates, counterparty risk and unexpected need to refinance debt, thus there can be no certainty that our hedging activities will be successful or fully protect us from interest rate exposure. As of December 31, ~~2022~~ **2023** , the percentage of the Company' s fixed and floating interest rate debt was ~~20~~ **31** . ~~8~~ **0** % and ~~79~~ **69** . ~~2~~ **0** %, respectively. The Company has entered into a number of interest rate hedge transactions to convert floating rate debt to fixed. Including the impact of these transactions, as of December 31, ~~2022~~ **2023** , the percentage of the Company' s debt subject to fixed and floating rates of interest was 77. ~~1~~ **0** % and ~~22~~ **23** . ~~9~~ **0** %, respectively. Our use of interest rate hedge agreements to manage risk associated with interest rate volatility may expose us to additional risks, including the risk that a counterparty to a hedge agreement may fail to honor its obligations. Developing an effective interest rate risk strategy is complex and no strategy can completely insulate us from risks associated with interest rate fluctuations. There can be no assurance that our hedging activities will have the desired beneficial impact on our results of operations or financial condition. Termination of interest rate hedge agreements typically involves costs, such as transaction fees or breakage costs. ~~The replacement of LIBOR with SOFR may adversely affect our results of operations. Certain of our interest rate derivatives and a portion of our indebtedness bear interest at variable interest rates, which are primarily based on LIBOR. The United Kingdom' s Financial Conduct Authority, which regulates LIBOR, has publicly announced that it intends to stop persuading or compelling banks to submit LIBOR rates and will cease publication of U. S. dollar (" USD") LIBOR as of June 30, 2023. The Federal Reserve Board (" FRB "), Federal Deposit Insurance Corporation (" FDIC "), and Office of the Comptroller of the Currency (" OCC ") have issued supervisory guidance encouraging banks to cease entering into new contracts that use USD LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021. The Alternative Reference Rates Committee, which was convened by the Federal Reserve Board and the Federal Reserve Bank of New York, has identified SOFR as its preferred alternative for USD LIBOR. Because of inherent differences between LIBOR and SOFR, there is no assurance that SOFR will perform in the same way as LIBOR would have performed at any time, and there is no guarantee that it is a comparable substitute for LIBOR. SOFR may fail to gain market acceptance. At this time, it is not possible to predict the effect the replacement of LIBOR with SOFR will have on the Company. However, the Company' s borrowing costs may be adversely affected by the replacement of LIBOR with SOFR. We may also incur expenses to amend and adjust our indebtedness and swaps to eliminate any differences between SOFR and any alternative reference rates used by our interest rate hedges and our outstanding indebtedness. Any of these occurrences could materially and adversely affect our borrowing costs, business and results of operations.~~ Our failure to comply with the covenants contained in our credit agreements and other debt instruments could result in an event of default that could cause acceleration of our indebtedness. Our failure to comply with the covenants and other requirements contained in our credit agreements or our other debt instruments could cause an event of default under the relevant debt instrument. The occurrence of an event of default could trigger a default under our other debt instruments, prohibit us from accessing additional borrowings and permit the holders of the defaulted debt to declare amounts outstanding with respect to that debt to be immediately due and payable. Our assets or cash flows may not be sufficient to fully repay borrowings under our outstanding debt instruments, and we may be unable to refinance or restructure the payments on indebtedness on favorable terms, or at all. Future dividends on our common stock may be restricted or eliminated. Dividends are declared at the discretion of our Board of Directors, and future dividends will depend on our future earnings, cash flow, financial requirements and other factors. Our ability to pay cash dividends on our common stock may be limited under the terms of our credit agreements or other debt instruments. There can be no assurance that we will continue to pay dividends in the future. Our internal and external expansion plans and asset dispositions entail different and additional risks relative to the rest of our business. From time to time, we consider acquisitions in connection with our diversification initiatives. This acquisition activity could involve confidential negotiations that are not publicly announced unless and until those negotiations result in a definitive agreement. It is possible that an acquisition could adversely impact our results, credit ratings or the outlook of our business, due to, among other things, integration and employee retention challenges, contrasting company cultures and different information technology and reporting systems. Also, acquisition opportunities are limited and present risks of failing to achieve strategic objectives, smooth integrations or anticipated synergies or returns. There can be no assurance that we will be able to acquire attractive businesses on favorable terms ~~,~~ **and** that we will realize the anticipated benefits or profits through acquisitions or that acquisitions will be accretive to our earnings. Changes in our portfolio of businesses, assets and products, whether through acquisition, disposition or internal growth, present additional risks, including causing us to incur unknown or new types of liabilities, subjecting us to new regulatory frameworks and new market risks, and acquiring operations in new geographic regions with challenging labor, regulatory and tax regimes ~~. The potential future expansion of our ATM business unit or other operations could cause these operations to face additional competition from larger and more established competitors than is currently the case~~ . Our ability to dispose of idled assets and the value that may be obtained relative to their book value can result in significant impairment charges. Building a new plant or other facility or relocating, rebuilding or otherwise modifying existing production machinery is a major undertaking and entails a number of risks, including the possibility that the contractors and sub- contractors who are expected to build the facility or rebuild the machine and supply the necessary equipment do not perform as expected, the possibility of cost overruns and delays, or that design defects or omissions cause the facility or machine to perform at less than projected efficiency or at less than projected capacity. In addition, commencement of production at a new site or at a rebuilt or relocated machine is time consuming and requires testing and acceptance by customers and potentially by regulators, of the facility and the products that are produced. Also, while we anticipate sufficient demand for the facility' s or machine' s output, there can be no assurances that the expected demand will materialize. We also expect to continue to expend resources to diversify and expand our product portfolio. Research and development and product diversification have inherent risks, including technical success, market acceptance, new regulations and potential liabilities. We cannot guarantee that such efforts will succeed, that we will not incur new or different liabilities or that we will achieve a satisfactory return on such expenditures. **Divestitures or other dispositions could negatively impact our business, and contingent liabilities from businesses that we have sold or will sell could adversely affect our financial statements. We continually assess the strategic fit of our existing businesses and may divest, spin- off, split- off or otherwise dispose of businesses that are deemed not to fit with our strategic plan or are not achieving the desired return on investment. For example, on November 30, 2023, the Company completed the EP Divestiture. Transactions such as the EP Divestiture pose risks and challenges that could negatively impact our business and financial statements. Furthermore, when we decide to sell assets or a business, we may encounter difficulty in finding buyers or alternative exit strategies on acceptable terms in a timely manner, which could delay the achievement of our strategic objectives. We may also dispose of a business at a price or on terms that are different than current balance sheet values, which could result in significant asset impairment charges, including those related to goodwill and other intangible assets that could have a material adverse effect on our financial condition and results of operations. In addition, we may experience greater dis- synergies than expected, the impact of the divestiture on our revenue may be larger than projected, and some divestitures may be dilutive to earnings. There can be no assurance whether the strategic benefits and expected financial impact of any divestiture, including the EP Divestiture, will be achieved. We cannot assure you that we will be successful in managing these or any other significant risks that we encounter in divesting a business or product line, and any divestiture we undertake could materially and adversely affect our business, financial condition, results of operations and cash flows.** Mativ will likely continue to incur substantial costs related to the **Merger** integration ~~of Neenah~~ . Mativ will likely continue to incur substantial integration costs in connection with the Merger. There are a large number of processes, policies, procedures, operations, technologies and systems that must be integrated in connection with the Merger and the integration of the two companies' businesses, including purchasing, accounting and finance, sales, payroll, pricing and benefits. While Mativ has assumed that certain expenses would be incurred in connection with the Merger and the integration of the businesses, there are many factors beyond Mativ' s control that could affect the total amount or the timing of the integration expenses. Moreover, many of the costs that will be incurred are, by their nature, difficult to estimate accurately. Although Mativ expects that the elimination of duplicative costs and the realization of other economies of scale- related efficiencies related to the integration of the businesses may offset incremental Merger- related and integration costs over time, any net benefit may not be achieved in the near term or at all. These integration costs may result in Mativ taking significant charges against earnings, and the amount and timing of such charges are uncertain at present. Combining SWM and Neenah may be more difficult, costly or time consuming than expected, and Mativ may fail to realize some or all of the anticipated benefits of the Merger. The success of the Merger will depend, in part, on the ability to realize the anticipated cost savings, operational synergies and other perceived benefits from combining the businesses of SWM and Neenah. To realize the cost savings, operational synergies and other perceived benefits from the Merger, Mativ must successfully integrate and combine the two businesses in a manner that permits those benefits to be realized. If Mativ is not able to achieve these objectives, the anticipated benefits of the Merger may not be realized fully or at all, or may take longer to realize than expected. For example, the actual cost savings, operational synergies and other perceived benefits of the Merger could be less than anticipated or take longer to realize than anticipated for a variety of reasons, including those set forth in these Risk Factors. It is possible that the integration process could result in the loss of key employees, the disruption of each company' s ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the companies' ability to maintain relationships with employees, customers, suppliers or other business associates and constituencies or to achieve the anticipated benefits and cost savings of the Merger. Integration efforts between the two companies may also divert management attention and resources. These integration matters could have an adverse effect on Mativ during this transition period and for an undetermined period after completion of the Merger on the combined ~~company~~ **Company** . The Merger may result in a loss of customers, distributors, suppliers, vendors, landlords, joint venture partners and other business partners and may result in the termination of existing contracts. Due to the Merger, some of the customers, distributors, suppliers, vendors, landlords, ~~joint venture partners~~ and other business partners of Mativ may terminate or scale back their current or prospective business relationships with Mativ. Some customers may not wish to source a larger percentage of their needs from a single company or may feel that Mativ is too closely allied with one of their competitors. If relationships with customers, distributors, suppliers, vendors, landlords, joint venture partners and other business partners are adversely affected by the Merger, Mativ' s business and financial performance could suffer. Mativ' s future results may suffer if it does not effectively manage its expanded operations following the Merger. Following the completion of the Merger, the size of our business increased significantly. Mativ' s future success will depend, in part, upon its ability to manage this expanded business, which will pose substantial challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. There can be no assurances that Mativ will be successful or that it will realize the expected operating efficiencies, cost savings, revenue enhancements or other benefits currently anticipated from the Merger. We may not successfully integrate acquisitions into Mativ' s operations and we may be unable to achieve anticipated cost savings or other synergies. The integration of the operations of acquired companies involves a number of risks and presents financial, managerial, reporting, legal and operational challenges. We may have difficulty, and may incur unanticipated expenses related to, integrating information systems, financial reporting activities, employee retention and integrating and retaining management and personnel from acquired companies. Among these risks are potential loss of consumer awareness and demand for the acquired companies' products based on the rebranding of those products under the Company' s legacy brand names. Additionally, we may not be able to achieve anticipated cost savings or commercial or growth synergies for a number of reasons, including contractual constraints and obligations or an inability to take advantage of expected commercial opportunities, inability to achieve increased operating efficiencies or commercial expansion of key technologies. Failure to successfully integrate acquired companies into Mativ' s operations may have an adverse effect on our business, financial condition, results of operations, and cash flows. Our restructuring activities are time- consuming and expensive and could significantly disrupt our business. We have initiated significant restructuring activities in recent years ~~, in Brazil, France, the Philippines and the U. S.~~ that have become part of an overall effort to improve an imbalance between demand for our products and our production capacity as well as improve our profitability and the quality of our products. Restructuring of our existing operations, or as a result of acquisitions, involves issues that are complex, time- consuming and expensive and could significantly disrupt our business as well as garner review from regulatory authorities which could result in financial impacts to the Company. The challenges involved in executing the actions that are part of our ongoing and, potentially future, restructuring plans include: • demonstrating to customers that the restructuring activities will not result in adverse changes in service standards or business focus; • consolidating administrative infrastructure and manufacturing operations while maintaining adequate controls throughout the execution of the restructuring; • preserving distribution, sales and other important relationships and resolving potential conflicts that may arise; • estimating, managing and minimizing the cost of the restructuring activities; • minimizing the diversion of management attention from ongoing business activities; • maintaining employee morale, retaining key employees, maintaining reasonable collective bargaining agreements and avoiding strikes, work stoppages or other forms of labor unrest while implementing restructuring programs that often include reductions in the workforce; • securing government approval of such plans, where necessary, and managing the litigation and associated liabilities that often are associated with restructuring actions; • incurring costs associated with delays in restructuring activities caused by labor negotiations and / or governmental approvals; • coordinating and combining operations, which may be subject to additional constraints imposed by collective bargaining agreements and local laws and regulations; and • achieving the anticipated levels of net cost savings and efficiency as a result of the restructuring activities. Our financial performance can be significantly impacted by the cost and availability of raw materials and energy and we may have limited ability to pass through increases in costs to our customers. Raw materials are a significant component of the cost of the products that we manufacture. The cost of wood pulp, which is the largest component of the raw materials that we use in our FBS segment, and some resins used by our ATM segment are highly cyclical and can be more volatile than general consumer or producer inflationary changes in the general economy. Also, in that same time period, the cost of polypropylene has fluctuated significantly based on a number of factors, including changes in global oil markets. As we periodically enter into agreements with customers under which we agree to supply products at fixed prices, unanticipated increases in the costs of raw materials, or the lack of availability of such raw materials (due to force majeure or other reasons), can significantly impact our financial performance. Even where we do not have fixed- price agreements, we ~~generally cannot~~ **may be limited in our ability to** pass through increases in raw material costs in a timely manner **or** ~~and in many~~ **may be** ~~instances are not able~~ **unable** to pass through ~~the entire increase~~ **increases** to our customers **in whole or in part** . Further, some of the resins we use in our ATM segment are only available from a single supplier, or a limited number of suppliers. Consequently, such supplier (s) can control the availability and thus the cost of the resins we use, notwithstanding any changes in the cost of oil. It can be time consuming and costly, and occasionally impractical, to find replacement resins where such suppliers limit the availability or increase the cost of resins we use. Our manufacturing operations, in particular paper manufacturing, is energy- intensive. In the U. K., the European Union, China and the U. S., availability of energy generally is reliable, although prices can fluctuate significantly based on **supply and** demand. Western Europe ~~is becoming~~ **has become** significantly dependent on energy supplies from the Commonwealth of Independent States, which in the past has demonstrated a willingness to restrict or cut off supplies of energy to certain customers. The volume of oil or gas flowing through pipeline systems that ultimately connect to Western Europe also has been cut off or restricted in the past, and such actions can adversely impact the supply of energy to Western Europe and, consequently, the cost and availability of electricity to our European operations ~~. In Brazil, because production of electricity is heavily reliant upon hydroelectric plants, availability of electricity can be, and has been in the past, affected by rain variations. Electricity in Brazil is also heavily taxed~~ . Due to the competitive pricing of most of our products, we typically are unable to fully pass through higher energy costs to our customers. Periodically, when we believe it is advantageous to do so, we enter into agreements to procure a portion of our energy for future periods in order to reduce the uncertainty of future energy costs. However, in recent years this has only marginally slowed the increase in energy costs due to the volatile changes in energy prices we have experienced. A failure of, or a security breach in, a key information technology system or process or other unusual events could compromise our information and expose us to liability, which could adversely affect our business; IT project delays and overruns are possible. We rely extensively on information technology systems, some of which are managed by third- party service providers, to analyze, process and manage transactions and sensitive data, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, and personally identifiable information of our employees. The secure processing and maintenance of this information is critical to our operations and business strategy and we rely heavily on the integrity of this data in managing our business. Insider or employee cyber and security threats are increasingly a concern for all companies, including ours. In addition, social engineering and phishing are a particular concern. We are continuously working to install new, and to upgrade our existing, information technology systems and to provide employee awareness training around phishing, malware and other cyber risks to ensure that we are protected, to the greatest extent possible, against cyber risks and security breaches. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or be breached due to employee or third- party error, malfeasance or other disruptions. Any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims, proceedings, or regulatory penalties, including penalties under EU privacy laws, and could disrupt our operations. Although we are insured against cyber risks and security breaches up to an annual aggregate limit, our liability insurance may be inadequate and may not fully cover the costs of any claim or any damages we might be required to pay, and we may not be able to obtain adequate liability insurance in the future on commercially desirable or reasonable terms or at all. During the year ended December 31, 2022, the Company became aware of a cyber attack that had been made against certain systems within the Company' s network environment. Refer to Part II, Item 7." Management' s Discussion and Analysis of Financial Condition and Results of Operations" for additional information. **The Company is subject to laws of various countries where it operates or does business related to solicitation, collection, processing, transferring, storing or use of consumer, customer, vendor or employee information or related data, including the GDPR which went into effect in May 2018, the CCPA, which went into effect on January 1, 2020, and various U. S. state level privacy regulations. The changes introduced by these regulations and laws increase the complexity of regulations enacted to protect business and personal data, subject the Company to additional costs and have required, and may in the future require, costly changes to the Company' s security systems, policies, procedures and practices.** There are further risks associated with the information systems of companies we acquire, both in terms of systems compatibility, level of security and functionality. It may cost us significant money and resources to address these risks and we may fail to address them successfully, adversely impacting our financial condition, results of operations and cash flows. From time to time, we undertake significant information technology systems projects, including enterprise resource planning updates, modifications and roll- outs. These projects are subject to cost overruns and delays. Not only could these cost overruns and delays impact our financial statements but a delay in the completion of a needed IT project could adversely impact our ability to run our business and make fully informed decisions. We rely on a limited number of key employees **and our failure to recruit and / or retain senior management and key employees globally could harm our business** . The loss of any of our key employees, including our CEO and her direct reports, could adversely affect our business and thus our financial condition, results of operations and cash flows. ~~Because a part~~ **Hiring executives with needed skills or the replacement of one or more of our executive officers or other key employees would likely involve significant time and costs and may significantly delay or prevent the achievement** of our business **objectives. In addition, competition for qualified talent in our industry** is **intense** ~~tied to the tobacco industry~~ , ~~we~~ **particularly in the last several years. The market to build, retain and replace talent has become even more highly competitive, and** ~~may~~ **many** ~~also experience difficulty in retaining and hiring qualified executives~~ **of the companies with which we compete for personnel have greater financial** and other ~~personnel in our ATM segment, at corporate~~ **resources than we do. Any failure to recruit** and / or ~~in FBS~~ **retain senior management and key employees could harm our business, operating results and financial condition. Additionally, efforts to recruit such employees could be costly and negatively impact our operating expenses. We issue equity awards from employee equity plans as a key component of our overall compensation** . We face **pressure** ~~various risks related~~ to **limit the use of such equity- based compensation due to dilutive effects on stockholders. If we are unable to offer attractive compensation packages in the future, it could limit our ability to attract and retain key employees. Public health emergencies or outbreaks of epidemics, pandemics, or contagious diseases such as** the COVID- 19 pandemic **have adversely affected,** and ~~similar~~ **could in the future, adversely affect our business and the business of our customers and suppliers. We are subject to public** health **emergencies** ~~- related outbreaks~~ , **such as** ~~which have had, and may continue to have, material adverse effects on our business, financial condition, results of operations and cash flows. We face various risks related to~~ the COVID- 19 pandemic **, which has had and may continue to have** ~~and~~ - **an impact on our business and the business of our customers and suppliers. The response to the COVID- 19 pandemic negatively affected the global economy, disrupted global supply chains, and created significant disruption in the markets in which we operate. Uncertainty caused by pandemics, epidemics, or** similar **public** health **emergencies or outbreaks could lead to prolonged economic downturns, and negatively impact our partners and the industry in which we operate, in which case our revenues could be significantly impacted.**

The extent to which COVID - **19** ~~related outbreaks. Such risks include: • Decreased demand and volatility in sales due to operational disruptions faced by some of our -~~ **or another similar public** ~~customers, and the threat of a sustained economic downturn driven by a global reaction to~~ health **crisis impacts** ~~- related outbreaks. • Disruptions to~~ our ~~manufacturing sites and~~ **business, results of** operations ~~due to temporary closures of our facilities to comply with government- imposed restrictions and to address other health- related factors. • Disruptions to our suppliers~~ , and ~~our inability to secure alternate sourcing quickly, which could adversely impact our production and cause us to alter production schedules or suspend production entirely. • The inability of our employees to work in our offices or our facilities due to personal health concerns and / or government- imposed restrictions in response to the health- related outbreaks, such as mandatory business closures, limits on non- essential travel, " social or physical distancing " guidelines and " shelter- in- place " mandates. The occurrence of the above risks could have a material adverse effect on our~~ financial condition **will depend on future developments** , ~~results of operations~~ **which are highly uncertain** and ~~cash flows~~ **cannot be predicted, including a resurgence of COVID- 19, new variants, the timing or effectiveness of vaccine roll- outs globally, the timing of easing of preventative or mitigation measures or mandates, the impact of any variants that emerge, or any impact of a global vaccine roll- out on the global economy** . Our business depends upon good relations with our employees. Work stoppages, slowdowns or legal action by our unionized employees may have a material adverse effect on our business, financial condition, results of operations and cash flows. We employ approximately ~~7~~ **5** , ~~500~~ **400** employees, including certain manufacturing employees represented by unions. Although we believe that employee and union relations are generally positive, there is no assurance that this will continue in the future and problems or changes affecting employees in certain locations may affect relations with our employees at other locations. The risk of labor disputes, work stoppages or other disruptions in production could adversely affect us, especially in conjunction with potential restructuring activities. If we cannot successfully negotiate or renegotiate collective bargaining agreements, or if negotiations take an excessive amount of time, there may be a heightened risk of work stoppages and we may be unable to achieve planned operational efficiencies. Work stoppages may be caused by the inability of national unions and the governments of countries in which we operate from reaching agreement and are outside of our control. Any work stoppage or failure to reach agreements with our unions could have a material adverse effect on our customer relations, our productivity, the profitability of a manufacturing facility, our ability to develop new products and on our operations as a whole, resulting in an adverse impact on our business, financial condition, results of operations and cash flows. Our business is subject to various environmental laws, regulations and related litigation that could impose substantial costs or other liabilities on us. Our facilities are subject to significant federal, state, local and foreign environmental protection laws with respect to air, water and emissions as well as the disposal of solid waste. We believe that we are operating in substantial compliance with these laws and regularly incur capital and operating expenditures in order to achieve future compliance. However, these laws may change, which could require changes in our practices, additional capital expenditures or loss of carbon credits, and we may discover aspects of our business that are not in compliance. Violation of these laws can result in the imposition of significant fines and remediation costs. ~~In France, we presently have sufficient authorized capacity for our emissions of carbon dioxide through 2025. However, this authorization must be renewed periodically. We cannot predict whether we will have sufficient authorized capacity to conduct our operations in France as presently conducted or to do so without having to make substantial capital expenditures in future years.~~ Additionally, in recent years, assessments of the potential impacts of climate change have begun to influence governmental authorities, consumer behavior patterns and the general business environment of the European Union and the United States. The implementation of these policies may require us to invest additional capital in our properties or it may restrict the availability of land we are able to develop. **For example, the State of California has adopted new climate change disclosure requirements which mandate public disclosure of certain greenhouse gas emissions data and climate- related financial risk reports.** These changes, or other changes in other environmental laws or the interpretation thereof, new enforcement of laws, the identification of new facts or the failure of other parties to perform remediation at our current or former facilities could **be costly and** lead to new or greater liabilities that could materially adversely affect our business, results of operations, cash flows or financial condition. Although we are not aware of any environmental conditions at any of our facilities that could have a material adverse effect on our financial condition, results of operations and cash flows, we own facilities ~~in France, the U. S. and elsewhere~~ that have been operated over the course of many decades. Should the Company make material changes in the operations at a facility it is possible such changes could generate environmental obligations that might require remediation or other action, the nature, extent and cost of which are not presently known. We may also face higher disposal and clean- up costs to replace equipment or facilities containing materials that were compliant when installed but are now considered contaminants. Additionally, as we sell closed or other facilities or materially alter operations at a facility, we may be required to perform additional environmental evaluations that could identify items that might require remediation or other action, the nature, extent and cost of which are not presently known. We may also incur environmental liabilities in connection with assets or businesses we may purchase in the future. ESG issues may have an adverse effect on our business, financial condition and results of operations, the desirability of our stock, and may damage our reputation. Companies across all industries are facing increasing scrutiny relating to their ESG policies. If we are unable to meet our ESG goals or evolving investor, industry, or stakeholder expectations and standards, or if we are perceived to have not responded appropriately to the growing concern for ESG issues, customers and consumers may choose to stop purchasing our products or purchase products from another company or a competitor, and our reputation, the desirability of our stock to investors, and our business or financial condition may be adversely affected. Increased focus and activism on ESG topics may hinder our access to capital, as investors may reconsider their capital investment as a result of their assessment of our ESG practices. In particular, these constituencies are increasingly focusing on environmental issues, including climate change, water use, deforestation, waste, and other sustainability concerns. These demands could cause us to incur additional costs or to make changes to our operations to comply with such demands. In addition to environmental issues, these constituencies are also focused on social and other governance issues, including matters such as, but not limited to, human capital and social issues. Any failure to achieve our ESG goals or a perception (whether or not valid) of our failure to act responsibly with respect to the environmental, human capital, or social issues, or to effectively respond to new, or changes in, legal or regulatory requirements concerning environmental or other ESG matters, or increased operating or manufacturing costs due to increased regulation or environmental causes could adversely affect our business and reputation and increase risk of litigation. Increases in costs of pension benefits may reduce our profitability **and could impact our cash reserves** . Our results of operations may be negatively affected by expenses we record for our defined benefit pension plans. Generally accepted accounting principles in the U. S., require that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial markets, longevity of our current and former employees and other economic conditions, which may change based on changes in key economic indicators and mortality tables. We are required to make an annual measurement of plan assets and liabilities, which may result in increased funding obligations or negative changes in our stockholders' equity. At the end of ~~2022~~ **2023** , the combined projected benefit obligation of our pension plans had a net underfunding of $ ~~26~~ **11** . 8 million **. The Company has both funded and unfunded pension plans and we make contributions to our pension trusts (where applicable) based on many factors, including regulatory guidelines, investment returns of the trusts, and availability of cash for pension contributions versus other priorities** . For a discussion regarding our pension obligations, refer to Note 18. Postretirement and Other Benefits of the Notes to Consolidated Financial Statements in Part II, Item 8 and" Other Factors Affecting Liquidity and Capital Resources" in Part II, Item 7. Although expense and pension funding contributions are not directly related, key economic factors that affect expense would also likely affect the amount of cash we would contribute to pension plans as required under the Employee Retirement Income Security Act (" ERISA") for U. S. plans. Failure to achieve expected returns on plan assets driven by various factors, which could include a continued environment of low interest rates or sustained market volatility, could also result in an increase to the amount of cash we would be required to contribute to pension plans. We are subject to various legal actions and other claims. We regularly are involved in legal actions and other claims arising in the ordinary course of business and otherwise. We are also subject to many laws and regulations around the world. Despite our efforts, we cannot guarantee that we are in compliance with every such law or regulation. ~~Because of the complexity of Brazilian tax laws and court systems, legal actions are a particular risk that affects our Brazilian operations. Although we believe that our positions in pending disputes about state and federal taxes are correct and will ultimately be upheld by Brazilian courts, the outcome of legal proceedings is difficult to predict. An adverse result in one or more of these tax disputes could have a material adverse impact on our financial condition, results of operations and cash flows. We are also subject to other litigation in Brazil, including labor and workplace safety claims.~~ Although we do not believe that any of the currently pending actions or claims against us will have a material adverse impact on our financial condition, results of operations and cash flows, we cannot provide any assurances in this regard. Information concerning some of these actions that currently are pending is contained in Note 20. Commitments and Contingencies, of the Notes to Consolidated Financial Statements and in Part I, Item 3, " Legal Proceedings " of this report. We also cannot give any assurances as to any litigation that might be filed against us in the future ~~, including any claims relating to the alleged harmful effect of tobacco use on human health~~ . Any loss or interruption of the operations of our facilities may harm our operating performance. Our revenues depend on the effective operation of our manufacturing facilities. The operation of our facilities involves risks, including the breakdown, failure, or substandard performance of equipment, power outages, the improper installation or operation of equipment, explosions, fires, natural disasters, failure to achieve or maintain safety or quality standards, work stoppages, supply or logistical outages, and the need to comply with environmental and other directives of governmental agencies. Moreover, natural disasters, political crises, public health crises (such as the ongoing COVID- 19 pandemic and the measures put in place to reduce its spread) or other unforeseen catastrophic events in any of the countries in which we operate may negatively impact our facilities, our supply chain or customers. If we experience supply disruptions, we may not be able to develop alternate sourcing quickly. Any disruption of our production schedule caused by an unexpected shortage of components, raw materials or parts even for a relatively short period of time could cause us to alter production schedules or suspend production entirely, which would adversely affect our business and results of operations. The occurrence of material operational problems, including, but not limited to, the above events, could cause the loss or interruption of operations for a significant length of time, which could have a material adverse effect on our financial condition, results of operations and cash flows. In addition, many of our operations require a reliable and abundant supply of water. Production facilities for our ~~FBS segment~~ **segments** rely on a local water body or water source for their water needs and, therefore, are particularly sensitive to drought conditions or other natural or man- made interruptions to water supplies. At various times and for differing periods, we have had to modify operations at certain of our mills due to water shortages, water clarity, or low flow conditions in its principal water supplies. Any interruption or curtailment of operations at any of our production facilities due to drought or low flow conditions at the principal water source or another cause could materially and adversely affect our operating results and financial condition. Fluctuations in construction and infrastructure spending can impact demand for certain of our products. Demand for certain of our products depends on spending in the construction industry, both residential and non-residential, as well as infrastructure sectors. Spending in those sectors is impacted by numerous circumstances beyond our control including, but not limited to, interest rates, availability of financing, housing inventory, capital spending, corporate investment, local, federal and state regulations, as well as availability and commitment of public funds for municipal spending, capacity utilization and general economic conditions. Decreased spending in any of these sectors could have an adverse impact on our financial condition, results of operations, and cash flows during the duration of their down cycle. Historically, we have experienced significant cost savings and productivity benefits relating to our ongoing operational excellence program; however, these benefits may not continue indefinitely or at the same levels. Historically, we have experienced significant cost savings and productivity benefits relating to our ongoing **continuous improvement and** operational excellence ~~program~~ **programs** ~~in our FBS segment~~ . We expect to continue to achieve significant savings and benefits from ~~this program~~ **these efforts** ; however, we may be unable to continue in the future to obtain savings and benefits in line with historical achievements, and our profitability and financial results could be adversely affected ~~. Similarly, though we have initiated implementation of this program in our ATM business operations in order to achieve margin improvements, due to the different company cultures of the acquisitions that make up a significant part of ATM and our continuing integration of these acquisitions, we may not be able to achieve the desired margin improvements through our operational excellence program at ATM~~ . Our foreign sales and operations may be adversely affected by supply chain disruptions due to political unrest, terrorist acts, and national and international ~~conflict~~ **dispute** , including Russia' s invasion of Ukraine **and the conflict between Israel and Hamas** . We conduct a portion of our sales and manufacturing outside the United States. Our foreign sales and operations are subject to a number of risks, including political and economic instability, which could have a material adverse impact on our ability to increase or maintain our international sales and operations. National and international ~~conflicts~~ **disputes** such as war, border closures, civil disturbances and terrorist acts, including Russia' s invasion of Ukraine, **the conflict between Israel and Hamas and related disturbances in the Middle East** may increase the likelihood of already strained supply interruptions and further hinder our ability to access the materials and energy we need to manufacture our products. Additional supply chain disruptions will make it harder for us to find favorable pricing and reliable sources for the materials and energy we need. As a result, such disruptions will put upward pressure on our costs and increase the risk that we may be unable to acquire the materials and energy we need to continue to make certain products, in particular at our manufacturing facilities in Europe.