Risk Factors Comparison 2023-07-26 to 2022-07-26 Form: 10-K

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The following risk factors and other information included in this report should be carefully considered. The risks and uncertainties described below are not the only ones we face; others, either unforeseen or currently deemed not material, may also have a negative impact on our Company. If any of the following occurs, our business, operating results, cash flows, and financial condition could be materially adversely affected. Business ~~and Knoll Acquisition~~ Related Risks We may not be successful in implementing and managing our growth strategy. We have established a growth strategy for the business based on a changing and evolving world. Through this strategy, we are focused on taking advantage of the changing composition of the office floor plate, the greater desire for customization from our customers, new technologies, and trends towards urbanization and working from home. While we have confidence that our strategic plan reflects opportunities that are appropriate and achievable, and that we have anticipated and will manage the associated risks, there is the possibility that the strategy may not deliver the projected results due to inadequate execution, incorrect assumptions, sub- optimal resource allocation, or changing customer requirements. To meet our goals, we believe we will be required to continually invest in the research, design, and development of new products and services, and there is no assurance that such investments will have commercially successful results. Certain growth opportunities may require us to invest in acquisitions, alliances, and the startup of new business ventures. These investments, if available, may not perform according to plan and may involve the assumption of business, operational, or other risks that are new to our business. Future efforts to expand our business ~~within developbtability~~ may impact our ability to compete for business. It may also put the availability and / or value of our capital investments within these regions at risk. These expansion efforts expose us to operating environments with complex, changing, and in some cases, inconsistently- applied legal and regulatory requirements. Developing knowledge and understanding of these requirements poses a significant challenge, and failure to remain compliant with them could limit our ability to continue doing business in these locations. Pursuing our strategic plan in new and adjacent markets, as well as within developing economies, will require us to find effective new channels of distribution. There is no assurance that we can identify or otherwise develop these channels of distribution. ~~We may be unable to successfully integrate Knoll into our business and realize the anticipated benefits of the acquisition of Knoll. The success of the acquisition of Knoll will depend, in part, on our ability to successfully combine and integrate the businesses of Herman Miller and Knoll, and realize the anticipated benefits, including synergies, cost savings, innovation opportunities and operational efficiencies from the acquisition. The success of the acquisition also will depend on the Company doing so in a manner that does not materially disrupt existing customer, payer, dealer, supplier, employee and other stakeholder relations nor result in decreased revenues due to losses of, or decreases in orders by, customers and payers. If we are unable to achieve these objectives within the anticipated time frame, or at all, the anticipated benefits may not be realized fully, or at all, or may take longer to realize than expected, and the value of our common stock may decline. The integration of the two companies may result in material challenges, including, without limitation: • the diversion of management' s attention from ongoing business concerns and performance shortfalls at one or both of the companies as a result of the devotion of management' s attention to the transaction and related integration work; • managing a larger and more complex combined business; • maintaining employee morale, retaining key management and other employees and the possibility that the integration process and potential organizational changes may adversely impact the ability to maintain employee relationships; • retaining existing business and operational relationships, including customers, dealers, suppliers, employees and other counterparties, as may be impacted by contracts containing consent and / or other provisions that may be triggered by the transaction, and attracting new business and operational relationships; • the integration process not proceeding as expected, including due to a possibility of faulty assumptions or expectations regarding the integration process or Herman Miller' s or Knoll' s operations; • consolidating corporate, administrative and compliance infrastructures and eliminating duplicative operations; • coordinating geographically separate organizations, including in international markets with differing business, legal and regulatory climates; • unanticipated issues in integrating information technology, communications and other systems; and • unforeseen expenses, costs, liabilities or delays associated with the acquisition or the integration. Many of these factors will be outside of our control, and any one of them could result in delays, increased costs, decreases in the amount of expected revenues or synergies and diversion of management' s time and energy, which could materially affect MillerKnoll' s financial position, results of operations and cash flows. The actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized on a timely basis, if at all.~~ In connection with the **July 2021** acquisition of Knoll, we incurred significant additional indebtedness, which has increased our interest expense and could adversely affect us, including by decreasing our business flexibility. The consolidated long- term debt of MillerKnoll as of ~~May 28~~ **June 3** , ~~2022~~ **2023** was $ 1. ~~38~~ **37** billion. As a result of our acquisition of Knoll, we substantially increased our indebtedness, which has increased our interest expense and could have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions. We have also incurred various costs and expenses associated with such indebtedness. The amount of cash required to pay interest on our increased indebtedness levels and thus the demands on our cash resources **are** ~~will be~~ greater than the amount of cash flows previously required to service our indebtedness. The increased levels of indebtedness ~~could~~ **will** also reduce funds available for working capital, capital expenditures, acquisitions, and other general corporate purposes and may create competitive disadvantages for MillerKnoll relative to other companies with lower debt levels. If we do not achieve the expected benefits and cost savings from the acquisition, or if the financial performance of the combined company does not meet current expectations, then our ability to service our indebtedness may be adversely impacted. The indebtedness incurred in connection with the acquisition of Knoll contains various covenants that impose restrictions on us that may affect our ability to operate our business. These include both affirmative and negative covenants that, subject to certain significant exceptions, restrict the ability of us and certain of our subsidiaries to, among other things, incur liens on our property, incur additional indebtedness, enter into sale and lease- back transactions, make loans, advances, or other investments, make non- ordinary course asset sales, declare or pay dividends **, engage in share repurchases** or make other distributions with respect to equity interests, and / or merge or consolidate with any other person or sell or convey certain assets to any one person. In addition, the definitive documentation governing such indebtedness contains a financial maintenance covenant that ~~will require~~ **requires** us to maintain a certain leverage ratio at the end of each fiscal quarter. Our ability to comply with these provisions may be affected by events beyond our control. Failure to comply with these covenants could result in an event of default, which, if not cured or waived, could accelerate our repayment obligations under such indebtedness. In addition, we may be required to raise substantial additional financing to fund working capital, capital expenditures, acquisitions, or other general corporate requirements. Our ability to arrange additional financing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. There is no assurance we will be able to obtain such additional financing on terms acceptable to us or at all. ~~Uncertainties associated with the acquisition of Knoll may cause a loss of management personnel and other key employees. MillerKnoll is dependent on the experience and industry knowledge of its officers and other key employees to execute its business plans. Our success will depend in part upon our ability to retain certain key management personnel and employees, including those who joined us as part of the Knoll acquisition. Our employees may experience uncertainty about their roles in light of the acquisition and our strategic plan, which may have an adverse effect on our ability to attract or retain key management and other key personnel.~~ We have incurred and may continue to incur significant costs in connection with the integration of Knoll, which may be in excess of those we anticipate. We have incurred and expect to continue to incur a number of non- recurring fees and costs associated with combining the operations of Herman Miller and Knoll and achieving desired synergies. These costs and expenses include those related to formulating and implementing integration plans, including facilities and systems consolidation costs and employment- related costs. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, should allow us to offset integration- related costs over time, this net benefit may not be achieved in the near term, or at all. Macroeconomic and Workplace Trends Related Risks Adverse economic and industry conditions ~~could~~ have **had** a negative impact on our business, results of operations and financial condition. Customer demand within the contract ~~office~~ furniture and retail furnishings industries is affected by various macroeconomic factors with general corporate profitability, service sector employment levels, new office construction rates, and existing office vacancy rates being among the most influential factors. ~~History has shown that declines~~ **Declines** in these measures ~~can~~ have **had** an adverse effect on overall ~~office~~ furniture demand. Additionally, factors and changes specific to our industry, such as developments in technology, governmental standards and regulations, and health and safety issues, can influence demand. The markets in which we operate are highly competitive and we may not be successful in winning new business. We are one of several companies competing for new business within the ~~office~~ furniture industry. Many of our competitors offer similar categories of products, including office seating, systems and freestanding ~~office~~ furniture, casegoods, storage products, as well as residential, education and healthcare furniture solutions. Although we believe that our innovative product design, functionality, quality, depth of knowledge, and strong network of distribution partners differentiate us in the marketplace, increased market pricing pressure and other factors could make it difficult for us to win new business with certain customers and within certain market segments at acceptable profit margins. The retail furnishings market is highly competitive. We compete with national and regional furniture retailers, mail order catalogs and online retailers focused on home furnishings. We compete with these and other retailers for customers, suitable retail locations, vendors, qualified employees and management personnel. Some of our competitors have significantly greater financial, marketing and other resources than we possess. This may result in these competitors being quicker at important metrics such as adapting to changes, devoting greater resources to the marketing and sale of their products, generating greater national brand recognition, or adopting more aggressive pricing and promotional policies, including free shipping offers. In addition, increased catalog mailings and / or digital marketing campaigns by our competitors may adversely affect response rates to our own marketing efforts. As a result, increased competition may adversely affect our future financial performance. Our business presence outside the United States exposes us to certain risks that could negatively affect our results of operations and financial condition. We have significant manufacturing and sales operations in the United Kingdom, which represents our largest **single** marketplace outside the United States. ~~The transitional exit of the U. K. from European Union membership (commonly known as " Brexit ") could disrupt and create uncertainty with respect to our business in that region, including by affecting our relationships with current and future customers, suppliers, employees, and other of our business relationships. Furthermore, concerns~~ **Concerns** exist relating to potential tariffs and customs regulations and the potential for short term logistics disruption as any such changes are implemented. This will impact both our suppliers and customers, including distributors, and could result in product delays and inventory issues. Further uncertainty in the marketplace also brings risk to accounts receivable and could result in delays in collection and greater bad debt expense. There also remains a risk for the value of the British Pound **, Danish Krone,** and / or the Euro to further deteriorate, reducing the purchasing power of customers in these regions and potentially undermining the financial health of the Company' s suppliers and customers in other parts of the world. We also have manufacturing operations in China, India, Italy, Canada, Mexico and Brazil. Additionally, our products are sold internationally through controlled subsidiaries or branches in Canada, Denmark, Italy, Korea, Mexico, Australia, China (including Hong Kong), India, Brazil, and other European countries. The Company' s products are offered in Canada, Europe, the Middle East, Africa, Latin America and the Asia / Pacific region primarily through dealers and retail channels. Doing business internationally exposes us to certain risks, many of which are beyond our control and could potentially impact our ability to design, develop, manufacture, or sell products in certain countries. These factors include, without limitation, political, social, and economic conditions; global trade conflicts and trade policies; legal and regulatory requirements; labor and employment practices; cultural practices and norms; natural disasters; security and health concerns; protection of intellectual property; and changes in foreign currency exchange rates. In some countries, the currencies in which we import and export products can differ. Fluctuations in the rate of exchange between these currencies could negatively impact our business and our financial performance. Additionally, tariff and import regulations, international tax policies and rates, and changes in U. S. and international monetary policies may have an adverse impact on results of operations and financial condition. In connection with the ongoing war between Russia and Ukraine, the U. S. government has imposed enhanced export controls on certain products and sanctions on certain industry sectors and parties in Russia. MillerKnoll is not fulfilling any existing orders or accepting new orders from Russia or Belarus at this time. As a safety measure, we have also stopped taking new orders and fulfilling orders in Ukraine. This region represents a small portion of our International Contract **and Specialty** business, and we do not rely on any material goods from suppliers in these regions. While we do not have manufacturing facilities or offices in the region, we have historically sold products to two dealers in Ukraine, two in Russia, and two in Belarus. Fiscal year **2023 and** 2022 ~~and 2021~~ annualized revenues from these countries were approximately $ **0. 2 million and $** 6. 4 million ~~and $ 5. 7 million~~ , respectively **. None of the revenue recognized in fiscal year 2023 was from dealers located in countries under sanction** . Further escalation of geopolitical tensions could have a broader impact that expands into other markets where we do business, which could adversely affect our business and / or our supply chain, business partners or customers in the broader region. The continued conflict in that region, as well as the current and additional international sanctions against Russia, are likely to further increase the cost of various supplies, particularly for petroleum based products. The impact from this conflict, as well as the international sanctions, cannot be predicted or anticipated with any reasonable degree of certainty, including the impact on the Company. A sustained downturn in the economy could adversely impact our access to capital. The disruptions in the global economic and financial markets during 2007 to 2009 adversely impacted the broader financial and credit markets, at times reducing the availability of debt and equity capital for the market as a whole. Conditions such as these could re- emerge in the future. Accordingly, our ability to access the capital markets could be restricted at a time when we would like, or need, to access those markets, which could have an adverse impact on our flexibility to react to changing economic and business conditions. The resulting lack of available credit, increased volatility in the financial markets and reduced business activity could materially and adversely affect our business, financial condition, results of operations, our ability to take advantage of market opportunities and our ability to obtain and manage our liquidity. In addition, the cost of debt financing and the proceeds of equity financing may be materially and adversely impacted by these market conditions. The extent of any impact would depend on several factors, including our operating cash flows, the duration of tight credit conditions and volatile equity markets, our credit capacity, the cost of financing, and other general economic and business conditions. Our credit agreements contain performance covenants, such as a limit on the ratio of debt to earnings before interest, taxes, depreciation and amortization, and limits on subsidiary debt and incurrence of liens. Although we believe none of these covenants is currently restrictive to our operations, our ability to meet the financial covenants can be affected by events beyond our control. **Recent events affecting** ~~Disease outbreaks, such as~~ the **financial services industry** ~~COVID- 19 pandemic,~~ could have an adverse impact on the Company' s **business** operations ~~and financial results. From time to time~~ , ~~various disease outbreaks may adversely impact our business, consolidated results of operations and~~ financial condition, ~~such as the ongoing COVID~~ **and results of operations. The 2023 closures of certain banks have created bank** - ~~19 pandemic~~ **specific and broader financial institution liquidity risk and concerns. Future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market- wide liquidity shortages, impair the ability of companies to access working capital needs, and create additional market and economic uncertainty. Although the Company does not have any deposits with any of the banks that have been placed into receivership to date, some of our customers may have deposits with them** , which ~~has had such an adverse~~ **may expose us to potential risks that could** impact ~~. The Company has global manufacturing facilities, suppliers, dealers and customers. Therefore, COVID- 19, as well as measures taken by governmental authorities and other organizations and individuals to limit the spread of this virus, may continue to interfere to varying degrees with the ability of our employees, suppliers and other business providers to carry out their assigned tasks or~~ **our financial position** ~~supply materials at ordinary levels of performance relative to the conduct of our business. In addition, the COVID- 19 pandemic has caused a significant percentage of the traditional office workforce to work away from their office location~~ and **operations.** ~~the extent to which this~~ **This could include** ~~will become a more permanent trend is uncertain. It is reasonable to assume, at least in the near- term, that this will have~~ an adverse impact on the ~~demand~~ **ability of our customers to pay amounts they owe to the Company. In addition, if any of our vendors have relationships with any of the banks that have been closed, it could negatively impact their ability to deliver goods and services to the Company. More generally, these events have resulted in market disruption and volatility and could lead to greater instability in the credit and financial markets and a deterioration in confidence in economic conditions. Our operations may be adversely affected by any such economic downturn, liquidity shortages, volatile business environments,** ~~for~~ - **or** ~~office~~ **unpredictable market conditions. These events could also make any necessary debt or equity financing more difficult and / or costly. The** ~~furniture~~ --- **future effect of these events on the financial services industry** and **broader economy are unknown and difficult to predict but could include failures of other financial institutions to which we or our customers, vendors, or other counterparties face direct or more significant exposure. Any such developments could adversely impact our results of operation and financial position. There may be other risks we have not yet identified. We are working to identify any potential impact of these events on our business in order to minimize any disruptions to our operations. However, we cannot guarantee we will be able to avoid any negative consequences relating to these recent developments or any future** related **developments** ~~products. This has in the past caused, and may continue to cause, us to materially curtail certain of our business operations, and has had and could continue to have, a material adverse effect on our results of operations and cash flow~~ . Manufacturing, Supply

Chain and Distribution Related Risks Tariffs imposed by the U. S. government could have a material adverse effect on our results of operations. The imposition of tariffs by the U. S. government on various products imported from certain countries, as well as countering tariffs on the export of U. S. goods, has had, and will likely continue to have, an adverse impact on our business, including as a result of increased costs for certain of our raw materials and increasing the costs for certain products that we export to other countries. Accordingly, these tariffs and the possibility of broader trade conflicts stemming from the tariffs could negatively impact our business in the future. The tariffs on imports, most notably imports from China, ~~has~~ **have** impacted the cost of steel, a key commodity that we consume in producing products. Given the significance of steel costs to our direct materials costs, we closely monitor trade tensions between the U. S. and China. The potential impact to our direct material costs due to tariffs on Chinese imports is somewhat limited, however, as purchases of direct materials (mainly component parts and products manufactured by third parties) from China represented an estimated 3 % of our consolidated cost of sales for fiscal ~~2022~~ **2023** . Going forward, continued or increased tariffs could negatively impact our gross margin and operating performance. These factors also have the potential to significantly impact global trade and economic conditions in many of the regions where we do business. Disruptions in the supply of raw and component materials could adversely affect our manufacturing and assembly operations. We rely on outside suppliers to provide on- time shipments of the various raw materials and component parts used in our manufacturing and assembly processes. The timeliness of these deliveries is critical to our ability to meet customer demand. Disruptions in this flow of delivery may have a negative impact on our business, results of operations, and financial condition. In fiscal year 2022, the price of steel was impacted by shortages and disruptions in the steel industry as a result of the COVID- 19 pandemic. These disruptions have not had a significant impact on our ability to manufacture and supply products to our customers, but they have negatively impacted the cost of procuring such materials. In the short- term, significant increases in raw material, commodity and other input costs can be difficult to offset with price increases because of existing contractual commitments with our customers. As a result, our gross margins can be adversely affected in the short- term by significant increases in these costs. If we are not successful in passing along higher commodity and other input costs to our customers over the long- term because of competitive pressures, our profitability could be negatively impacted. Increases in the market prices of manufacturing materials may negatively affect our profitability. The costs of certain manufacturing materials used in our operations are sensitive to shifts in commodity market prices, including the impact of the U. S. and retaliatory tariffs. In particular, the costs of steel, plastic, aluminum components, and particleboard are sensitive to the market prices of commodities such as raw steel, aluminum, crude oil, lumber, and resins. Increases in the market prices of these commodities due to the recent ban on Russian oil imports as a result of the current war between Russia and Ukraine may have an adverse impact on our profitability if we are unable to offset them with strategic sourcing, continuous improvement initiatives or increased prices to our customers. Disruptions within our dealer network could adversely affect our business. Our ability to manage existing relationships within our network of independent dealers is crucial to our ongoing success. Although the loss of any single dealer would not have a material adverse effect on the overall business, our business within a given market could be negatively impacted by disruptions in our dealer network caused by the termination of commercial working relationships, ownership transitions, or dealer financial difficulties. If dealers go out of business or restructure, we may suffer losses because they may not be able to pay for products already delivered to them. Also, dealers may experience financial difficulties, creating the need for outside financial support, which may not be easily obtained. **The company has** ~~In the past, we have~~ , on occasion, agreed to provide direct financial assistance through term loans, lines of credit, and / or loan guarantees to certain dealers. Those activities increase our financial exposure. A continued shortage of qualified labor could negatively affect our business and materially reduce earnings ~~. We have experienced shortages of qualified labor across our operations. Outside suppliers that we rely on have also experienced shortages of qualified labor~~ . The future success of our operations depends on our ability, and the ability of third parties on which we rely, to identify, recruit, develop and retain qualified and talented individuals in order to supply and deliver our products. Any shortage of qualified labor could have a negative impact on our business. Employee recruitment, development and retention efforts that we or such third parties undertake may not be successful, which could result in a shortage of qualified individuals in future periods. Any such shortage could decrease our ability to effectively produce and meet customer demand. Such a shortage would also likely lead to higher wages for employees (or higher costs to purchase the services of such third parties) and a corresponding reduction in our results of operations. In the current operating environment, we are experiencing a shortage of qualified labor in certain geographies, particularly with plant production workers, resulting in increased costs from certain temporary wage actions, such as hiring and referral bonus programs. A continuation of such shortages for a prolonged period of time could have a material adverse effect on our operating results. Financial Related Risks We are subject to risks associated with self- insurance related to health benefits. We are self- insured for our health benefits and maintain per employee stop loss coverage; however, we retain the insurable risk at an aggregate level. Therefore unforeseen or catastrophic losses in excess of our insured limits could have a material adverse effect on the Company' s financial condition and operating results. See Note 1 of the Consolidated Financial Statements for information regarding the Company' s retention level. Goodwill and indefinite- lived intangible asset impairment charges may adversely affect our operating results. We have a substantial amount of goodwill and indefinite- lived intangible assets, primarily trademarks, on our balance sheet. We test the goodwill and intangible assets for impairment both on an annual basis and when events occur or circumstances change that indicate that the fair value of the reporting unit or intangible asset may be below its carrying amount. Fair value determinations require considerable judgment and are sensitive to inherent uncertainties and changes in estimates and assumptions regarding actual and forecasted revenue growth rates, operating margins, and discount rates. Declines in market conditions, a trend of weaker than anticipated financial performance for our reporting units, declines in projected revenue for our trademarks, a decline in our share price for a sustained period of time, an increase in the market- based weighted average cost of capital, or a decrease in royalty rates, among other factors, are indicators that the carrying value of our goodwill or indefinite- life intangible assets may not be recoverable. We may be required to record a goodwill or intangible asset impairment charge that, if incurred, could have a material adverse effect on our financial statements. Impairment of long- lived assets may adversely affect our operating results. Our long- lived asset groups are subject to an impairment assessment when certain triggering events or circumstances indicate that their carrying value may be impaired. If the carrying value exceeds our estimate of future undiscounted cash flows of the operations related to the asset group, an impairment is recorded for the difference between the carrying amount and the fair value of the asset group. The results of these tests for potential impairment may be adversely affected by unfavorable market conditions, our financial performance trends, or an increase in interest rates, among other factors. If as a result of the impairment test we determine that the fair value of any of our long- lived asset groups is less than its carrying amount, we may incur an impairment charge that could have a material adverse effect on our financial statements. Costs related to product defects could adversely affect our profitability. We incur various expenses related to product defects, including product warranty costs, product recall and retrofit costs, and product liability costs. These expenses relative to product sales vary and could increase. We maintain reserves for product defect- related costs based on estimates and our knowledge of circumstances that indicate the need for such reserves. We cannot, however, be certain that these reserves will be adequate to cover actual product defect- related claims in the future. Any significant increase in the rate of our product defect expenses could have a material adverse effect on operations. General Risks We are subject to risks and costs associated with protecting the integrity and security of our systems and confidential information. We collect certain customer- specific data, including credit card information, in connection with orders placed through our eCommerce websites, direct- mail catalog marketing program, and retail studios. For these sales channels to function and develop successfully, we and other parties involved in processing customer transactions must be able to transmit confidential information, including credit card information and other personal information regarding our customers, securely over public and private networks. Third parties may have or develop the technology or knowledge to breach, disable, disrupt or interfere with our systems or processes or those of our vendors. While we believe we take reasonable steps to protect the security and confidentiality of the information we collect, we cannot guarantee that our security measures will effectively prevent others from obtaining unauthorized access to our information and our customers' information. The techniques used to obtain unauthorized access to systems change frequently and are not often recognized until after they have been launched. Any person who circumvents our security measures could destroy or steal valuable information or disrupt our operations. Any security breach could cause consumers to lose confidence in the security of our information systems, including our eCommerce websites or retail studios and choose not to purchase from us. Any security breach could also expose us to risks of data loss, litigation, regulatory investigations, and other significant liabilities. Such a breach could also seriously disrupt, slow or hinder our operations and harm our reputation and customer relationships, any of which could damage our business. A security breach includes a third party wrongfully gaining unauthorized access to our systems for the purpose of misappropriating assets or sensitive information, loading corrupting data, or causing operational disruption. These actions may lead to a significant disruption of the Company' s IT systems and / or cause the loss of business and business information resulting in an adverse business impact, including: (1) an adverse impact on future financial results due to theft, destruction, loss misappropriation, or release of confidential data or intellectual property; (2) operational or business delays resulting from the disruption of IT systems, and subsequent clean- up and mitigation activities; and (3) negative publicity resulting in reputation or brand damage with customers, partners or industry peers. The United States federal and state governments are increasingly enacting laws and regulations to protect consumers against identity theft. Also, as our business expands globally, we are subject to data privacy and other similar laws in various foreign jurisdictions. If we are the target of a cybersecurity attack resulting in unauthorized disclosure of our customer data, we may be required to undertake costly notification procedures. Compliance with these laws will likely increase the costs of doing business. If we fail to implement appropriate safeguards or to detect and provide prompt notice of unauthorized access as required by some of these laws, we could be subject to potential fines, claims for damages and other remedies, which could harm our business. Due to the political uncertainty and military actions involving Russia, Ukraine, and surrounding regions, we and the third parties upon which we rely may be vulnerable to a currently heightened risk of information technology breaches, computer malware, or other cyber- attacks, including attacks that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our products. We are unable to control many of the factors affecting consumer spending. Declines in consumer spending on furnishings could reduce demand for our products. The operations of our Global Retail segment are sensitive to a number of factors that influence consumer spending, including general economic conditions, consumer disposable income, unemployment, inclement weather, availability of consumer credit, consumer debt levels, conditions in the housing market, interest rates, sales tax rates and rate increases, inflation, and consumer confidence in future economic conditions. Adverse changes in these factors **have reduced, and in the future** may **further** reduce consumer demand for our products, resulting in reduced sales and profitability. A number of factors that affect our ability to successfully implement our retail studio strategy, including opening new locations and closing existing studios, are beyond our control. These factors may harm our ability to increase the sales and profitability of our retail operations. Approximately ~~33~~ **28** % of the sales within our Global Retail segment are transacted within our retail ~~studios~~ **stores** . Additionally, we believe our retail ~~studios~~ **stores** have a direct influence on the volume of business transacted through other channels, including our consumer eCommerce and direct- mail catalog platforms, as many customers utilize these physical spaces to view and experience products prior to placing an order online or through the catalog call center. Our ability to open additional ~~studios~~ **stores** or close existing ~~studios~~ **stores** successfully will depend upon a number of factors beyond our control, including, without limitation: • general economic conditions; • identification and availability of suitable ~~studio~~ locations; • success in negotiating new leases and amending or terminating existing leases on acceptable terms; • success of other retailers in and around our retail locations; • ability to secure required governmental permits and approvals; • hiring and training skilled studio operating personnel; and • landlord financial stability. We may incur significant increased costs and become subject to additional potential liabilities under environmental and other laws and regulations aimed at combating climate change. We expect to incur significant costs as we work to implement **the** ~~our recently-~~

~~announced~~ 2030 sustainability goals **we announced in 2022** , which include efforts to reduce our carbon footprint, design out waste, and source better materials. ~~We also~~ **Also ,** ~~believe it is likely that the~~ increased focus by the U. S. and other governmental authorities on climate change and other environmental matters ~~will~~ **has** ~~lead~~ - **led** to enhanced regulation in these areas, which ~~could also~~ **is expected to** result in increased compliance costs and **could** subject us to additional potential liabilities. The extent of these costs and risks is difficult to predict and will depend in large part on the extent of ~~new~~ **final** regulations and the ways in which those regulations are enforced. We operate and have manufacturing facilities in multiple regions across the globe, and the impact of additional regulations in this area is likely to vary by region. It is ~~possible~~ **expected** the costs we incur to comply with any such ~~new~~ **final** regulations and implement our own sustainability goals could be material ~~.~~ ~~Increasing competition for highly skilled and talented workers could adversely affect our business. The successful implementation of our business strategy depends on our ability to attract and retain a skilled workforce. The increasing competition for highly skilled and talented employees could result in higher compensation costs, difficulties in maintaining a capable workforce, and leadership succession planning challenges~~ . Government and other regulations could adversely affect our business. Government and other regulations apply to the manufacture and sale of many of our products. Failure to comply with these regulations or failure to obtain approval of products from certifying agencies could adversely affect the sales of these products and have a material negative impact on operating results.