Risk Factors Comparison 2024-02-07 to 2023-02-08 Form: 10-K

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

Provided below is a cautionary discussion of what we believe to be the most important risk factors applicable to the Company. Discussion of these factors is incorporated by reference into and considered an integral part of Part II, Item 7, " Management' s Discussion and Analysis of Financial ~~Conditions~~ **Condition** and Results of Operations. " Risks Related to the Global Economy and **External Conditions** ~~Public Health Crises~~ * The Company' s results are impacted by the effects of, and changes in, worldwide economic, political, regulatory, international trade, geopolitical, and other external conditions. The Company ~~operates in more than 70 countries and~~ derives approximately ~~60~~ **54** percent of its revenues from outside the United States, and, accordingly, the Company' s operations and the execution of its business strategies and plans are subject to global competition and economic and geopolitical risks that are beyond its control, such as, among other things, disruptions in financial markets, economic downturns, military conflicts, **terrorism,** public health emergencies ~~such as COVID- 19~~, political changes and trends such as protectionism, economic nationalism resulting in government actions impacting international trade agreements or imposing trade restrictions such as tariffs and retaliatory counter measures, and government deficit reduction and other austerity measures in locations or industries in which the Company operates. Further escalation of specific trade tensions, including those between the U. S. and China, or more broadly in global trade conflict, could adversely impact the Company' s business and operations around the world. The Company' s business is also impacted by social, political, and labor conditions in locations in which the Company or its suppliers or customers operate; adverse changes in the availability and cost of capital; monetary policy; interest rates; inflation; recession; commodity prices; currency volatility or exchange control; ability to expatriate earnings; and other laws and regulations in the jurisdictions in which the Company or its suppliers or customers operate. For example, changes in local economic condition or outlooks, such as lower economic growth rates in China, Europe, or other key markets, impact the demand or profitability of the Company' s products. The global economy has been impacted by ~~the~~ military **conflicts, including the** conflict between Russia and Ukraine. The U. S. and other governments have imposed export controls on certain products and financial and economic sanctions on certain industry sectors and parties in Russia. 3M suspended operations of its subsidiaries in Russia in March 2022 and **completed** ~~, in September 2022, committed to~~ a **sale of** ~~plan to exit~~ the related ~~net~~ assets ~~through an intended sale of the subsidiaries. 3M also has other operations that source certain raw materials from suppliers~~ in **June 2023** ~~Russia and has experienced related supply disruption due to the conflict~~. These geopolitical tensions could result in, among other things, cyberattacks, ~~further~~ supply chain disruptions ~~impacting downstream customers~~, higher energy **and other commodity** costs, lower consumer demand, and changes to foreign exchange rates and financial markets, any of which may adversely affect the Company' s business and supply chain. Climate change **and severe weather events, including related environmental and social regulations** , as well as **natural disasters** ~~related environmental and social regulations~~, may negatively impact the Company or its customers and suppliers, in terms of availability and cost of natural resources, sources and supply of energy, product demand and manufacturing, **compliance costs,** and the health and well-being of individuals and communities in which we or our suppliers or customers operate ~~. * Unexpected events, such as those related to the coronavirus (COVID- 19) public health crisis, may increase the Company' s cost of doing business and disrupt the Company' s operations. 3M, as a global company, is impacted by unexpected events, including war, acts of terrorism, public health crises (such as the COVID- 19 pandemic), civil unrest, natural disasters, and severe weather in the locations in which the Company or its suppliers or customers operate, and these events have adversely affected, and could in the future adversely affect, the Company' s operations and financial performance. For example, the global pandemic associated with COVID- 19, including related evolving governmental responses to the pandemic, has significantly increased economic and demand uncertainty, and has impacted and will continue to impact 3M' s operations, including its supply chain and its manufacturing and distribution capabilities. Although COVID- 19 increased demand for certain 3M products, it also resulted in decreased demand from certain end markets, made it more difficult for 3M to serve customers, and resulted in conditions that had the potential to damage 3M' s reputation, including third- party price gouging, counterfeiting, and other illegal or fraudulent activities involving 3M' s products. Furthermore, COVID- 19 has impacted and may further impact the broader economies of affected countries, including negatively impacting economic growth, the proper functioning of financial and capital markets, foreign currency exchange rates, and interest rates. As the pandemic evolves, demand for personal protection products such as disposable respirators has experienced a decline from prior levels. 3M is not able to predict the impact of unexpected events, such as the COVID- 19 pandemic, and unexpected events may have a material adverse effect on 3M' s consolidated results of operations or financial condition~~. * Foreign currency exchange rates and fluctuations in those rates may affect the Company' s ability to realize projected growth rates in its sales and earnings. Because the Company' s financial statements are denominated in U. S. dollars and approximately ~~60~~ **54** percent of the Company' s revenues are derived from outside the United States, the Company' s results of operations and its ability to realize projected growth rates in sales and earnings could be adversely affected if the U. S. dollar strengthens significantly against foreign currencies. For a discussion of the impact of foreign currency exchange rates on the Company, see Part II, Item 7," Management' s Discussion and Analysis of Financial Condition and Results of Operations." Risks Related to Legal and Regulatory Proceedings * The Company faces liabilities related to certain fluorochemicals, which could adversely impact our results. As previously reported, governments in the United States and internationally have increasingly been regulating a broad group of perfluoroalkyl and polyfluoroalkyl substances produced by the Company, collectively known as " PFAS. " 3M has noticed several global regulatory trends related to PFAS, including declining emission standards and limits set as to the presence of certain compounds in various media, and the inclusion of a broadening group of PFAS. Developments in these and other global regulatory trends may require additional actions by 3M, including investigation, remediation, and compliance, or may result in additional litigation and enforcement action costs. The Company has been voluntarily cooperating with various local, state, federal (primarily the U. S. Environmental Protection Agency (EPA)), and international agencies in their review of the environmental and health effects of certain PFAS produced by the Company. The PFAS group contains several categories and classes of durable chemicals and materials with properties that include oil, water, temperature, chemical, and fire resistance, as well as electrical insulating properties. The strength of the carbon- fluorine bond also means that these compounds do not easily degrade. These characteristics have made PFAS substances critical to the manufacture of electronic devices such as cell phones, tablets, and semi- conductors. They are also used to help prevent contamination of medical products like surgical gowns and drapes. Commercial aircraft and low- emissions vehicles also rely on PFAS technology. PFAS compounds are manufactured by various companies, including 3M, and are used in everyday products, including some manufactured by 3M. As science and technology evolve and advance, and in response to evolving knowledge and the understanding that certain PFAS compounds had the potential to build up over time, 3M announced in 2000 that ~~we~~ **it** would voluntarily phase out production of two PFAS substances, perfluorooctanoate (PFOA) and perfluorooctane sulfonate (PFOS) globally as a precautionary measure. ~~We~~ **Most of the** ~~phased~~ - **phase** out **activities in the United States were completed by the end** of **2002. The phase out included** materials used to produce certain ~~repellants~~ **repellents** and surfactant products, **and** ~~with most of these activities in the U. S. completed by the end of 2002. Phased out~~ products ~~included~~ **including** Aqueous Film Forming Foam (AFFF) and certain coatings for food packaging, for example. ~~The~~ **Following the phase out of PFOA and PFOS production, the** Company **has** ~~continues~~ **continued** to review, control, or eliminate the presence of certain PFAS in purchased materials, as intended substances in products, or as byproducts of some of 3M’ s current manufacturing processes, products, and waste streams. 3M announced in December 2022 it will take two actions **with respect to PFAS (2022 PFAS Announcement)** : exiting all PFAS manufacturing by the end of 2025; and working to discontinue the use of PFAS across its product portfolio by the end of 2025. 3M **continues to make progress toward** ~~' s decision is based on careful consideration and a thorough evaluation of the~~ **these goals** ~~evolving external landscape~~ , ~~including multiple factors such~~ as **discussed further below** ~~accelerating regulatory trends focused on reducing or eliminating the presence of PFAS in the environment and changing stakeholder expectations~~ . The Company recognized a $ 0. 8 billion pre- tax charge in the fourth quarter of 2022 associated with this announcement related to asset impairments, and will incur additional expenses in connection with ~~its exit activities~~ **the 2022 PFAS Announcement** . In addition, ~~these~~ -- **the 2022 PFAS Announcement** ~~two announced actions (the “ exit ”) involve~~ **involves** risks, including **:** the actual timing, costs, and financial impact of such exit; the Company’ s ability to complete such exit ~~,~~ on the anticipated timing or at all; potential governmental or regulatory actions relating to PFAS ~~manufacturing and production,~~ or the Company’ s exit plans; the Company’ s ability to identify and manufacture **, or procure from third parties if possible,** acceptable ~~substitutes~~ **options** for ~~the discontinued products, and~~ **PFAS- containing materials in 3M' s supply chain;** the possibility that such **non- PFAS options are not available or that such** substitutes ~~will~~ **may** not achieve the anticipated or desired commercial **, financial** or operational results; potential litigation relating to the Company’ s exit plans **or to any products that include third- party manufactured materials containing PFAS that are incorporated into the products the Company sells** ; and the possibility that the planned exit will involve greater costs than anticipated, **may not be feasible, may not be feasible on the timeframe initially predicted,** or **may** otherwise have negative impacts on the Company’ s relationships with its customers and other counterparties **. As stated above, 3M is progressing toward exiting all PFAS manufacturing by the end of 2025. 3M is also working to discontinue the use of PFAS across its product portfolio by the end of 2025. 3M has already eliminated the PFAS use in certain product categories, and has made progress across its product portfolio in a variety of applications. With respect to PFAS- containing products not manufactured by 3M but manufactured by companies other than 3M in the Company' s supply chains, the Company continues to evaluate the availability of third- party products that do not contain PFAS. Depending on the availability and feasibility of such third- party products not containing PFAS, the Company continues to evaluate whether there may be some circumstances in which the use of PFAS- containing materials manufactured by third parties and used in certain applications in 3M’ s product portfolios, such as lithium ion batteries and printed circuit boards widely used in commerce across a variety of industries, may continue beyond 2025. In such instances, the Company intends to continue to evaluate the adoption of third- party products that do not contain PFAS to the extent such products are available and such adoption is feasible** . 3M currently is defending lawsuits concerning various PFAS- related products and chemistries, and is subject to unasserted and asserted claims and governmental regulatory proceedings and inquiries related to the production and use of PFAS in a variety of jurisdictions, as discussed in Note ~~16~~ **18** , “ Commitments and Contingencies, ” within the Notes to Consolidated Financial Statements. 3M has seen increased public and private lawsuits being filed on behalf of states, counties, cities, and utilities alleging, among other things, harm to the general public and damages to natural resources, some of which are pending in the Aqueous Film Forming Foam (AFFF) multi- district litigation and some of which are pending in other jurisdictions. Various factors or developments in these and other disclosed actions could result in future charges that could have a material adverse effect on 3M. For example, we recorded a pre- tax charge of $ 897 million, inclusive of legal fees and other related obligations, in the first quarter of 2018 with respect to the settlement of a matter brought by the State of Minnesota involving the presence of PFAS in the groundwater, surface water, fish or other aquatic life, and sediments in the state. **In addition, as described in greater detail in Note 18, “ Commitments and Contingencies, ” within the Notes to Consolidated Financial Statements, in June 2023, the Company entered into a proposed class- action settlement (“ PWS Settlement ”) to resolve a wide range of drinking water claims by public water systems in the United States regarding any PFAS, subject to court approval. If the court approves the PWS Settlement and all conditions in the PWS Settlement are met, 3M will pay $ 10. 5 billion to $ 12. 5 billion in total to resolve the claims released by the PWS Settlement, with payments to be made from 2023 through 2036, in exchange for a release of certain claims, as described**

further in Note 18. The PWS Settlement gives 3M the option to terminate the PWS Settlement if the numbers of eligible class members opting out of the PWS Settlement exceed specified levels. Unexpected events related to the PWS Settlement, including whether court approval of the PWS Settlement will be obtained, whether the number of plaintiffs that opt out of the PWS Settlement will exceed current expectations or will exceed the level that would permit 3M to terminate the PWS Settlement (and whether 3M will elect to terminate the PWS Settlement if this occurs), whether the PWS Settlement is appealed, and the impact of the PWS Settlement on other PFAS- related matters could have a material adverse effect on the Company' s results of operations, cash flows or its consolidated financial position. Governmental inquiries, lawsuits, or laws and regulations involving PFAS could lead to our incurring liability for damages or other costs, civil or criminal proceedings, the imposition of fines and penalties, or other remedies, including orders to conduct remediation, as well as restrictions on or added costs for our business operations going forward, including in the form of restrictions on discharges at our manufacturing facilities, requiring the installation of control technologies, suspension or shutdown of facility operations, switching costs in seeking alternative sources of supply, potential customer damage claims due to supply disruptions or otherwise, and reporting requirements or bans on PFAS and PFAS- containing products manufactured by the Company. **Any of the foregoing could have a material adverse effect on the Company' s results of operations, cash flows or its consolidated financial position.** * The Company is subject to risks related to international, federal, state, and local treaties, laws, and regulations, as well as compliance risks related to legal or regulatory requirements, contract requirements, policies and practices, or other matters that require or encourage the Company or its suppliers, vendors, or channel partners to conduct business in a certain way. The outcome of legal and regulatory proceedings related to compliance with these treaties, laws, regulations, and requirements could have a material adverse effect on the Company' s **reputation,** ability to execute its strategy and its results of operations. The Company **operates globally, including in some jurisdictions that pose potentially elevated risks of fraud or corruption or increased risk of internal control issues, and** is subject to risks related to international, federal, state, and local treaties, laws, and regulations, including those involving product liability; **securities and corporate laws;** antitrust **and competition laws** ; intellectual property; environmental, health, and safety; tax; the U. S. Foreign Corrupt Practices Act **(FCPA)** and other anti- bribery **, anti- corruption** laws; international import and export requirements and trade sanctions compliance; regulations of the U. S. Food and Drug Administration (FDA) and similar foreign agencies; U. S. federal healthcare program- related laws and regulations including the False Claims Act, anti- kickback laws, and the Sunshine Act; and other matters. The Company is also subject to compliance risks related to legal or regulatory requirements, contract requirements, policies and practices, or other matters that require or encourage the Company and its suppliers, vendors, or channel parties, to conduct business in a certain way. Legal compliance risks also include third- party risks where the Company' s suppliers, vendors, or channel partners **, or trade associations to which the Company belongs,** have business practices that are inconsistent with 3M' s Supplier Responsibility Code, 3M performance requirements, or with legal requirements. The **failure to comply with the FCPA and other anti- bribery and anti- corruption laws and regulations could result in significant civil fines and penalties or criminal sanctions against the Company, which could have a material adverse effect on our business, reputation, operating results and financial condition. These laws and regulations prohibit corrupt payments by the Company' s employees, suppliers, vendors, channel partners or agents. The Company is also required to maintain accurate books and records and adequate internal controls under the FCPA' s accounting provisions. From time to time, the Company receives reports internally and externally, via various reporting channels deployed by its Ethics and Compliance function or otherwise (such as shareholder communications), about business and other activities that raise compliance or other legal or litigation issues. The Company has in the past, and in the future could be, required to investigate such reports and cooperate with U. S. and foreign regulatory authorities in such investigations, audit, monitor compliance or alter its practices as part of such investigations, and the Company has in the past and may in the future be required to pay fines or penalties related to its practices. While the Company maintains and implements U. S. and international compliance programs, including policies and procedures, training, and internal controls designed to reduce the risk of noncompliance, the Company' s employees, suppliers, vendors, channel partners or agents may violate such policies and procedures and engage in practices that contravene relevant laws and regulations. The** Company' s results of operations could be adversely impacted if the costs to comply with these evolving treaties, laws, regulations, and requirements are greater than projected by the Company. In addition, the outcome of legal and regulatory proceedings related to compliance with these treaties, laws, regulations, and requirements are difficult to reliably predict, may differ from the Company' s expectations, and ~~can~~ **have resulted and may in the future** result in, ~~among~~ **one or more of** ~~other~~ - - **the** ~~things,~~ **following:** criminal or civil sanctions, including fines; limitations on the extent to which the Company can conduct business; **employee and business partner terminations due to policy violations;** and private rights of action that result in litigation exposure, including expenses and costs incurred in connection with settlement or court proceedings, for the Company **. In addition, detecting, investigating and resolving actual or alleged violations of these acts is expensive and could consume significant time and attention of our senior management** . Although the Company maintains general liability insurance to mitigate monetary exposure, the amount of liability that may result from certain of these risks may not always be covered by, or could exceed, the applicable insurance coverage. Various factors or developments can lead the Company to change current estimates of liabilities and related insurance receivables where applicable, or make such estimates for matters previously not susceptible of reasonable estimates, such as a significant judicial ruling or judgment, a significant settlement, significant regulatory developments or changes in applicable law. A future adverse ruling, settlement, or unfavorable development could result in future charges that could have a material adverse effect on the Company' s results of operations or cash flows **or its consolidated financial position** . In addition, negative publicity related to the matters noted above or other matters involving the Company may negatively impact the Company' s reputation. The Company also relies on patent and other intellectual property protection, and challenges to the Company' s intellectual property rights, or claims that the Company' s activities interfere with the intellectual property rights of a third party, could cause the Company to incur significant expenses to assert or defend against such claims, could result in reduced revenue, and could damage the Company' s reputation, any of which could have an adverse effect on the Company. For a more detailed discussion of the legal proceedings involving the Company and the associated accounting estimates, see the discussion in Note ~~16~~ **18**, " Commitments and Contingencies, " within the Notes to Consolidated Financial Statements. Risks Related to Our Products and Customer Preferences * The Company' s results are affected by competitive conditions and customer preferences. Demand for the Company' s products, which impacts revenue and profit margins, is affected by, among other things, (i) the development and timing of the introduction of competitive products; (ii) the Company' s pricing strategies; (iii) changes in customer order patterns, such as changes in the levels of inventory maintained by customers, vendors, or channel partners; (iv) changes in customers' preferences for our products, including the success of products offered by our competitors, and changes in customer designs for their products that can affect the demand for some of the Company' s products; and (v) changes in the business environment related to disruptive technologies, such as artificial intelligence **and machine learning technologies**, block- chain, expanded analytics, and other enhanced learnings from increasing volume of available data. * The Company' s growth objectives are largely dependent on the timing and market acceptance of its new product offerings, including its ability to continually renew its pipeline of new products and to bring those products to market. This ability is subject to difficulties or delays in product development, such as the inability to identify viable new products, obtain adequate intellectual property protection, or gain market acceptance of new products. There are no guarantees that new products will prove to be commercially successful. * The Company' s future results are subject to vulnerability with respect to materials and fluctuations in the costs and availability of purchased components, compounds, raw materials, energy, and labor due to shortages, increased demand and wages, logistics, supply chain interruptions, manufacturing site disruptions, regulatory developments, natural disasters, and other disruptive factors. The Company depends on various components, compounds, raw materials, and energy (including oil and natural gas and their derivatives) supplied by others for the manufacturing of its products. Supplier relationships have been and could be interrupted in the future due to supplier material shortage, climate impacts **and severe weather events**, natural and other disasters, and other disruptive events such as military conflicts, or be terminated. **In addition, some of our suppliers are limited- or sole- source suppliers, and our ability to meet our obligations to customers depends on the performance, product quality, and stability of such suppliers and the Company' s ability to source adequate alternatives in a cost-effective manner.** Any sustained interruption in the Company' s receipt of adequate supplies, supply chain disruptions impacting the distribution of products, or disruption to key manufacturing sites' operations due to natural and other disasters or events, such as government actions relating to discharge or emission permits or other legal or regulatory requirements, **could have a material adverse effect on the Company and its ability to fulfill supply obligations to its customers. The Company could incur contractual penalties, experience a deterioration in customer relationships, or suffer harm to its reputation if the Company is unable to fulfill its obligations to customers, any of which** could have a material adverse effect on the Company. In addition, there can be no assurance that the Company' s processes to minimize volatility in component and material pricing will be successful or that future price fluctuations or shortages will not have a material adverse effect on the Company. Risks Related to Our Business * The Company employs information **including operational** technology systems to support its business and **to** collect, store, and **/ or** use proprietary and confidential information, including ongoing phased implementation of an enterprise resource planning (ERP) system as part of **its** business transformation on a worldwide basis over the next several years. Security and data breaches, cyberattacks, and other cybersecurity incidents involving the Company' s information technology systems **, networks** and infrastructure could disrupt or interfere with the Company' s operations; result in the compromise and misappropriation of proprietary and confidential information belonging to the Company or its customers, suppliers, and employees; and expose the Company to numerous expenses, liabilities, and other negative consequences, any or all of which could adversely impact the Company' s business, reputation, and results of operations. In the ordinary course of business, the Company relies on centralized and local information technology networks and systems, some of which are provided, hosted, or managed by vendors and other third parties, to process, transmit, and store electronic information, and to manage or support a variety of businesses. Additionally, the Company collects and stores certain data, including proprietary business information, and has access to confidential or personal information in certain of our businesses that is subject to privacy and cybersecurity laws, regulations, and customer- imposed controls. Third parties and threat actors, including organized criminals, nation- state **entities**, **and /** or nation- state supported actors, regularly attempt to gain unauthorized access to the Company' s information **and operational** technology networks and infrastructure, data, and other information, and many such attempts are **becoming** increasingly sophisticated. Despite our cybersecurity and business continuity **counter** measures (including employee and third- party training, monitoring of networks and systems, patching, maintenance, and backup of systems and data), the Company' s information **and operational** technology **systems,** networks and infrastructure are still potentially susceptible to **cyber-** attack **, insider threat**, compromise, damage, disruption, or shutdown, including as a result of the exploitation of known or unknown hardware or software vulnerabilities **, or zero day attacks,** in our systems or ~~in~~ the systems of our vendors and third- party service providers, the introduction of computer viruses **, malware** or ransomware, service or cloud provider disruptions or security breaches, phishing attempts, employee error or malfeasance, power outages, telecommunication or utility failures, systems failures, natural disasters, or other catastrophic events. The Company' s increased adoption of remote working, initially driven by the **COVID- 19 health** pandemic, also introduces additional threats and risk of disruptions to our information technology **systems,** networks and infrastructure. Despite our cybersecurity **counter** measures, it is possible for security vulnerabilities or a cyberattack to remain undetected for an extended time period, up to and including several ~~years~~ **months**, and the prioritization of decisions with respect to security measures and remediation of known vulnerabilities that we and the vendors and other third parties upon which we rely make may prove inadequate to protect against **these** attacks. While we and third parties we utilize have experienced, and expect to continue to experience, cyberattacks ~~on and~~

~~breaches and~~ **that may lead to other** disruptions of the Company’ s and the third parties' information **and operational** technology systems and infrastructure, we do not believe that any such incidents to date have had a material impact on the Company. Any cybersecurity incident or information **or operational** technology network disruption could result in numerous negative consequences, including the risk of legal claims or proceedings, investigations or enforcement actions by U. S., state, or foreign regulators; liabilities or penalties under applicable laws and regulations, including privacy laws and regulations in the U. S. and other jurisdictions; interference with the Company’ s operations; the incurrence of remediation costs; loss of intellectual property protection; the loss of customer, supplier, or employee relationships; and damage to the Company’ s reputation, any of which could adversely affect the Company’ s business. Although the Company maintains insurance coverage for various cybersecurity and business continuity risks, there can be no guarantee that all costs **, damages, expenses** or losses incurred will be fully insured. * Acquisitions, strategic alliances, divestitures, and other strategic events resulting from portfolio management actions and other evolving business strategies ~~, and possible organizational restructuring,~~ could affect future results. The Company monitors its business portfolio and organizational structure and has made and may continue to make acquisitions, strategic alliances, divestitures, and changes to its organizational structure. With respect to acquisitions and strategic alliances, future results will be affected by, as applicable, the Company’ s ability to integrate acquired businesses quickly and obtain the anticipated synergies and the Company' s ability to operationalize and derive anticipated benefits from alliances. Divestitures may include continued ~~financial~~ involvement in the divested businesses, such as through ~~guarantees~~ **transitional** or ~~other financial~~ **longer- term supply or distribution** arrangements, following the transaction ~~, will result in the loss of revenue associated with the businesses that are divested~~ , and may result in unexpected liabilities through indemnification or other risk-shifting mechanisms in the applicable divestiture agreement. Any of the foregoing could adversely affect the Company’ s future results. * The Company’ s future results may be affected by its operational execution, including **through organizational restructurings and** scenarios where the Company generates fewer productivity improvements than planned. The Company’ s financial results depend on the successful execution of its business operating plans. The Company utilizes various tools, such as continuous improvement, to improve productivity and reduce expenses and engages in ongoing global business transformation **, including restructurings from time** to **time, to streamline its operations,** improve operational efficiency, productivity, and the speed and efficiency with which it serves customers. ~~This~~ **Workforce restructuring activities impact business groups, functions, and geographies, and the structural reorganization** is ~~enabled by~~ **expected to reduce** the ~~ongoing multi~~ **size of the corporate center, simplify supply chain, streamline 3M' s geographic footprint, reduce layers of management, further align business go** - ~~year phased implementation of~~ **to- market models to customers,** ~~an~~ **and** ~~ERP system~~ **reduce manufacturing roles to align with production volumes, with the goal of improving the Company' s longer- term outlook in overall performance** . There can be no assurance that we will realize the benefits of such activities, or that such activities will not result in unexpected **or negative** consequences, such as a reduced ability to generate sales **; a relationship impact with employees;** or **a reduced ability to** provide the experience that our customers, suppliers, vendors, and channel partners expect from us. In addition, the ability to adapt to business model and other changes, including responding to evolving customer needs and service expectations, are important, and, if not done successfully, could negatively impact the Company’ s ability to win new business and enhance revenue and 3M’ s brand. Operational challenges, including those related to customer service, pace of change and productivity improvements, could have a material adverse effect on the Company’ s business, financial ~~conditions~~ - **condition,** and results of operations. Risks Related to Financial and Capital Markets and Tax Matters * The Company' s defined benefit pension and postretirement plans are subject to financial market risks that could adversely impact our results. The performance of financial markets and discount rates impact the Company' s funding obligations under its defined benefit plans. Significant changes in market interest rates, decreases in the fair value of plan assets and investment losses on plan assets, and legislative or regulatory changes relating to defined benefit plan funding may increase the Company' s funding obligations and adversely impact its results of operations and cash flows. * Change in the Company’ s credit ratings **or increases in benchmark interest rates** could increase cost of funding. The Company’ s credit ratings are important to 3M’ s cost of capital. The major rating agencies routinely evaluate the Company’ s credit profile and assign debt ratings to 3M. This evaluation is based on a number of factors, which include financial strength, business and financial risk, as well as transparency with rating agencies and timeliness of financial reporting. **The Company’ s credit ratings have served to lower 3M’ s borrowing costs and facilitate access to a variety of lenders.** As of ~~December 2022~~ **the date of this report** , 3M has a credit rating of ~~A1~~ **A3** , ~~stable~~ **negative** outlook from Moody' s Investors Service, ~~and~~ a credit rating of ~~A~~ **BBB** , CreditWatch negative from S & P Global Ratings **, and a** ~~. The Company’ s~~ credit ~~ratings~~ - **rating** ~~have served to lower~~ **of A-, stable outlook from Fitch. Since the Company’ s announcements of the PWS Settlement and CAE Settlements, Moody’ s Investor Service downgraded** 3M ~~’~~ **'** s ~~borrowing costs and facilitate access~~ **’ s credit rating twice from A1** to ~~a variety of lenders~~ **A3 (and downgraded 3M' s short- term credit rating from P- 1 to P- 2). Similarly, S & P Global Ratings downgraded the Company’ s credit rating twice from A to BBB (and downgraded the Company’ s short- term credit rating from A- 1 to A- 2)** . The addition of further leverage to the Company’ s capital structure could impact 3M’ s credit ratings in the future. Failure to maintain strong investment grade ratings **and further downgrades by the ratings agencies,** would adversely affect the Company’ s cost of funding and could adversely affect liquidity and access to capital markets **. In addition, interest expense could increase due to a rise in interest rates** . * Changes in tax rates, laws, or regulations could adversely impact our financial results. The Company’ s business is subject to tax- related external conditions, such as tax rates, tax laws and regulations, changing political environments in the U. S. and foreign jurisdictions that impact tax examination, and assessment and enforcement approaches. In addition, changes in tax laws including further regulatory developments arising from U. S. or international tax reform legislation could result in a tax expense or benefit recorded to the Company’ s Consolidated Statement of Earnings. In connection with the Base Erosion and Profit Shifting (BEPS) Integrated Framework provided by Organization for Economic Cooperation and Development (OECD), determination of multi- jurisdictional taxation rights and the rate of tax applicable to certain types of income may be subject to potential change. Due to the evolving nature of global tax laws and regulations and compliance approaches, it is currently not possible to assess the ultimate impact of these actions on our financial statements, but these actions could have an adverse impact on the Company' s financial results. Risks Related to the ~~Voluntary Chapter 11 Proceedings Initiated by the~~ Company’ s Aearo Entities **and Combat Arms Earplug Settlement** * The Company is subject to risks related to ~~its subsidiaries’ chapter 11 proceedings~~ **the Company' s Aearo Entities and CAE Settlement** . ~~On July 26~~ **As previously disclosed** , ~~2022~~ **and as discussed further in Note 18, “ Commitments and Contingencies, ” within the Notes to Consolidated Financial Statements** , Aearo Technologies **sold** ~~and certain of its related entities (“ Aearo Entities"), all wholly owned subsidiaries of the Company, voluntarily initiated chapter 11 proceedings seeking bankruptcy court supervision to establish a trust – funded by the Company – to address potential liabilities related to~~ Dual- Ended Combat Arms – Version 2 earplugs ~~and mask / respirator products historically manufactured~~ **starting in about 1999. 3M acquired Aearo Technologies in 2008** and sold ~~by~~ **these earplugs from 2008 through 2015, when the product was discontinued. 3M and Aearo Technologies believe the Combat Arms Earplugs were effective and safe when used properly, but nevertheless faced significant litigation relating to the earplugs. In August 2023, the Company and the** Aearo Entities ~~. This represents a change in strategy for managing the Combat Arms Version 2 earplugs and Aearo respirator mask / asbestos alleged litigation liabilities. Aearo Entities were acquired by the Company in 2008 and they, along with its related subsidiaries, have operated as Company subsidiaries since that time. 3M has~~ entered into a ~~funding agreement with~~ **settlement arrangement (as amended, the “ CAE Settlement ”) which is structured to promote participation by claimants and is intended to resolve, to the fullest extent possible, all litigation and alleged claims involving the CAE sold or manufactured by the** Aearo Entities and ~~committed~~ **/ or 3M. Pursuant** to ~~fund~~ **the CAE Settlement, 3M will contribute** a ~~trust~~ **total amount of $ 6. 0 billion between 2023 and 2029. The actual amount, payment terms, and dates are subject** to ~~satisfy~~ **satisfaction of certain participation thresholds claimants must meet, including that at least 98 % of individuals with actual or potential litigation claims involving the CAE (calculated as described in the CAE Settlement) must have enrolled in the CAE Settlement and provided 3M with a full release of any and** all claims **involving** ~~determined to be entitled to compensation, and to support Aearo Entities as they~~ - **the CAE** ~~continue to operate during the chapter 11 proceedings~~ . ~~There~~ -- **The** ~~are a number of~~ **CAE Settlement is subject to** ~~risks~~ - **risk** and uncertainties ~~associated with the chapter 11 proceedings~~ , including, ~~among others~~ **but not limited to** , **whether** ~~those~~ -- **the anticipated full participation by plaintiffs in** ~~related to: legal risks related to the chapter 11 proceedings; potential impacts to the Company’ s reputation and relationships with its customers, suppliers, federal contracting officials, employees, regulators, and other~~ -- **the CAE Settlement** ~~counterparties and community members; impacts to the Company’ s liquidity or results of operations, including risks related to the amount that~~ will be ~~necessary to~~ **achieved, whether the number of plaintiffs who participate in the CAE Settlement will meet the** ~~fully~~ - **full** ~~and finally resolve~~ **participation expectations or will** ~~all~~ **fall** ~~of~~ **below the level that would permit 3M to terminate the CAE Settlement (and whether 3M will elect to terminate the CAE Settlement if this occurs), whether** ~~the~~ **there will be a significant number of future** ~~Company’ s obligations to make payments to resolve such~~ claims ~~under~~ **by plaintiffs that decline to participate in** the ~~terms of~~ **CAE Settlement, whether the CAE Settlement** ~~its~~ - **is appealed or challenged,** ~~funding and indemnification agreement with Aearo Entities;~~ the **filing** ~~costs of chapter 11 proceedings~~ and ~~length~~ **outcome** of **additional** ~~time necessary to resolve the cases; and Aearo Entities’ ability to reach acceptable agreements with claimants and navigate the chapter 11 proceedings to obtain approval and consummation of a plan of reorganization. Due to the inherent uncertainty of~~ litigation, **if** ~~the Company cannot predict the timing, outcome, or financial impact of this matter, or~~ any **, relating to** ~~other~~ -- **the** ~~ongoing~~ **products that are the subject of the CAE Settlement,** or ~~future litigation~~ **changes in laws or regulations related to the CAE products or the CAE Settlement** . Risks Related to the Planned Spin- off of the Company’ s Health Care Business * The Company is subject to risks related to its plan to spin off its Health Care business. On July 26, 2022, the Company announced its intent to spin off its Health Care business, resulting in two standalone public companies, in a transaction that is intended to be tax- free for the Company’ s stockholders for U. S. federal income tax purposes. The spin- off will be subject to the satisfaction of a number of conditions, including ~~final approval by the Company’ s board of directors,~~ the filing and effectiveness of a Form 10 registration statement, ~~the~~ receipt of a private letter ruling from the Internal Revenue Service and a tax opinion from external counsel, **satisfactory completion of financing, final approval by the Company’ s Board of Directors,** and other customary conditions. The failure to satisfy all of the required conditions **, as well as additional factors such as conditions in the equity and debt markets, other external conditions, developments or challenges involving the intended spin- off, the Company or any of its businesses** , many of which are outside of the Company’ s control, could delay the completion of the spin- off relative to the anticipated timeline or prevent it from occurring. Any delay in the completion of the spin- off or any change to the anticipated terms of the transaction could reduce the expected benefits of the transaction, or delay the time at which such benefits are realized. There can also be no assurance that the anticipated benefits of the transaction will be realized if the spin- off is completed, or that the costs or dis- synergies of the transaction (including costs of related restructuring transactions), will not exceed the anticipated amounts. Whether or not the spin- off is ultimately completed, the pendency of the transaction may impose challenges on the Company and its business, including potential business disruption; the diversion of management time on matters relating to the transaction; the impact on the Company’ s ability to retain talent; and potential impacts on the Company’ s relationships with its customers, employees, regulators, and other counterparties. In addition, while it is intended that the transaction would be tax- free to the Company’ s stockholders for U. S. federal income tax purposes, there is no assurance that the transactions will qualify for this treatment. If the spin- off was ultimately determined to be taxable, the Company, the Health Care business, or the Company’ s stockholders could incur income tax liabilities that could be significant. Any of these factors could negatively impact our business, financial condition, results of operations, cash flows, and the price of our common stock.