

Risk Factors Comparison 2025-02-04 to 2024-02-02 Form: 10-K

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

Risks Related to Our Business We may be affected by global economic, ~~capital market and political~~ conditions in general, and conditions in the construction and infrastructure industries in particular. Our business, financial condition, operating results and cash flows may be adversely affected by changes in global economic conditions and geopolitical risks (see discussion of risks associated with the ongoing conflicts referred to in the immediately following Risk Factor), including global credit conditions, levels of consumer and business confidence, commodity prices, raw material and energy costs, supply chain issues, **trade policies, tariffs and trade barriers**, foreign currency exchange rates, interest rates, labor costs, levels of government spending and deficits, actual or anticipated default on sovereign debt, ~~trade policies, tariffs and trade barriers~~, political conditions, including in connection with the results of the 2024 election **new administration's policies and priorities** in the U. S. or otherwise, regulatory changes, ~~fluctuations in residential and commercial construction activity~~, natural disasters, including weather events caused by climate change, pandemic health issues, including COVID-19, and other challenges that could affect the global economy. **In addition, the current global economic environment has resulted, and may continue to result, in increased levels of commodity, materials and wage inflation.** These various global economic and political conditions **have affected and may continue to affect our businesses-- business such in a number of ways as ours discussed in a number of ways more detail in this Item 1A and elsewhere in this Form 10-K.** ~~In More particular~~ **particularly**, a slowdown in building and remodeling activity, **whether due to remote work or otherwise**, or decreased public spending on infrastructure projects or decreased spending on commercial real estate or customer defaults due to higher levels of remote work in connection with the COVID-19 pandemic or otherwise, could adversely affect our financial performance. **Additionally, Our operations are subject to natural and man-made unexpected events that may increase our costs, limitations on the ability of limit access to building sites, interrupt production our-- or customers our supply chain or otherwise adversely affect our business, results of operations or financial condition.** The occurrence of one or more unexpected events, including war (see discussion below regarding ongoing conflicts), acts of terrorism or violence, civil unrest, fires, tornadoes, hurricanes, earthquakes, floods and other forms of severe weather, whether as a result of climate change or otherwise, in the United States or in other countries in which we operate or in which our suppliers to access credit at interest rates and on terms that are **located** acceptable to them could **adversely affect lead to insolvencies of customers and suppliers, limit or our operations and prevent customers from being able to finance financial purchases of performance.** **Natural disasters, pandemics, equipment failures, prolonged power outages our-- or products and services, and cause delays in the other delivery unexpected events could result in physical damage to and complete or partial closure of key one or more of our manufacturing facilities or temporary or long-term disruption in the supply of component products from some local, national and international suppliers, disruption and delay in the transport of our products to customers or limit our access building sites and to install our products or perform our services.** Existing insurance coverage may not provide protection for all of the costs that may arise from such events. The impacts of these unexpected events are difficult to predict, but could result in higher costs or delays in our operations and adversely affect our financial performance. Our international operations subject us to risk as our results of operations may be adversely affected by changes in local and regional economic conditions, such as fluctuations in exchange rates, ~~risks associated with government policies on international trade and~~ **changes in credit conditions** investments, risks associated with China and other emerging markets and geopolitical ~~conflicts~~. We conduct our business on a global basis, with approximately 72-70 % of our 2023-2024 net sales derived from international operations. Changes in local and regional economic conditions, including credit conditions and fluctuations in exchange rates, may affect product demand and reported profits in our non- U. S. operations, where transactions are generally denominated in local currencies. In addition, currency fluctuations may affect the prices we pay for the materials used in our products. Though we engage in hedging strategies to manage foreign currency exposures in connection with certain cross-border transactions, our operating margins may be negatively impacted by currency fluctuations that result in higher costs or lower revenues for certain cross- border transactions. Our financial statements are denominated in U. S. dollars. Accordingly, fluctuations in exchange rates have given and may continue to give rise to gains or losses when financial statements of non- U. S. operating units are ~~translated~~ **translated into** into U. S. dollars. Given that the majority of our net sales are non- U. S. based, a strengthening of the U. S. dollar against other major foreign currencies has adversely affected and could in the future adversely affect our results of operations. **Additionally, limitations on the ability of our customers and suppliers to access credit at interest rates and on terms that are acceptable to them could lead to customer and supplier defaults and cancellations of existing orders, limit or prevent customers from being able to finance purchases of our products and services in the future, and cause delays in the delivery of key products from suppliers.** **Our international operations subject us to risks associated with government policies on international trade and investments and risks associated with China.** Our international sales and operations are subject to risks associated with changes in local government laws, regulations and policies, including those related to investments and limitations on foreign ownership of businesses, taxation, foreign exchange controls, capital controls, **local manufacturing, product content or supplier requirements**, employment regulations and the repatriation of earnings. Government policies on international trade and investments such as import quotas, capital controls, punitive taxes or tariffs or similar trade barriers, whether imposed by individual governments or regional trade blocs, can affect demand for our products and services, impact the competitive position of our products or services, or encumber our ability to manufacture or sell products in certain countries. The implementation of more restrictive trade policies, including the imposition

of **further tariffs in connection with the new administration in the U. S. and retaliatory tariffs in response thereto**, or the renegotiation of existing trade agreements with the U. S. or countries where we sell large quantities of products and services, procure materials incorporated into our products, manufacture products or recruit and employ employees **(see discussion on including trade relations between the U. S. and China (as discussed below)**, could have a material adverse effect on our business, results of operations and financial condition, including our ability to recruit and retain employees or deploy certain employees to the geographies where their skills are best utilized. Our international sales and operations are also sensitive to changes in foreign nations' priorities, including government budgets, as well as to political and economic instability. International transactions may involve increased financial and legal risks due to differing legal systems and customs in foreign countries. China is currently the largest end market for sales of new equipment in our industry, with our New Equipment net sales in China representing approximately one **third-fourth** of our global New Equipment net sales and over half of our global New Equipment unit volume **and a growing part of our Service segment**. Changes to market and economic conditions in China, including credit conditions for our customers, or an escalation of trade conflicts between the U. S. and China, **have recently impacted and may further continue to** impact our ability to **continue maintain** New Equipment net sales in China at rates consistent with prior years. Furthermore, as is the case in many countries where we operate, the legal and regulatory **regime changes** in China **is evolving, and accordingly, we could impose, in the future, be required to comply with** significant requirements unique to China in order to maintain access to Chinese **markets and negatively impact our overall financial performance. Our international operations subject us to risks associated with emerging** markets. We expect that net sales to emerging markets will continue to account for a significant portion of our net sales as those and other developing nations and regions around the world increase their demand for our products and services. A slowdown in urbanization in emerging countries, such as China or India, **have and could continue to** adversely affect our financial performance. In addition, as part of our global business model, we operate in certain countries, including Argentina, Brazil, China, India, Indonesia, Malaysia, Mexico, Poland, South Africa, Ukraine, Turkey and certain countries in the Middle East, that carry high levels of currency, political, compliance and economic risk. Our emerging market operations can present many risks, including differences in culturally accepted practices (such as employment and business practices), compliance risks, economic and government instability, currency fluctuations, and the imposition of foreign exchange and capital controls. While these factors and their impact are difficult to predict, any one or more of them could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition. **Our international operations subject us to risks associated with geopolitical conflicts. Our international sales and operations are subject to risks associated with geopolitical conflicts.** The **ongoing conflict conflicts** between Russia and Ukraine and in the **Middle East war between Israel and Hamas** have resulted in worldwide geopolitical and macroeconomic uncertainty, and we cannot predict how the conflicts will evolve or the timing thereof. If these conflicts continue for a significant time or further expand to other countries and depending on the ultimate outcomes of these conflicts, which remain uncertain, they **or new geopolitical conflicts** could have additional adverse effects on macroeconomic conditions, including but not limited to, increased costs, constraints on the availability of commodities, supply chain disruptions and decreased business spending. Furthermore, continuation of the conflicts could give rise to disruptions to our or our business partners' global technology infrastructure, including through **cyberattack cyber-attack** or cyber-intrusion; adverse changes in international trade policies and relations; regulatory enforcement; our ability to implement and execute our business strategy; terrorist activities; our exposure to foreign currency fluctuations; and constraints, volatility, or disruption in the capital markets, any of which could have a material adverse effect on our business, results of operations, cash flows and financial condition. See Item 7" Business Overview" in this Form 10- K for more information regarding the sale of our business in Russia. We use a variety of raw materials, supplier- provided parts, components, sub- systems and third- party manufacturing services in our business, and significant shortages, supplier capacity constraints, supplier production disruptions or price increases could increase our operating costs and adversely impact the competitive positions of our products. Our reliance on suppliers (including third- party manufacturers) and commodity markets to secure the raw materials and components used in our products exposes us to volatility in the prices and availability of these materials. Issues with suppliers, (such as a disruption in deliveries, capacity and credit constraints, production disruptions, quality issues and supplier closings or bankruptcies), price increases or decreased availability of raw materials or commodities **(particularly steel) have in the past had and could in the future** have a material adverse effect on our ability to meet our commitments to customers or could increase our operating costs, either of which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition. Adverse changes in our relationships with, or the financial condition, performance or purchasing patterns **, or compliance practices** of, key distributors and agents could adversely affect us. Certain of our businesses sell a significant amount of their products to distributors and agents, particularly in China, that have valuable relationships with customers. Some of these distributors and agents also sell our competitors' products, and if they favor competing products for any reason they may fail to market our products effectively. Adverse changes in our relationships with these distributors and other partners, or adverse developments in their financial condition, performance or purchasing patterns, or compliance practices, could adversely affect our reputation, competitive position, results of operations, cash flows or financial condition. We design, manufacture, install and service products that incorporate advanced technologies; the introduction of new products and technologies involves risks, and we may not realize the degree or timing of benefits initially anticipated. We seek to grow our business through the design, development, production, sale and support of innovative products that incorporate advanced technologies. The product and service needs of our customers change and evolve regularly, and we invest substantial amounts in research and development efforts to pursue advancements in technologies, products and services. Our ability to realize the anticipated benefits of our technological advancements, such as the development and execution of advanced digital technologies for the benefit of our New Equipment or Service segment or the development of new products depends on a variety of factors, including meeting development, production, certification and regulatory approval schedules; execution of internal and external performance plans; availability of

supplier and internally produced parts and materials; performance of suppliers and subcontractors; hiring and training of qualified personnel; achieving cost and production efficiencies; validation of innovative technologies; and customer interest in new technologies and products and acceptance of products we manufacture or that incorporate technologies we develop. Our research and development efforts may not result in innovative products or services that incorporate new technologies for our New Equipment and Service segments, or products or services being developed on a timely basis or that meet the needs of our customers as effectively as competitive offerings. In addition, the markets for our products or services, or products that incorporate our technologies, may not develop or grow as we anticipate. We or our customers, suppliers or subcontractors may encounter difficulties in developing and producing new products and services, and may not realize the degree or timing of benefits initially anticipated or may otherwise suffer significant adverse financial consequences. Due to the design complexity of our products, we may experience delays in completing the development and introduction of new products. Any delays could result in increased development costs or divert resources from other projects. If we are unable to successfully develop and timely introduce new products, services and technologies, our competitors may develop competing technologies that gain market acceptance in advance of or instead of our products or services. The possibility also exists that our competitors might develop new technology or offerings that might cause our existing technology and offerings to become obsolete, which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition. We operate in a competitive environment and our profitability depends on our ability to accurately estimate the costs and timing of providing our products and services. Our contracts are typically awarded on a competitive basis. Our quotations and bids are based upon, among other items, the cost to provide the products and services. To generate an acceptable return on our investment on these contracts, we must be able to accurately estimate our costs to provide the services and deliver the products required by the contract and to be able to complete the contracts in a timely manner. If we fail to accurately estimate our costs or the time required to complete a new equipment order, or the extent of required maintenance pursuant to a service contract, or execute on our productivity initiatives, the profitability of our contracts may be materially and adversely affected. Some of our contracts provide for liquidated damages if we do not perform in accordance with the contract. As a result of these and other factors, we may not be able to provide products and services at competitive prices while maintaining anticipated levels of profitability, which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition. We may not realize expected benefits from our cost reduction, restructuring and transformation efforts, including UpLift, and our profitability may be negatively impacted or our business otherwise might be adversely affected. In order to operate more efficiently and cost effectively, we **have and may continue to** adjust employment, optimize our footprint or undertake other restructuring or transformation activities, including in connection with UpLift **and related outsourcing activities and change management**. These activities are complex and may involve or require significant changes to our operations. If we do not successfully manage restructuring and other transformation activities, expected efficiencies and benefits might be delayed or not realized, and our operations and business could be disrupted. Risks associated with these actions and other workforce management issues include unfavorable political responses, unforeseen delays in the implementation of anticipated workforce reductions, additional unexpected costs, challenges in change management, adverse effects on employee morale and capacity, and the failure to meet operational targets due to the loss of employees or work stoppages, any of which may impair our ability to achieve anticipated cost reductions, otherwise harm our business or have a material adverse effect on our competitive position, results of operations, cash flows or financial condition. **We operate in challenging markets for talent and may fail to attract, develop and retain key personnel. We depend on the skills, institutional knowledge, working relationships, and continued services and contributions of key personnel, including our leadership team, engineers, field professionals, and others at all levels of the company. In addition, our ability to achieve our operating and strategic goals depends on our ability to identify, hire, train and retain qualified individuals. We compete with other companies both within and outside of our industry for talented personnel in a highly competitive labor market, and we may lose key personnel or fail to attract other skilled personnel and incur additional labor costs. Any such losses, failures or increased costs could have material adverse effects on our results of operations, financial condition and cash flows**. Our debt levels and related debt service obligations could have negative consequences; we may need additional debt or equity financing in the future to meet our capital needs, and such financing may not be available on favorable terms, if at all, due to changes in global capital markets, our financial performance or outlook or our credit ratings and may be dilutive to existing shareholders. As of December 31, **2023-2024**, we had \$ **6.8-9.3** billion outstanding long-term debt. Our debt level and related debt service obligations could have negative consequences, including, among others: • requiring us to dedicate significant cash flow from operations to the payment of principal and interest on our debt, which would reduce funds we have available for other purposes, such as acquisitions and reinvestment in our businesses; and • reducing our flexibility in planning for or reacting to changes in our business and market conditions. We may need additional financing for general corporate purposes. For example, we may need funds to increase our investment in research and development activities, to refinance or repay existing debt, or to make a strategic acquisition. We may be unable to obtain additional financing on terms favorable to us, if at all. Volatility in the world financial markets could further increase borrowing costs or affect our ability to access the capital markets. Our ability to issue debt or enter into other financing arrangements on acceptable terms could be adversely affected if there is a material decline in the demand for our products or services, or in the solvency of our customers, suppliers or distributors or other significantly unfavorable changes in economic conditions. We have an investment-grade credit rating from each of Moody's Investors Service, Inc. and Standard & Poor's. There can be no assurance that we will be able to maintain our credit ratings, and any actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under review for a downgrade or similar announcement, could increase the cost of borrowing under any indebtedness we may incur, reduce market capacity for our commercial paper, require the posting of additional collateral under our derivative contracts, or otherwise have a negative impact on our liquidity, capital position and access to the capital markets. If we raise additional funds

through the issuance of equity securities, our shareholders will experience dilution of their ownership interest. If we raise additional funds by issuing debt, we may be subject to limitations on our operations due to restrictive covenants or rating agencies may downgrade our credit rating. Quarterly cash dividends and share repurchases may be discontinued, accelerated or modified, are subject to a number of uncertainties and may affect the price of Common Stock. Quarterly cash dividends **and share repurchases** are a component of our capital allocation strategy, which we fund with operating free cash flow, borrowings and divestitures. ~~We also have authority to repurchase our shares under a share repurchase program.~~ In general, dividends and share repurchases ~~, if commenced,~~ may be discontinued, accelerated, suspended or delayed at any time without prior notice. Furthermore, the amount of such dividends and repurchases may be changed, and the amount, timing and frequency of such dividends and repurchases may vary from historical practice or from the company's stated expectations. Decisions with respect to dividends and share repurchases are subject to the discretion of our Board of Directors and ~~are will be~~ based on a variety of factors. Important factors that could cause us to discontinue, limit, suspend, increase or delay our quarterly cash dividends or share repurchases include market conditions, the market price of **our** Common Stock, the nature and timing of other investment and acquisition opportunities, changes in our business strategy, the terms of our financing arrangements, our outlook as to the ability to obtain financing at attractive rates, the impact on our credit ratings and the availability of domestic cash. The reduction or elimination of our cash dividend or share repurchase program could adversely affect the market price of Common Stock. Although our share repurchase program is intended to enhance long-term shareholder value, changes in laws or regulations related thereto or short-term stock price fluctuations could reduce the program's effectiveness. We engage in acquisitions and divestitures, and may encounter difficulties integrating acquired businesses with, or disposing of businesses from, our current operations; therefore, we may not realize the anticipated benefits of these acquisitions and divestitures. We seek to grow through strategic acquisitions in addition to internal growth. Our due diligence reviews in connection with our acquisitions may not identify all of the material issues necessary to accurately estimate the cost and potential loss contingencies of a particular transaction, including potential exposure to regulatory sanctions resulting from an acquisition target's previous activities. For example, we may incur unanticipated costs, expenses or other liabilities as a result of an acquisition target's violation of applicable laws, such as anti-corruption, antitrust, anti-collusion, environmental or income tax laws. We also may incur unanticipated costs or expenses, including post-closing asset impairment charges, as well as expenses associated with eliminating duplicate facilities, litigation and other liabilities. We may incur unexpected costs associated with labor law, tax or pension matters or to bring acquired assets up to our operating standards. We may encounter difficulties in integrating acquired businesses with our operations, applying our internal controls to these acquired businesses or in managing strategic investments. In addition, accounting requirements relating to business combinations, including the requirement to expense certain acquisition costs as incurred, may cause us to incur greater earnings volatility and generally lower earnings during periods in which we acquire new businesses. We also make strategic divestitures from time to time. Our divestitures may result in continued financial exposure to the divested businesses, such as through guarantees, other financial arrangements, continued supply and services arrangements, and environmental and product liability claims, following the transaction. Under these arrangements, nonperformance by those divested businesses could result in obligations being imposed on us that could have a material adverse effect on our competitive position, cash flows, results of operations or financial condition. Additionally, we may not realize the degree or timing of benefits we anticipate when we first enter into a transaction, including as a result of current and proposed changes to U.S. and foreign regulatory approval processes and requirements in connection with an acquisition or divestiture. Any of the foregoing could adversely affect our business and results of operations. We are party to joint ventures which may not be successful and may expose us to special risks and restrictions. ~~Our business operations depend on forming joint ventures.~~ In certain regions, we operate our business through joint venture relationships or non-wholly owned subsidiaries, including: Otis Electric Elevator Company Limited and Otis Elevator (China) Investment Limited in China. A significant downturn or deterioration in the business or financial condition of a joint venture partner could affect our results of operations in a particular period. Our joint ventures may experience labor strikes, diminished liquidity or credit unavailability, weak demand for products, delays in the launch of new products or other difficulties in their businesses. Changes in local government laws, regulations and policies, including those related to investments and limitations on foreign ownership of businesses, could adversely impact our ability to participate in and operate our joint ventures, or could result in changes to the ownership structure or allocation of rights in our joint ventures. If we are not successful in maintaining our joint ventures and other strategic partnerships, our financial condition, results of operations and cash flows may be adversely affected. Joint ventures and non-wholly owned subsidiaries inherently involve special risks. Whether or not we hold a majority interest or maintain operational control in such arrangements, our partners or other shareholders may (1) have economic or business interests or goals that are inconsistent with or contrary to ours, (2) exercise veto or other rights, to the extent available, to block actions that we believe to be in our or the joint venture's or non-wholly owned subsidiary's best interests, (3) take action contrary to our policies or objectives with respect to our investments, business or compliance practices or (4) be unable or unwilling (including as a result of financial or other difficulties) to fulfill their obligations, such as contributing capital to expansion or maintenance projects, under the joint venture or other agreement. There can be no assurance that any particular joint venture or non-wholly owned subsidiary will be beneficial to us. We are subject to litigation, product safety and other legal and compliance risks. We are subject to a variety of litigation, legal and compliance risks. These risks relate to, among other things, product safety, personal injuries, intellectual property rights, contract-related claims, taxes, environmental matters, competition laws and laws governing improper business practices. We could be charged with wrongdoing in connection with such matters. If convicted or found liable, we could be subject to significant fines, penalties, repayments and other damages (in certain cases, treble damages). As a global business, we are subject to complex laws and regulations in the U.S. and other countries in which we operate. Those laws and regulations may be interpreted in different ways. They may also change from time to time, as may related interpretations and other guidance. Changes in laws or regulations could result in higher expenses or changes to business operations that could impact our

ability to sell our products and services or sell them at expected profit levels. Uncertainty relating to those laws or regulations may also affect how we operate, structure our investments and enforce our rights. Product and general liability claims (including claims related to the safety, reliability or maintenance of our products) and accident risks during the production, installation, maintenance and use of our products can result in significant costs, including settlements, punitive damages and other risks such as damage to our reputation, negative publicity and management distraction, which could reduce demand for our products and services. In addition, we are subject to the U. S. Foreign Corrupt Practices Act (the "FCPA") and other anti- corruption laws that generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. The FCPA applies to companies, individual directors, officers, employees and agents. Under certain anti- corruption laws, companies also may be held liable for the actions of partners or representatives. Certain of our customer relationships are with governmental entities and are, therefore, subject to the FCPA and other anti- corruption laws. Despite meaningful measures that we undertake to seek to ensure lawful conduct, which include training and internal controls, we may not always be able to prevent our employees, partners, joint ventures, agents or distributors from violating the FCPA or other anti- corruption laws. As a result, we could be subject to criminal and civil penalties, disgorgement, changes or enhancements to our compliance measures that could increase our costs, decrease our access to certain sales channels, personnel changes or other remedial actions. Moreover, we are subject to antitrust and anti- collusion laws, including mandatory supply laws and bidding regulations, in various jurisdictions throughout the world. Changes in these laws or their interpretation, administration and / or enforcement may occur over time, and any such changes may limit our future acquisitions or operations, or result in changes to our strategies, sales and distribution structures or other business practices. We are subject to ongoing claims related to alleged violations of anti- collusion laws in certain European countries, where we are subject to claims for overcharges on elevators and escalators related to civil cartel cases. Though we have implemented policies, controls and other measures to prevent collusion or anti- competitive behavior, our controls may not always be effective in preventing our employees, partners, joint ventures, agents or distributors from violating antitrust or anti- collusion laws. Violations of the FCPA, antitrust or other anti- corruption or anti- collusion laws, or allegations of such violations, could disrupt our operations, cause reputational harm, involve significant management distraction and result in a material adverse effect on our competitive position, results of operations, cash flows or financial condition. We also must comply with various laws and regulations relating to the export of products, services and technology from the U. S. and other countries having jurisdiction over our operations. In the U. S., these laws include, among others, the Export Administration Regulations administered by the Department of Commerce and embargoes and sanctions regulations administered by the Department of the Treasury. In addition, U. S. foreign policy may restrict or prohibit business dealings with certain individuals, entities or countries; changes in these prohibitions can happen suddenly and could result in a material adverse effect on our operations. For a description of current material legal proceedings, see "Note 21: Contingent Liabilities" in Item 8 of this Form 10- K. We are impacted by **increasing evolving** stakeholder interest in public company performance, disclosure, and goal- setting with respect to ESG matters. We have increased reporting of our ESG programs and performance, as required by applicable law and voluntarily, and have established and announced goals and other objectives related to ESG matters. These goal statements reflect our current plans and aspirations and are not guarantees that we will be able to achieve them. Our ability to achieve any goal or objective, including with respect to ESG initiatives, is subject to numerous risks, many of which are outside of our control. Examples of such risks include: (1) the availability and cost of low- or non- carbon- based energy sources and technologies, (2) third- party coordination and alignment over which we do not have control and may be unpredictable, (3) evolving regulatory requirements affecting ESG standards or disclosures, (4) the availability of suppliers that can meet our sustainability, **diversity inclusion** and other standards, and (5) our ability to recruit, develop, and retain **diverse** talent in our labor markets. In addition, standards for tracking and reporting on ESG matters have not been harmonized and continue to evolve. Our processes and controls for reporting of ESG matters may not always comply with evolving and disparate standards for identifying, measuring, and reporting ESG metrics globally, our interpretation of reporting standards may differ from those of others, and such standards may change over time, any of which could result in significant revisions to our performance metrics, goals or reported progress in achieving such goals and increased compliance costs and risks. If our ESG practices do not meet evolving **regulations**, investor or other stakeholder expectations and standards, then our reputation, our ability to attract or retain employees, and our attractiveness as an investment, supplier, or business partner could be negatively impacted, or could result in litigation. **We may also be subject to penalties for non- compliance under applicable laws**. In addition, our failure or perceived failure to pursue or fulfill our goals, targets, and objectives within the timelines we announce, or at all, could have similar negative impacts. Our defined benefit pension plans are subject to financial market risk that could adversely affect our results. The performance of the financial markets and interest rates as well statutory and / or regulatory changes can impact our defined benefit pension plan expenses and funding obligations. Significant decreases in the discount rate or investment losses on plan assets may increase our funding obligations and adversely impact our financial results. See "Note **13-12**: Employee Benefit Plans" in Item 8 of this Form 10- K for further discussion on pension plans and related obligations and contingencies. Information security, data privacy and identity protection may require significant resources and present certain risks to our business, reputation and financial condition. We collect, store, have access to and otherwise process certain **company and third- party** confidential or sensitive data that may be subject to data privacy and cybersecurity laws, regulations or customer- imposed controls, including proprietary business information, personal data and other information. We also develop products that may in certain cases collect, store, have access to, and otherwise process certain personally identifiable or confidential data of our customers who purchase and use such products either separately or as a part of another product or system or by way of access to our websites or social media accounts. Although we seek to protect such data and design our products to enable our customers to use them while complying with applicable data privacy and cybersecurity laws and / or customer- imposed controls, we have experienced **cyberattacks** ~~cyber-attacks~~. While these attacks have not to our knowledge had a material

adverse impact on the Company to date, our internal systems and products may be vulnerable to further **cyberattacks** ~~cyber-attacks~~, security breaches, theft, programming errors or employee errors, which could lead to the compromise of confidential and sensitive data, unauthorized access, use, disclosure, modification or destruction of information, improper use of our systems, software solutions or networks, defective products, production downtimes and / or operational disruptions in violation of applicable law and / or contractual obligations. A significant actual or perceived risk of theft, loss, fraudulent use or misuse of customer, employee or other data, whether by us, our suppliers, distributors, customers or other third parties, as a result of employee error or malfeasance, or as a result of the compromise of software, security and other products we incorporate into our products, as well as non-compliance with applicable industry standards or our contractual or other legal obligations or privacy and information security policies regarding such data, could result in costs, fines, litigation or regulatory actions, or could lead customers to select products and services of our competitors. In addition, any such event could harm our reputation, cause unfavorable publicity or otherwise adversely affect certain potential customers' perceptions of the security and reliability of our services as well as our credibility and reputation, which could result in lost sales. Because of the global nature of our business, both our internal systems and products must comply with the applicable laws, regulations and standards in a number of jurisdictions, which continue to evolve and in certain cases, include provisions that are unclear. Government enforcement actions, including due to geopolitical concerns, and violations of data privacy and cybersecurity laws could be costly or interrupt our business operations. Any of the foregoing factors could result in reputational damage or civil or governmental proceedings, which could result in a material adverse effect on our competitive position, results of operations, cash flows or financial condition. Our business and financial performance depend on continued substantial investment in information technology infrastructure, which may not yield anticipated benefits, and may be adversely affected by cyberattacks on information technology infrastructure and products and other business disruptions. The efficient operation of our business requires continued substantial investment in technology infrastructure systems, including partial shifting from virtual private networks to cloud-based networks, and we must attract and retain qualified people to operate these systems, expand and improve them, integrate new systems effectively and efficiently convert to new systems when required. An inability to fund, acquire and implement these systems might impact our ability to respond effectively to changing customer expectations, manage our business, scale our solutions effectively or impact our customer service levels, which could put us at a competitive disadvantage and negatively impact our financial results. Repeated or prolonged interruptions of service due to problems with our systems or third-party technologies, whether or not in our control, could have a significant negative impact on our reputation and our ability to sell products and services. Furthermore, we are highly dependent upon a variety of internal computer and telecommunication systems to operate our business. Failure to design, develop and implement new technology infrastructure systems in an effective and timely manner, or to adequately invest in and maintain these systems, could result in the diversion of management's attention and resources and could materially adversely affect our operating results, competitive position and ability to efficiently manage our business. Our existing information systems may become obsolete, requiring us to transition our systems to a new platform. Such a transition would be time-consuming, costly and damaging to our competitive position, and could require additional management resources. Failure to implement and deploy new systems or replacement systems on the schedules anticipated, could materially adversely affect our operating results. In addition, our business may be impacted by disruptions to our own or third-party information technology ("IT") infrastructure, which could result from (among other causes) cyberattacks on or failures of such infrastructure or compromises to its physical security, as well as from damaging weather or other acts of nature. Cyber-based risks, in particular, are evolving and include attacks on our IT infrastructure, as well as attacks targeting the security, integrity and / or availability of the hardware, software and information installed, stored or transmitted in our products, including after the purchase of those products and when they are installed into third-party products, facilities or infrastructure. Such attacks could disrupt our business operations, our systems or those of third parties, and could impact the ability of our products to work as intended. We and some of our third-party suppliers have experienced cyber-based attacks, and, due to the evolving threat landscape, may continue to experience them going forward, potentially with more frequency. We continue to make investments and adopt measures designed to enhance our protection, detection, response, and recovery capabilities, and to mitigate potential risks to our technology, products, services and operations from potential **cyberattacks** ~~cyber-attacks~~. However, given the unpredictability, nature and scope of cyberattacks, it is possible that potential vulnerabilities could go undetected for an extended period. As a result of a cyberattack, we could potentially be subject to production downtimes, operational delays or other detrimental impacts on our operations or ability to provide products and services to our customers; destruction or corruption of data; security breaches; manipulation or improper use of our or third-party systems, networks or products; financial losses from remedial actions, loss of business, potential liability, penalties, fines and / or damage to our reputation, any of which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition. We depend on our intellectual property, and have access to certain intellectual property and information of our customers, suppliers and distributors; infringement or failure to protect our intellectual property could adversely affect our future growth and success. We rely on a combination of patents, trademarks, copyrights, trade secrets, nondisclosure agreements, customer and supplier agreements, license agreements, non-compete agreements, information technology security systems, internal controls and compliance systems and other measures to protect our intellectual property. We also rely on nondisclosure agreements, information technology security systems and other measures to protect certain customer and supplier information and intellectual property that we have in our possession or to which we have access. Our efforts to protect such intellectual property and proprietary rights may not be sufficient. We cannot be sure that our pending patent applications will result in the issuance of patents to us, that patents issued to or licensed by us in the past or in the future will not be challenged or circumvented by competitors or that these patents will be found to be valid or sufficiently broad to preclude our competitors from introducing technologies similar to those covered by our patents and patent applications. Our ability to protect and enforce our intellectual property rights also may be limited. In addition, we may be the target of competitor

or other third- party patent enforcement actions seeking substantial monetary damages or seeking to prevent the sale and marketing of certain of our products or services. Our competitive position also may be adversely impacted by limitations on our ability to obtain possession of, and ownership or necessary licenses concerning, data important to the development or provision of our products or service offerings, or by limitations on our ability to restrict the use by others of data related to our products or services. Any of these events or factors could subject us to judgments, penalties and significant litigation costs or temporarily or permanently disrupt our sales and marketing of the affected products or services and could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition. Operating outside the United States also exposes us to additional intellectual property risk. The laws and enforcement practices of certain jurisdictions in which we operate may not protect our intellectual property rights to the same extent as in the United States and may impose joint venture, technology transfer, local service or other foreign investment requirements, and restrictions that potentially compromise control over our technology and proprietary information. Failure of foreign jurisdictions to protect our intellectual property rights, an inability to effectively enforce such rights in foreign jurisdictions, or the imposition of foreign jurisdiction investment or sourcing restrictions or requirements could result in loss of valuable proprietary information and could impact our competitive position and financial results. Additional tax expense or additional tax exposures could affect our future profitability. We are subject to income taxes in the United States and various international jurisdictions. Changes to tax laws and regulations, as well as changes and conflicts in related interpretations or other tax guidance could materially impact our tax receivables and liabilities and our deferred tax assets and deferred tax liabilities. Additionally, in the ordinary course of business, we are subject to examinations by various tax authorities. In addition, governmental authorities in various jurisdictions could launch new examinations and expand existing examinations. The global and diverse nature of our operations means that these risks will continue and additional examinations, proceedings and contingencies will arise from time to time. Our competitive position, cash flows, results of operation or financial condition may be affected by the outcome of examinations, proceedings and contingencies that cannot be predicted with certainty. See "Business Overview" and "Results of Operations – Income Taxes" in Item 7 and "Note 2: Significant Accounting Policies" and "Note 16-15: Income Taxes" in Item 8 in this Form 10- K, for further discussion on income taxes and related contingencies. Risks Related to Our Common Stock Anti- takeover provisions could enable our Board of Directors to resist a takeover attempt by a third party and limit the power of our shareholders. Otis' amended and restated certificate of incorporation and amended and restated bylaws contain, and Delaware law contains, provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the bidder and to encourage prospective acquirers to negotiate with Otis' Board of Directors rather than to attempt a hostile takeover. These provisions include, among others, (1) the ability of our remaining directors to fill vacancies on Otis' Board of Directors (except in an instance where a director is removed by shareholders and the resulting vacancy is filled by shareholders); (2) limitations on shareholders' ability to call a special shareholder meeting; (3) rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings; and (4) the right of Otis' Board of Directors to issue preferred stock without shareholder approval. In addition, we are subject to Section 203 of the Delaware General Corporation Law (the "DGCL"), which could have the effect of delaying or preventing a change of control that you may favor. Section 203 provides that, subject to limited exceptions, persons that acquire, or are affiliated with persons that acquire, more than 15 % of the outstanding voting stock of a Delaware corporation may not engage in a business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three- year period following the date on which that person or any of its affiliates becomes the holder of more than 15 % of the corporation' s outstanding voting stock. We believe these provisions protect our shareholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with Otis' Board of Directors and by providing Otis' Board of Directors with more time to assess any acquisition proposal. These provisions are not intended to make Otis immune from takeovers; however, these provisions apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that Otis' Board of Directors determines is not in the best interests of Otis and our shareholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors. Our amended and restated bylaws designate the state courts within the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders, which could discourage lawsuits against Otis and our directors and officers. Otis' amended and restated bylaws provide that, unless Otis' Board of Directors otherwise determines, the state courts within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of Otis, any action asserting a claim for or based on a breach of a fiduciary duty owed by any current or former director or officer or other employee of Otis to Otis or its shareholders, including a claim alleging the aiding and abetting of such a breach of fiduciary duty, any action asserting a claim against Otis or any current or former director or officer or other employee of Otis arising pursuant to any provision of the DGCL or our amended and restated certificate of incorporation or amended and restated bylaws, any action asserting a claim relating to or involving Otis governed by the internal affairs doctrine, or any action asserting an "internal corporate claim" as that term is defined in Section 115 of the DGCL. To the fullest extent permitted by law, this exclusive forum provision applies to state and federal law claims, including claims under the federal securities laws, including the Securities Exchange Act of 1934, as amended (the "Exchange Act"), although Otis shareholders will not be deemed to have waived Otis' compliance with the federal securities laws and the rules and regulations thereunder. The enforceability of similar exclusive forum provisions in other companies' organizational documents has been challenged in legal proceedings, and it is possible that, in connection with claims subject to exclusive federal jurisdiction, a court could find the exclusive forum provision contained in the amended and restated bylaws to be inapplicable or unenforceable. This exclusive forum provision may limit the ability of our shareholders to bring a claim in a judicial forum that such shareholders find favorable for disputes with Otis or our directors or officers, which may discourage such lawsuits against Otis and our directors and officers. Alternatively, if a court

were to find this exclusive forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings described above, we may incur additional costs associated with resolving such matters in other jurisdictions, which could negatively affect our business, results of operations and financial condition. Risks Related to the Separation In connection with the Separation, each of RTX, Otis and Carrier agreed to indemnify the other parties for certain liabilities. If we are required to pay under these indemnities to RTX and / or Carrier, our financial results could be negatively impacted. Also, the RTX or Carrier indemnities may not be sufficient to hold us harmless from the full amount of liabilities for which RTX and Carrier are allocated responsibility, and RTX and / or Carrier may not be able to satisfy their respective indemnification obligations in the future. Pursuant to the Separation Agreement, the TMA and the EMA, each party agreed to indemnify the other parties for certain liabilities. Indemnities that we may be required to provide RTX and / or Carrier are not subject to any cap, may be significant and could negatively impact our business. Third parties could also seek to hold us responsible for any of the liabilities that RTX and / or Carrier has agreed to retain. The indemnities from RTX and Carrier for our benefit may not be sufficient to protect us against the full amount of such liabilities, and RTX and / or Carrier may not be able to fully satisfy their respective indemnification obligations. Any amounts we are required to pay pursuant to such indemnification obligations and other liabilities could require us to divert cash that would otherwise have been used in furtherance of our operating business. Moreover, even if we ultimately succeed in recovering from RTX or Carrier, as applicable, we may be temporarily required to bear these losses ourselves. Each of these risks could negatively affect our business, results of operations and financial condition. If the Separation, together with certain related transactions, were to fail to qualify as a transaction that is generally tax- free for U. S. federal income tax purposes, including as a result of subsequent acquisitions of our stock or the stock of RTX, we, as well as RTX, Carrier, and RTX' s shareholders, could be subject to significant tax liabilities. In addition, if certain internal restructuring transactions were to fail to qualify as transactions that are generally tax- free for U. S. federal or non- U. S. income tax purposes, we, as well as RTX and Carrier could be subject to significant tax liabilities. In certain circumstances, we could be required to indemnify RTX for material taxes and other related amounts pursuant to indemnification obligations under the TMA. In connection with the Separation, our former parent UTC received a ruling from the IRS regarding certain U. S. federal income tax matters relating to the Separation and an opinion of outside counsel regarding the qualification of certain elements of the Separation under Section 355 of the Code. The IRS ruling and the opinion of counsel were based upon and rely on, among other things, various facts and assumptions, as well as certain representations, statements and undertakings of UTC (and RTX), Otis and Carrier, including those relating to the past and future conduct of UTC (and RTX), Otis and Carrier. Notwithstanding receipt of the IRS ruling and the opinion of counsel, the IRS could determine that the Separation and / or certain related transactions should be treated as taxable transactions for U. S. federal income tax purposes if it determines that any of the representations, assumptions or undertakings upon which the IRS ruling or the opinion of counsel was based were inaccurate or have not been complied with. In addition, the IRS ruling does not address all of the issues that are relevant to determining whether the Separation, together with certain related transactions, qualifies as a transaction that is generally tax- free for U. S. federal income tax purposes. The opinion of counsel represents the judgment of such counsel and is not binding on the IRS or any court, and the IRS or a court may disagree with the conclusions in the opinion of counsel. Accordingly, notwithstanding receipt by UTC of the IRS ruling and the opinion of counsel, there can be no assurance that the IRS will not assert that the Separation and / or certain related transactions did not qualify for tax- free treatment for U. S. federal income tax purposes or that a court would not sustain such a challenge. If the distribution of Common Stock pursuant to the Separation were to fail to qualify as a transaction that is generally tax- free for U. S. federal income tax purposes under Sections 355 and 368 (a) (1) (D) of the Code, in general, for U. S. federal income tax purposes, RTX would recognize a taxable gain as if it had sold the Common Stock in a taxable sale for its fair market value, and RTX shareholders who received Common Stock in the distribution would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares. Even if the distribution of Common Stock pursuant to the Separation were to otherwise qualify as a tax- free transaction under Sections 355 and 368 (a) (1) (D) of the Code, it may result in a taxable gain to RTX (but not its shareholders) under Section 355 (e) of the Code if the Separation were deemed to be part of a plan (or series of related transactions) pursuant to which one or more persons acquire, directly or indirectly, shares representing a 50 % or greater interest (by vote or value) in RTX or Otis. For this purpose, any acquisitions of RTX or Otis shares within the period beginning two years before the distribution of Common Stock pursuant to the Separation and ending two years after such distribution are presumed to be part of such a plan, although RTX or Otis may be able to rebut that presumption (including by qualifying for one or more safe harbors under applicable Treasury Regulations). In addition, in connection with and prior to the Separation, UTC and its subsidiaries completed various internal reorganization transactions. With respect to certain transactions undertaken as part of the internal reorganization, UTC obtained tax rulings in certain non- U. S. jurisdictions and / or opinions of external tax advisors, in each case, regarding the tax treatment of such transactions. Such tax rulings and opinions were based upon and relied on, among other things, various facts and assumptions, as well as certain representations (including with respect to certain valuation matters relating to the internal reorganization), statements and undertakings of UTC (and RTX), Otis, Carrier or their respective subsidiaries. If any of these representations or statements were, or become, inaccurate or incomplete, or if RTX, Otis, Carrier or any of their respective subsidiaries do not fulfill or otherwise comply with any such undertakings or covenants, such tax rulings and / or opinions may be invalid or the conclusions reached therein could be jeopardized. Further, notwithstanding receipt of any such tax rulings and / or opinions, there can be no assurance that the relevant taxing authorities will not assert that the tax treatment of the relevant transactions differs from the conclusions reached in the relevant tax rulings and / or opinions. In the event the relevant taxing authorities prevail with any challenge in respect of any relevant transaction, we, as well as RTX and Carrier, could be subject to significant tax liabilities. Under the TMA, Otis generally is required to indemnify RTX and Carrier for any taxes resulting from the Separation and certain related transactions (and any related costs and other damages) to the extent such amounts resulted from (1) an acquisition of all or a portion of the equity securities or assets of Otis, whether by

merger or otherwise (and regardless of whether we participated in or otherwise facilitated the acquisition), (2) other actions or failures to act by Otis or (3) certain of Otis' representations, covenants or undertakings contained in any of the Separation-related agreements and documents or in any documents relating to the IRS ruling and / or the opinion of counsel being incorrect or violated. Further, under the TMA, we generally are required to indemnify RTX and Carrier for a specified portion of any taxes (and any related costs and other damages) (a) arising as a result of the failure of the Separation and certain related transactions to qualify as a transaction that is generally tax- free (including as a result of Section 355 (e) of the Code) or a failure of any internal separation transaction that is intended to qualify as a transaction that is generally tax- free to so qualify, in each case, to the extent such amounts do not result from a disqualifying action by, or acquisition of equity securities of, Otis, Carrier or RTX or (b) arising from an adjustment, pursuant to an audit or other tax proceeding, with respect to any transaction undertaken in connection with the Separation that is not intended to qualify as a transaction that is generally tax- free. Any such indemnity obligations could be material. Potential liabilities may arise due to fraudulent transfer considerations, which would adversely affect our financial condition and results of operations. In connection with the Separation, our former parent UTC undertook several corporate reorganization transactions involving its subsidiaries, which, including the Separation of Otis, may be subject to various fraudulent conveyance and transfer laws. If, under these laws, a court were to determine that, at the time of the Separation, any entity involved in these reorganization transactions or the Separation: (1) was insolvent, was rendered insolvent by reason of the ~~separation~~ **Separation**, or had remaining assets constituting unreasonably small capital, and (2) received less than fair consideration in connection with the reorganization; or intended to incur, or believed it would incur, debts beyond its ability to pay these debts as they matured, then the court could void the Separation, in whole or in part, as a fraudulent conveyance or transfer. The court could then require our shareholders to return to RTX some or all of the shares of the Common Stock issued in the distribution, or require RTX or Otis, as the case may be, to fund liabilities of the other company for the benefit of creditors. The measure of insolvency would vary depending upon the jurisdiction and the applicable law. Generally, however, an entity would be considered insolvent if the fair value of its assets was less than the amount of its liabilities (including the probable amount of contingent liabilities), or if it incurred debt beyond its ability to repay the debt as it matures. No assurance can be given as to what standard a court would apply to determine insolvency or that a court would determine that Otis or any of its subsidiaries were solvent at the time of or after giving effect to the distribution.