Risk Factors Comparison 2024-02-14 to 2023-02-21 Form: 10-K

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You should carefully consider all of the information in this Form 10- K and each of the risks described below, which we believe are the material risks that we face. Any of these risks ~~,~~ could materially and adversely affect our business, financial condition, results of operations and cash flows and the actual outcome of matters as to which forward- looking statements are made in this Form 10- K ~~. Resideo Technologies, Inc~~ . The following risk factors are not necessarily presented in order of relative importance and should not be considered to represent a complete set of all potential risks that could affect us. Risks Relating to Our Business We operate in highly competitive markets. We operate in a highly competitive, quickly changing environment in each of our Products and Solutions and ADI Global Distribution segments and compete directly with global, national, regional, and local providers of our products, services and solutions including manufacturers, distributors, service and software providers, retailers, and online commerce providers. The most significant competitive factors we face are product and service innovation, reputation of our Company and brands, sales and marketing programs, product performance, warranty, quality of product training and events, product availability, speed and accuracy of delivery, price, customer and technical support, and furnishing of customer credit, with the relative importance of these factors varying among our segments and their respective products and services. In addition to current competitive factors, there have been, and in the future, there may be new market entrants with non- traditional business, new business and customer service models or disruptive technologies and products, resulting in increased competition and changing business dynamics. Examples of these include cable, telecommunications and large technology companies competing in the connected home, home security / lifestyle and energy management spaces, smaller market entrants that offer control capabilities among their products, applications and services and have ongoing development efforts to address the broader connected home market, utilities expanding their role in the provision of home energy management services, original equipment manufacturers (" OEMs ") vertically integrating, and the expansion of direct- to- consumer, retail and e- tail distribution in competition with our ADI Global Distribution business. **In addition, aggressive pricing actions by competitors may affect our ability to manage the price / cost relationship to achieve desired revenue growth and profitability levels.** To the extent that we do not meet changing customer preferences or demands or other market changes, or if one or more of our competitors introduces new products or services, becomes more successful with private label products, online offerings or establishes exclusive supply relationships, our ability to attract and retain customers could be adversely affected, which could adversely affect our business, financial condition, results of operations and cash flows. To remain competitive, we will need to invest continually in product and services development, marketing, customer service and support, manufacturing and our distribution networks. We may not have sufficient resources to continue to make such investments and we may be unable to maintain our competitive position including due to the fact that our competitors and potential competitors may have greater brand recognition, resources, access to capital, including greater research and development or sales and marketing funds, more customers, lower costs and more advanced technology platforms, particularly with our **connected** products and services ~~in connected~~ and **in** energy management services ~~and~~ **, as well as** in new geographic regions. It is possible that competitive pressures resulting from consolidation, including customers taking manufacturing or distribution in house, purchasing directly from a manufacturer instead of from ADI Global Distribution, moving to a competitor, partnering with third parties and consolidation amongst our customers, could affect our growth and profit margins. Some of our competitors may also be able to deliver their service solutions more quickly to market than we can by capitalizing on technology developed in connection with their substantial existing service models. In addition, some of our competitors have significant bases of customer adoption in other services and ~~in~~ online content, which they could use as a competitive advantage in the ~~growing~~ connected home solutions services market or otherwise in our product or distribution businesses. The expansion by large technology companies into connected home solutions, could result in pricing pressure, a shift in customer preferences ~~towards~~ - **toward** the services of these companies and a reduction in our market share. In addition, in order to successfully compete, our products often need to integrate with the platforms of our competitors, who may be able to focus more on their own solutions versus ours, which may make it difficult to compete for the consumer market. In addition, there may be new technologies that are introduced that reduce demand for our solutions or make them obsolete. **Resideo Technologies, Inc.** Our Products and Solutions business' offerings are primarily delivered through networks of professional contractors, distributors, and OEMs, as well as major retailers and online merchants. Growth of the retail markets and greater electronic retail distribution alternatives relative to the professional installation markets may negatively impact our sales and margins, which could ~~negatively affect our cash flow and~~ have an adverse effect on our business, financial condition and results of operations and cash flows. With respect to our ADI Global Distribution business, if retail outlets, including online commerce or big box stores increase their participation in wholesale distribution markets, or if buying patterns for our products become more retail or e-commerce based through these outlets than they currently are, our ADI Global Distribution business may not be able to effectively compete, which could have an adverse effect on our business, financial condition, results of operations and cash ~~flow~~ **flows** . Technology, industry standards and consumer preferences in our markets are changing rapidly. Our future results and growth are largely dependent upon our ability to: identify consumer preferences and industry standards; develop and protect intellectual property related thereto; and successfully market new technologies and products and services to consumers. Technology in our markets changes constantly ~~,~~ as new technologies and enhancements to existing technologies continue to be introduced both in our traditional and connected product markets and industry standards continuously evolve. Our future results in our Products and Solutions segment ~~depend~~ **depends** upon a number of factors, including our ability to (i) identify **consumer**

preferences and emerging technological trends and ~~consumer preferences~~ **broader trends, such as decarbonization and electrification efforts in response to climate change** , (ii) develop and maintain competitive products, in part by adding innovative features that differentiate our products from those of our competitors and prevent commoditization of our products, as well as through the use of intellectual property protections such as patents and trade secrets, (iii) grow our market share, (iv) develop, manufacture and bring compelling new products to market quickly and cost- effectively, (v) find and effectively partner with and continue to partner with home connected device platforms and (vi) attract, develop and retain individuals with the requisite technical expertise and understanding of customers' needs to develop new technologies and introduce new products. Our inability to predict the growth of and respond in a timely way to customer preferences and other developments could have an adverse effect on our business, financial condition, results of operations and cash flows. We rely on a combination of patents, copyrights, trademarks, trade names, trade secrets and other proprietary rights, as well as contractual arrangements, including licenses, to establish, maintain and protect our intellectual property rights. Our intellectual property rights may not be sufficient to permit us to take advantage of some business opportunities. As a result, we may be required to change our plans or acquire necessary intellectual property rights, which could be costly. Furthermore, our ability to enforce our intellectual property rights in emerging markets may be limited by legal or practical considerations that have not historically affected our business in markets with more established intellectual property protection systems. Our industry experiences significant intellectual property litigation and we have in the past and could in the future become involved in costly and lengthy litigation involving patents or other intellectual property rights which could adversely affect our business. We have received allegations of patent infringement from third parties, including both operating companies and non- practicing entity patent holders, as well as communications from customers requesting indemnification for allegations brought by third parties. These **allegations** have resulted in ongoing patent litigation relating to certain of our products and may continue to result in new litigation. These proceedings have in the past and could in the future result in financial liability, harm our ability to compete, and divert our management' s time and attention. Often, we receive offers to license patents for our use. We believe that we will be able to access any necessary rights through licensing, cross- licensing, or other mutually beneficial arrangements, although to the extent we are required but unable to enter into such arrangements on acceptable economic terms, it could adversely impact us, requiring us to take specific actions including ceasing using, selling or manufacturing certain products, services or processes or incurring significant costs and time delays to develop alternative technologies or re- design products. Our operations depend in part upon third- party technologies, software, and intellectual property. Failure to renew contracts with existing providers or licensors of technology, software, intellectual property or connectivity solutions, or to contract with other providers or licensors on commercially acceptable terms or at all, as well as any failure by such third- party provider to provide such technology solutions may adversely impact our business, financial condition, results of operations and cash flows. We could also be subjected to claims of infringement regardless of our lack of involvement in the development of the licensed technology. Although a third- party technology provider is typically obligated to indemnify us if the provided technology infringes on another party' s intellectual property rights, such indemnification is often limited in amount and may be worthless if the provider becomes insolvent. We rely on certain suppliers of products, materials and components and are otherwise subject to raw material ~~price and~~ supply variability with our suppliers which may impact our ability to meet commitments to customers and cause us to incur significant liabilities. Each of our business segments depends on third parties for the supply of certain materials and components for products we manufacture and those manufactured on our behalf, or sold through our ADI Global Distribution business, some of which are supplied by single or limited source suppliers / manufacturers. Our business, results of operations, financial condition and cash flows have been and could continue to be adversely affected by disruptions in supply from our third- party suppliers and manufacturers, whether due to work stoppages, **cyberattacks,** component failures ~~, material inflation~~ , natural disasters, pandemics, economic, political, financial or labor concerns, weather conditions affecting products or shipments or transportation disruptions or other reasons, or if suppliers lack sufficient quality control or if there are significant changes in their financial or business condition or otherwise. ~~For example~~ **Although unlikely** , ~~we experienced the impact of a global semiconductor supply shortage in 2022. While our supply chain team has been diligently working to help ensure surety of supply, we have experienced instances where our third- party suppliers and manufacturers have failed to deliver materials, products, parts and components on time and at reasonable prices, and we have had and could continue to have difficulties fulfilling our orders or~~ **our** ~~stocking our distribution centers on similar terms or at all. This has resulted and may continue to result in increased component and expedited freight costs. Sales and profits could decline, and our commercial reputation could be damaged if these trends continue. Our~~ ability to manage inventory and meet delivery requirements **could** ~~has been and may continue to~~ be constrained by our suppliers' inability to scale production and adjust delivery of long lead- time products during times of volatile demand. Our inability to fill our supply needs would jeopardize our ability to fulfill our contractual obligations. With respect to our ADI Global Distribution segment, terminations of supply or services agreements or a change in terms or conditions of sale from one or more of our key manufacturers **have in the past and** could **in the future** negatively affect that segment' s operating income and margins, net revenue or the level of capital required to fund operations. Manufacturers who currently distribute their products through our ADI Global Distribution business ~~may~~ **have in the past and could in the future** decide to shift to or substantially increase their existing distribution with other distributors, their own dealer networks, or directly to resellers or end- users. This could result in more intense competition as distributors strive to secure distribution rights with these manufacturers, which could have an adverse impact on our ADI Global Distribution business, financial condition, results of operations and cash flows. In addition, our ADI Global Distribution business may not be able to acquire from manufacturers or additional supply chains certain product lines that we are interested in adding to our distribution business, and if even we are able to add products, they may not result in sales as expected and may not be profitable to the overall business. We may from time to time pursue acquisitions. Our business may be adversely affected if we cannot consummate acquisitions on satisfactory terms, or if we cannot effectively integrate acquired companies or assets. We have in the past and may from time to time in the future continue to pursue and consummate acquisitions of companies or assets. Our ability to consummate any future acquisitions will be partially dependent upon the availability of suitable acquisition candidates at favorable prices and upon advantageous terms and conditions. We may not be able to find suitable acquisition candidates to purchase or may be unable to acquire ~~desired businesses or assets~~ on economically acceptable terms or ~~may be unable~~ to receive necessary regulatory approvals or support. ~~We regularly engage in discussions with respect to potential acquisition and investment opportunities.~~ The consummation of any particular acquisition ~~will~~ **may** depend, in part, on our ability to raise the capital necessary to fund such acquisition which may not be available to us at all or on economically advantageous terms. In addition, if we consummate an acquisition, our capitalization and results of operations may change significantly. Future acquisitions could result in gross and **/** or operating income ~~or~~ dilution **, the** ~~and further could result in~~ incurring **of** additional debt or equity issuances and contingent liabilities and an increase in interest and amortization expenses or periodic impairment expenses related to goodwill and other intangible assets **and** ~~as well as~~ significant charges relating to integration costs ~~. Acquisitions involve risks that the businesses acquired will not perform in accordance with expectations and that business judgments concerning the value, strengths and weaknesses of businesses acquired will prove incorrect~~ . We may not be successful in effectively identifying all risks of an acquired business, integrating the acquired business ~~, product, software, service~~ or technology into our existing business ~~and operations~~ or realizing the benefits expected at acquisition. Our due diligence may fail to identify all of the liabilities or challenges of an acquired business, product, software, service or technology, including issues related to intellectual property, product quality or product or software architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee, customer or supplier issues. We may not be able to achieve the operational synergies or savings nor any growth targets identified in acquisition diligence. The successful integration of future acquisitions may also require substantial attention from our senior management and the management of the acquired business, which could decrease the time that they have to manage our existing portfolio, attract customers and develop new products and services or attend to other acquisition opportunities. Our business is subject to the risks of earthquakes, hurricanes, **tornadoes,** fires, power outages, floods, pandemics, epidemics, natural disasters and other catastrophic events. or other public health emergencies ~~, such as the coronavirus (" COVID- 19 ") outbreak~~ . A significant natural disaster, such as an earthquake, hurricane **, tornado** , fire, flood, or a public health pandemic, such as COVID- 19, or a significant power outage could harm our business, financial condition, cash flows and results of operations. The impact of climate change may increase these risks due to changes in weather patterns, such as increases in storm intensity and frequency, sea- level rise, melting of permafrost and temperature extremes in areas where we conduct our business. Extreme weather, natural disasters, power outages, global health crises or other unexpected events ~~has~~ **have** in the past and could in the future disrupt our operations by impacting the availability and cost of materials needed for manufacturing, causing physical damage and partial or complete closure of our manufacturing sites or distribution centers, loss of human capital, **and** disruption in the manufacturing and supply of products and services to customers. With respect to our Products and Solutions segment, we operate seven factories in Mexico and rely on third **-** party manufacturing partners with manufacturing capabilities in Mexico. Approximately ~~52~~ **45** % of our finished products are manufactured in Mexican sites, several of which operate in water stressed environments. A significant natural disaster affecting the region could have a material and disproportionate impact on our ability to manufacture our products. Further, if a natural disaster occurs in a region from which we derive a significant portion of our revenue, consumers in that region may delay or forego purchases of our products and solutions in the region, which may harm our results of operations for a particular period. These risks may be increased if the disaster recovery plans for us and our suppliers prove to be inadequate. To the extent that any of the above results in delays or cancellations of orders, or delays in the manufacture, deployment or shipment of our products and solutions, our business, financial condition, cash flows and results of operations would be harmed. Our business, results of operations, financial condition, cash flows, and stock price may be adversely affected by public health emergencies, such as the COVID- 19 ~~virus~~ pandemic ~~as described in this Annual Report, Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations~~ . The COVID- 19 outbreak has negatively impacted and may again negatively impact the global economy. ~~We cannot ensure uninterrupted operations in geographical areas impacted by COVID- 19 and could experience a decline in labor availability, which could impact productivity. The COVID- 19 outbreak has had, and may again have, an impact on our ability to obtain certain of the raw materials, parts and components we need to manufacture our products as our suppliers face disruptions in their businesses. If our suppliers fail to meet our manufacturing needs, it could delay our production and our product shipments to customers and negatively affect our operations. In addition, we have in the past, and may continue in the future during such public health emergencies, to be subject to government inspections of our manufacturing facilities to confirm compliance with government regulations related to employee health and safety at our sites.~~ To the extent any such public health emergencies adversely affect our business and financial results, ~~it~~ **they** may also have the effect of heightening many of the other risks described in this " Risk Factors " section. Market and economic conditions may adversely affect the economic conditions of our customers, demand for our products and services and our results of operations. As a global provider of comfort, energy management and life safety products, services and technologies for the home, as well as a ~~worldwide~~ wholesale distributor of low- voltage electronics products, smart home, fire and security life safety products, power, audio and ProAV, networking, communications, wire and cable, enterprise connectivity, and structured wiring products, our business is affected by the performance of the global new and repair and remodel construction industry. Geopolitical, social and economic conditions could result in increased volatility in worldwide financial markets and economies that could harm our sales. Similarly, slowing of the housing market may result in reduced demand for our products and services. Our markets are sensitive to changes in the regions in which we operate and are also influenced by cyclical factors such as interest rates, inflation, **energy costs,** availability of financing, consumer spending habits and preferences, housing market ~~changes~~ **demand** , employment rates and other macroeconomic factors over which we have no control, and which could adversely affect our business, financial condition, results of operations and cash flows. Failure to achieve and maintain a high level of product and service quality could damage our reputation with customers and negatively impact our results. Product and service quality issues could result in a negative impact on customer confidence in our Company, our products and our brand image. If our offerings do not meet applicable legal and safety standards or our customers' expectations regarding safety or quality, or if our products are improperly designed, manufactured, packaged, or labeled, or are otherwise alleged to cause harm or injury, we may need to recall those items, experience increased warranty costs or lost sales and increased costs and ~~be exposed~~ **exposure** to legal, financial and reputational risks including litigation and government enforcement action, as well as product liability claims. Such actions may damage our relationship with our customers which may result in a loss of market share ~~;~~ **.** ~~additionally~~ **Additionally** , the financial expenses related to such events may not be covered by our insurance or may be subject to deductibles. We **have in the past and in the future** may not be able to obtain indemnity or reimbursement from our suppliers or other third parties for the warranty costs or liabilities associated with our products and there can be no assurance that we will have adequate reserves to cover any recalls ~~,~~ **and** repair and replacement costs. A significant product recall, warranty claim, or product liability case, especially with respect to our security and life safety- related products or services, could also result in adverse publicity, damage to our reputation, and a loss of consumer confidence in our products and services. We have in the past experienced, and may in the future experience, product recalls and litigation related to our products or services, none of which have been material to date. We may not be able to retain or expand relationships with certain significant customers. A number of our customers contribute significantly to our net revenue and operating income. Consolidation, change of control, or termination of the contractual relationships with any of these customers, particularly among our OEM customers (and in certain instances, their authorized dealers), or a decision by any one or more of our customers to outsource all or most manufacturing work to a single equipment manufacturer, or **to** partner with third parties **has in the past and** may **in the future** continue to concentrate our business in a limited number of customers and expose us to increased risks relating to dependence on a smaller number of customers. We generally have to qualify, and are required to maintain our status, as a supplier for each of our OEM customers. A significant failure or **an** inability to comply with customer specifications and manufacturing requirements or delays or other problems with existing or new products or inability to meet price requirements could result in financial penalties, cancelled orders, increased costs, loss of sales, market share shift, loss of customers or potential breaches of customer contracts, which have had and could in the future have an adverse effect on our profitability and results of operations. By virtue of certain customers' size and the significant portion of revenue that we derive from them, they can exert significant influence in the negotiation of our commercial agreements and the conduct of our business with them which could adversely affect our profitability. If consolidation among our retailers, distributors or other channel partners who purchase our products becomes more prevalent, our business, results of operations and financial conditions could be adversely affected. Failure to increase productivity through sustainable operational improvements, as well as an inability to successfully execute transformation programs or to effectively manage our workforce, may reduce our profitability or adversely impact our businesses. Our profitability and margin growth are dependent upon our ability to drive sustainable improvements. In addition, we seek productivity and cost savings benefits through our ongoing transformation, restructuring and other programs, such as consolidation and outsourcing of manufacturing operations or facilities, reductions in manufacturing shifts, transitions to cost- competitive regions, workforce optimizations, product line rationalizations and divestitures, and other cost- saving initiatives. Risks associated with these actions **that we have in the past or may in the future experience** include delays in execution of the planned initiatives, additional unexpected costs, asset impairments, realization of fewer than estimated productivity improvements, reduced ability to manage supply chain anomalies, employment claims, and adverse effects on employee morale leading to reduced production and unanticipated departures. We may not realize the full operational or financial benefits we expect ~~and~~ **,** the recognition of these benefits may be delayed and these actions may potentially disrupt our operations. In addition, organizational changes, attrition, labor relations difficulties, or work stoppages could have an adverse effect on our business, reputation, financial condition, results of operations, and cash ~~flow~~ **flows** . We are subject to the economic, political, regulatory, foreign exchange and other risks of international operations. Our international revenue represented approximately ~~25~~ **24** % of our net revenue for the year ended December 31, ~~2022~~ **2023** . Our international geographic footprint subjects us to many risks including: exchange control regulations; wage and price controls; antitrust / competition and environmental regulations; employment regulations; foreign investment laws; monetary and fiscal policies and protectionist measures that may prohibit acquisitions or joint ventures, establish local content requirements, or impact trade volumes; import, export and other trade restrictions (such as embargoes) ; tariffs ~~,~~ **;** violations by our employees of anti- corruption laws (despite our efforts to mitigate these risks) ; changes in regulations regarding transactions with state- owned enterprises; nationalization of private enterprises; natural and man- made disasters, hazards and losses; backlash from foreign labor organizations related to our restructuring actions; violence ~~,~~ **;** civil and labor unrest; acts of terrorism; and our ability to hire and maintain qualified staff and maintain the safety of our employees in these regions. Additionally, certain of the markets in which we operate have adopted increasingly strict ~~data privacy and data protection~~ requirements **concerning personal** ~~that may restrict how~~ and **non-** ~~to whom we can advertise, develop and sell our products and services, our ability to transfer~~ personal data **, privacy and cybersecurity. These requirements may negatively affect our ability to maintain, develop, sell and advertise our products and our services, may limit our ability to derive revenue from data, may require us to disclose product and services data to our competitors, may cause us to incur additional expense in obtaining mandatory certifications and may restrict our ability to transfer data** internationally ~~or that may require local storage and processing of data or similar requirements~~ . With respect to our Products and Solutions segment, we operate seven factories in northern Mexico. Approximately ~~52~~ **45** % of our finished products are manufactured in Mexico, a country that periodically experiences heightened civil unrest or may experience trade disputes with the U. S., both of which could cause a disruption of the supply of products to or from these facilities. Some of our Mexican facilities are authorized to operate as Maquiladoras by the Ministry of Economy of Mexico. Maquiladora status allows us to **temporarily** import raw materials into Mexico ~~duty- free~~ , provided that such items, after processing, are exported from Mexico within a stipulated time frame. Maquiladora status ~~, which is renewed~~

~~periodically,~~ is subject to various restrictions and requirements, including compliance with the terms of the Maquiladora program and other local regulations, which have become stricter in recent years. In addition, if the Mexican government adopts additional adverse changes to the program, including nationalization, our manufacturing costs in Mexico would increase. **Current global conflicts, such as those between** Russia **and** ~~' s invasion of~~ Ukraine **as well as the Middle East crisis between Hamas** and **Israel, have created substantial uncertainty in** the global ~~response~~ **economy** , including ~~the imposition of~~ sanctions ~~by the European Union, the U. S.~~ and ~~other~~ **penalties imposed on certain** countries **from several governments** ~~, could create or exacerbate risks facing our business~~ . While we do not have a physical presence in **these locations** ~~Russia or Ukraine, we have evaluated our operations, vendor contracts~~ and ~~customer arrangements, and at present we~~ do not ~~expect the conflict to directly~~ have ~~a material~~ **significant direct exposure to customers** and ~~adverse effect~~ **vendors in those countries, we are unable to predict the impact that these actions will have on the global economy or** on our financial condition ~~or~~ **,** results of operations ~~. Further escalation of geopolitical tensions related to the military conflict~~ , **and cash flows as of** ~~including increased trade barriers or restrictions on global trade, could result in, among other~~ -- **the date of these** ~~things, cyberattacks, supply disruptions, significant volatility in supply energy resources, commodity prices and availability, lower consumer demand, changes to foreign exchange rates and~~ financial **statements** ~~and capital markets and could potentially have a substantial impact on the global economy and our business for an unknown period of time~~ . We operate in many diverse regions that require modifications to our products based on local building codes, regulations, standards, certifications and other factors, which may impact our cost to serve and profitability as we continue our penetration into these regions . Enhanced tariff, import / export......, operating results, and financial condition . We rely on a dependable IT infrastructure and network operations that have adequate cyber- security functionality to produce and sell our products and solutions and manage our business. The efficient operation of our business requires substantial investment in technology infrastructure systems, including enterprise resource planning (" ERP ") systems, information systems, supply chain management systems, digital commerce systems and connected solutions platforms and network operations and systems. The failure to acquire, implement, maintain and upgrade as required, these systems may impact our ability to respond effectively to changing customer expectations, manage our business, scale our solutions effectively or impact our customer service levels, which may put us at a competitive disadvantage and negatively impact our business, results of operations, financial condition and cash flows. Repeated or prolonged interruptions of service, due to ~~cyberthreats~~ **cyber threats** or 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. Our business, results of operations, financial condition and cash flows may be adversely affected if our information systems fail, become unavailable for prolonged periods of time, are corrupted or do not allow us to transmit accurate information. Failure to properly or adequately address these issues, including the failure to fund backups, upgrades and improvements to our systems, could impact our ability to perform necessary business operations, which could adversely affect our reputation, competitive position, business, results of operations, financial condition and cash flows. Our ability to keep our business operating is highly dependent on the proper and efficient operation of our data centers, networks, and data backup systems. In addition, a significant portion of our employees are engaged in remote or hybrid work from their homes, which further exposes our information technology (" IT ") systems to potential cyber interference and disruption of work activities based on availability and performance of ~~Internet~~ **internet** access in the regions in which our employees reside. Our IT and engineering systems contain sensitive information, including personal data, trade secrets, and other proprietary information. In addition, our connected products potentially expose our business and customers to cybersecurity threats. As a result, we ~~can~~ **have experienced and may in the future** be subject to systems interruption, data corruption, data loss and service and product failures, not only resulting from the failures of our products or services but also from the failures of third- party service providers, natural disasters, power shortages or terrorist attacks, and cyber or other security threats. There is no assurance that the comprehensive security measures we have put in place to protect our IT and engineering systems, services, and products against unauthorized access and disclosure of personal data or confidential or trade secret information will be effective in every case. We have experienced, and expect to continue to experience, cybersecurity threats and incidents, none of which, to our knowledge, have been material to date. The potential consequences to any of our connected solutions platforms, data centers, or network operations and systems resulting from a material cyber or other security incident such as a successful ransomware attack or malicious publication of confidential information, trade secrets or personal data include financial loss, reputational and brand impact, negative media coverage, loss of ~~shareholder~~ **stockholder** value, loss of customers, litigation with third parties, including class- action litigation, regulatory investigations, audits or other enforcement actions, theft of intellectual property, fines, diminution in the value of our investment in research, development and engineering, regulatory reporting for data breaches, and increased cyber and other security protection and remediation costs due to the increasing sophistication and proliferation of threats, which in turn could adversely affect our competitiveness, business, financial condition, results of operations, and cash flows. In addition, damages, fines and claims arising from such incidents may not be covered by, or may exceed the amount of any insurance available or may not be insurable .Enhanced tariff,import / export restrictions,or other trade barriers may have an adverse impact on global economic conditions,financial markets and our business.We are subject to certain laws and regulations affecting our international operations which,among other things,provide certain ~~preferential~~ **beneficial** duties and tariffs for qualifying imports **and exports,** subject to compliance with the applicable **classification** ~~rules of origin~~ and other requirements.There have been,and continue to be,uncertainties with respect to ~~the global economy and~~ trade relations between the U.S.and other countries globally.Implementation of more restrictive trade policies or the renegotiation of existing **trade agreements in the** U.S. ~~trade agreements~~ or ~~trade agreements of~~ other countries where we sell,procure or manufacture large quantities of products and services or procure supplies and other materials incorporated into our products could negatively impact our business results of operations,cash flows and financial condition.Tariffs,sanctions and other barriers to trade could adversely affect the business of our customers and suppliers,which could in turn negatively impact our net revenue and results of operations.Specifically,we source certain components and approximately ~~7~~ **12** % of our finished goods from suppliers in Asia,a significant portion of which are subject to tariffs.New tariffs or other restrictions imposed on imports from Asia,where certain components included in our end- user equipment are manufactured and where certain of our distribution business suppliers are located,and any counter- measures taken in response to such new restrictions,may harm our business and results of operations.In addition,the U.S.federal government has imposed certain restrictions on the licensing,use and import of certain surveillance,telecommunications and other equipment manufactured by certain of our suppliers based in China for our ADI Global Distribution business,which may require us to find additional sources of end- user products and result in higher costs.We ~~have in the past had inquiries from the U.S.federal government regarding these sales of certain Chinese made products in the U.S.,which inquiries could impact our business reputation.We~~ cannot predict the extent to which the U.S.or other countries will impose new or additional quotas,duties,tariffs,taxes or other similar restrictions upon the import or export of our products in the future,nor can we predict future trade policy or the terms of any renegotiated trade agreements and their impact on our business.The continuing adoption or expansion of trade restrictions,the occurrence of a trade war,or other governmental action related to tariffs or trade agreements or policies has the potential to adversely **impact demand for our products,our costs,our customers,our suppliers,and the U.S.economy,which in turn could have a material adverse effect on our business,operating results,and financial condition** . We are subject to risks associated with the Reimbursement Agreement, pursuant to which we are required to make substantial cash payments to Honeywell, measured in substantial part by reference to estimates by Honeywell of certain of its liabilities. In connection with the Spin- Off, we entered into an agreement with Honeywell, pursuant to which we have obligations to make cash payments to Honeywell for certain Honeywell environmental liabilities (“ Reimbursement Agreement ”). Refer to Note 15. Commitments and Contingencies to Consolidated Financial Statements. In each calendar quarter, our ability to pay dividends and repurchase capital stock, or take other material corporate actions, in such calendar quarter are restricted until any amounts payable under the Reimbursement Agreement in such quarter are paid to Honeywell and we are required to use available restricted payment capacity under our debt agreements to make payments in respect of any such amounts. Payment of deferred amounts and certain other amounts could cause the amount we are required to pay under the Reimbursement Agreement in respect of liabilities arising in any given calendar year to exceed $ 140 million. All amounts payable under the Reimbursement Agreement are guaranteed by certain of our subsidiaries that act as guarantors under our principal credit agreement, subject to certain exceptions. Under the Reimbursement Agreement, we are subject to certain of the affirmative and negative covenants that are substantially similar to those presently included in our principal credit agreement. Further, pursuant to the Reimbursement Agreement, our ability to (i) amend or enter into waivers under our principal credit agreement or our indenture, (ii) enter into another credit agreement or ~~our~~ indenture or make amendments or waivers thereto, or (iii) enter into or amend or waive any provisions under other agreements, in each case, in a manner that would adversely affect the rights of Honeywell under the Reimbursement Agreement, may be limited or subject to Honeywell’ s prior written consent. The covenants contained in the Reimbursement Agreement and / or the consent right described in the preceding sentence may significantly limit our ability to engage in many types of significant transactions on favorable terms (or at all), including, but not limited to, equity and debt financings, liability management transactions, refinancing transactions, mergers, acquisitions, joint ventures, and other strategic transactions. The Reimbursement Agreement may have material adverse effects on our liquidity and cash flows and on our results of operations, regardless of whether we experience a decline in net revenue. The Reimbursement Agreement may also require us to accrue significant long- term liabilities on our Consolidated Balance ~~Sheet~~ **Sheets** , the amounts of which will be dependent on factors outside our control, including Honeywell’ s responsibility to manage and determine the outcomes of claims underlying the liabilities. This may have a significant negative impact on the calculation of key financial ratios and other metrics that are important to investors, rating agencies and securities analysts in evaluating our creditworthiness, and the value of our securities. Although we will have access to information regarding these liabilities as we may reasonably request for certain purposes, as well as the ability to participate in periodic standing meetings with Honeywell’ s remediation management team responsible for management of the underlying claims, the payment obligations under the Reimbursement Agreement relate to legal proceedings, costs and remediation efforts that we will not control, and we accordingly do not expect to be able to make definitive decisions regarding settlements or other outcomes that could influence our potential related exposure. Regulations and societal actions to respond to global climate change could negatively affect our business. Responses to climate change may cause a shift away from fossil fuels to alternative power sources such as electricity or alternative fuels such as natural gas / hydrogen mixtures. Many of our thermal solutions are designed for application with oil and gas systems. A shift away from fossil fuels could affect our OEM customers’ business and result in a loss of business for them and for us. If we fail to adapt our solutions to alternative power sources, it could have an adverse effect on our business, financial condition, results of operations, and cash flows. Similarly, regulations to drive higher fuel efficiency and requirements to support varying fuel mix could shift business away from us if we fail to adapt our solutions to address these needs in a timely manner. **We have periodically communicated our strategies** ~~In addition to the importance of their financial performance~~ , **commitments and targets related to** ~~companies are also being measured by their performance on a variety of~~ environmental, social and governance (“ ESG ”) matters **through the issuance of an ESG report. Although we are committed to these strategies and targets, we may be unable to achieve them due to impacts on resources, operational costs, regulatory changes and technological advancements** . In light of the increased focus on ESG matters, there can be no certainty that we will manage such issues successfully, or that we will successfully meet stakeholder expectations as to our proper role. Any failure or perceived failure by us in this regard could adversely impact our business and reputation. Risks Relating to Legal and Regulatory Matters Failure to comply with the broad range of standards, laws and regulations in the jurisdictions in which we operate may result in exposure to substantial disruptions, costs and liabilities. The laws and regulations impacting us impose complex, stringent and costly compliance activities, including but not limited to environmental, health, and safety protection standards and permitting, labeling and other requirements regarding, among other things, electronic and wireless communications, air emissions, wastewater discharges, the use, handling, and disposal of hazardous or toxic materials, remediation of environmental contamination, data security, data protection and data privacy, consumer protection and working conditions, and benefits for and compensation of our employees. We may also be affected by future standards, laws or regulations, including those imposed in response to cybersecurity, energy, **decarbonization,** climate change, product functionality, geopolitical, corporate social responsibility, data privacy, **artificial intelligence,** new types of online advertising or similar concerns. We expect that the growth of our business may depend on our development of new technologies in response to legislation and regulations related to efficiency standards, safety, data privacy and cybersecurity, and environmental concerns. These standards, laws, or regulations may further impact our costs of operation, the sourcing of raw materials, and the manufacture, ~~(~~ **design,** re- ~~)~~ design and distribution of our products and place restrictions and other requirements or impediments on the products and solutions we can sell in certain geographical locations. The net revenue and margins of our business are directly impacted by government regulations, including safety, performance and product certification regulations, particularly those driven by customer demands and national approvals, as well as changes in trade agreements, tariffs, and environmental and energy efficiency standards. We may develop unexpected legal contingencies or matters that exceed, or are excluded from, insurance coverage. We are subject to and in the future may be subject to various claims, including legal claims arising in the normal course of business. Such claims may include without limitation employment and benefits claims, product recall, personal injury, network security, breaches of or other non-compliance with cybersecurity, data protection, data privacy or advertising and marketing regulations, or property damage claims resulting from the use of our products, services, or solutions, as well as exposure to hazardous materials, contract disputes, or intellectual property disputes. The actual costs of resolving legal claims may be substantially higher or lower than the level of insurance coverage we hold and / or the amounts accrued for such claims or may be excluded from coverage. In the event of unexpected future developments, it is possible that the ultimate resolutions of such matters could be unfavorable. Various laws and regulations as well as contracts we have entered into with third parties and our public notices apply to the collection, processing, transfer, disposal, disclosure and security of personal data and other types of regulated data, including obligations concerning clear, accurate and transparent data use practices and advertising that is not misleading. The interpretation and application of many privacy and data protection laws and regulations around the world may be inconsistent with our existing data use, management and retention practices, public descriptions thereof or the features of our products and services. Any such new laws or regulations, any changes to existing laws and regulations and any such interpretation may affect demand for our products and services, impact our ability to effectively transfer data across borders or advertise our products and services in support of our business operations, or increase the cost of providing our products and services. Additionally, any actual or perceived breach of such laws or regulations may subject us to claims and may lead to administrative, civil or criminal liability, as well as fines and reputational harm. We could also be required to fundamentally change our business activities and practices, or modify or re- design our products and services, which could have an adverse effect on our business, financial condition, results of operations, and cash flows. Claims or lawsuits related to cybersecurity, advertising, marketing, data protection or data privacy initiated by governmental bodies, customers or other third parties, whether meritorious or not, could be time consuming, result in costly regulatory proceedings, litigation, penalties and fines, or require us to change our business practices, sometimes in expensive ways, or other potential liabilities. Unfavorable publicity regarding our privacy practices could injure our reputation, harm our ability to keep existing customers or attract new customers or otherwise adversely affect our business, assets, revenue, brands, and reputation. Changes in laws, regulations or government enforcement of policies concerning the environment, the discovery of previously unknown contamination or new technology or information related to individual contaminated sites owned or operated by Resideo, the establishment of stricter state or federal toxicity standards with respect to certain contaminants, or the imposition of new clean- up requirements or remedial techniques, could require us to incur additional currently unanticipated costs in the future that would have a negative effect on our business, financial condition, results of operations, and cash flows. We are currently subject to laws and regulations regarding labor, employment and benefits matters, including consultation requirements, and may be subject in the future to government investigations and / or claims, allegations and / or work stoppages in these areas that may have a negative effect on our business operations and / or financial results. We cannot predict with certainty the outcome of litigation matters, government proceedings, and other contingencies and uncertainties. In the ordinary course of business, we may make certain commitments, including representations, warranties and indemnities relating to current and past operations, and issue guarantees of third- party obligations. We are also subject to various lawsuits, investigations and disputes arising out of the conduct of our business, including matters relating to public disclosure and reporting, commercial transactions, government contracts, product liability, prior acquisitions and divestitures, labor and employment matters, employee benefit plans, intellectual property, and environmental, health and safety matters. We have incurred, and may continue to incur, significant costs in connection with some or all of these matters, including in connection with the derivative lawsuits described in Note 15. Commitments and Contingencies to Consolidated Financial Statements. On February 3, 2023, we executed a definitive stipulation of settlement to resolve all of the pending lawsuits in relation to the derivative lawsuits ~~, which remains subject to, among other things, court approval~~ . Under the terms of the ~~proposed~~ settlement, we ~~have~~ agreed to implement or codify certain corporate governance reforms and reimburse the plaintiffs' attorneys' fees of **up to** $ 1. 6 million **. The U. S. District Court for the District of Minnesota issued an order granting final approval of the settlement, judgment was entered on January 9, 2024 and the action was dismissed with prejudice. The parties filed a joint stipulation and proposed order of dismissal for the Delaware Chancery action, which the court approved** . While we maintain or may otherwise have access to insurance for certain risks, certain risks may be excluded and the amount of our insurance coverage may not be adequate to cover the total amount of all insured claims, legal fees, costs and liabilities and we may have to satisfy high insurance retentions. The incurrence of significant liabilities for which there is no or insufficient insurance coverage (or where there is available insurance but high retention levels) could adversely affect our liquidity and financial condition, results of operations and cash flows. As described in Note 15. Commitments and

Contingencies to Consolidated Financial Statements, we are subject to potentially material liabilities related to the investigation and cleanup of environmental hazards and to claims of personal injuries or property damages that may arise from hazardous substance releases and exposures. These liabilities arise out of our current and past operations and the operations and properties of predecessor companies (including off- site waste disposal). We are also subject to potentially material liabilities related to compliance of Resideo owned sites with the requirements of various federal, state, local, and foreign governments that regulate the discharge of materials into the environment and the generation, handling, storage, treatment, and disposal of and exposure to hazardous substances. If we are found to be in violation of these laws and regulations, we may be subject to substantial fines, criminal sanctions, trade restrictions, product recalls, public exposure and be required to install costly equipment or make operational changes to achieve compliance with such laws and regulations. Risks related to the Spin- Off and our relationships with Honeywell In connection with the Spin- Off, we entered into ~~a tax~~ **the Tax** ~~matters~~ **Matters** ~~agreement~~ **Agreement** with Honeywell, pursuant to which we are responsible and will indemnify Honeywell for certain taxes, including certain income taxes, sales taxes, VAT and payroll taxes, relating to the business for all periods, including periods prior to the consummation of the Spin- Off (" Tax Matters Agreement "). Refer to Note 15. Commitments and Contingencies to Consolidated Financial Statements. The Spin- Off was generally intended **by Honeywell** to be a tax- free transaction for our stockholders, but any failure to comply with the relevant tax requirements could result in certain of our stockholders incurring substantial tax liabilities. In addition, we may have material payment obligations to Honeywell under the Tax Matters Agreement, including upon the resolution of pending or future disputes with Honeywell regarding the appropriate allocation of tax liabilities incurred in connection with the Spin- Off ~~. Completion of the Spin- Off was conditioned on Honeywell' s receipt of separate written opinions from Cleary Gottlieb Steen & Hamilton and KPMG to the effect that the Spin- Off should qualify for non- recognition of gain and loss under Section 355 and related provisions of the Internal Revenue Code of 1986, as amended (" the Code "). The opinions assume that the Spin- Off was completed according to the terms of the Separation and Distribution Agreement. If the distribution made in connection with the Spin- Off were determined not to qualify for non- recognition of gain or loss under Section 355 and related provisions of the Code, then a U. S. Holder who received our common stock in the Spin- Off generally would be treated as receiving a distribution in an amount equal to the fair market value of our common stock received. In connection with the Spin- Off, we entered into the Tax Matters Agreement with Honeywell described in Note 15. Commitments and Contingencies to Consolidated Financial Statements~~ . We presently have, and in the future may have, disputes with Honeywell regarding the allocation of tax related liabilities between us and Honeywell under the Tax Matters Agreement. While we maintain reserves for potential liabilities arising under the Tax Matters Agreement, to the extent we are obligated to indemnify Honeywell for tax related liabilities in respect of matters that are not reserved or in excess of reserved amounts, including upon resolution of any dispute with Honeywell, such payments could have a material adverse effect on our business, financial condition and cash flows. We have certain business conflicts of interest with Honeywell with respect to our past and ongoing relationships. In addition, the agreements that we entered into with Honeywell in connection with the Spin- Off impose significant restrictions on us and our subsidiaries and limit our ability to engage in actions that may be in our long- term best interests, and we may from time to time have disputes with Honeywell under such agreements that could have a material impact on our business and operations. Conflicts of interest may or have arisen with Honeywell in a number of areas relating to our past and ongoing relationships, including: • ~~labor,~~ tax, employee benefit, indemnification and other matters arising from our separation from Honeywell ; • intellectual property matters ~~; • employee recruiting and retention~~ ; • interpretations of contractual arrangements; and • business combinations involving our Company. We may not be able to resolve any potential conflicts, and, even if we do so, the resolution may be less favorable to us than if we were dealing with a party other than our former parent company. The agreements that we entered into with Honeywell in connection with the Spin- Off may impose significant restrictions on us and our subsidiaries and limit our ability to engage in actions that may be in our long- term best interests. As described in more detail in Note 15. Commitments and Contingencies to Consolidated Financial Statements, the Reimbursement Agreement imposes material restrictions on our business and operations, including limitations or impediments on our ability to separate or otherwise divest businesses and modify or waive the terms of certain agreements in a manner that would adversely affect the rights of Honeywell under the Reimbursement Agreement. In addition, the Trademark Agreement is terminable by Honeywell under certain circumstances, including if we fail to comply with all material obligations, including the payment obligations, set forth in the Reimbursement Agreement. The Trademark Agreement also automatically terminates upon the occurrence of a change of control of Resideo that is not approved by Honeywell, and automatically terminates as to any subsidiary of Resideo upon it ceasing to be a wholly owned subsidiary of Resideo. Any termination of the Trademark Agreement could have a material adverse effect on our business, financial condition, cash flows, and reputation. In addition, the provisions of the Trademark Agreement in respect of a change of control of Resideo or the sale of any interests in any subsidiary of Resideo may impact our ability to enter into transactions that are otherwise in the best interests of our stockholders. We and Honeywell also have had and may in the future have disputes under the agreements and related exhibits entered into in connection with the Spin- Off. In addition, because of their former positions with Honeywell, certain of our executive officers and directors, including the Chairman of the Board, own equity interests in Honeywell. Continuing ownership of Honeywell stock and equity awards could appear to create potential conflicts of interest if our Company and Honeywell face decisions that could have implications for both our Company and Honeywell. The terms of our debt documents may impose restrictions on our business and our operations require substantial capital and we may not be able to obtain additional capital that we need in the future on favorable terms or at all. The terms of our varied indebtedness include a number of restrictive covenants that impose significant operating and financial restrictions on us and limit our ability to engage in actions that may be in our long- term best interests, including actions such as incurring additional indebtedness, paying dividends, making investments or acquisitions, selling or transferring certain assets and other corporate actions. If market changes, economic downturns, or other negative events occur, our ability to comply with these covenants may be impaired and waivers from our lenders may not be provided. A breach of any of these covenants could result in an event of default under the terms of our indebtedness **,** giving lenders the right to accelerate the repayment of such debt, which could adversely affect our business, financial condition, results of operations, and cash flows. Additionally, we might not have, or be able to obtain, sufficient funds to make these accelerated payments, and lenders could then proceed against any collateral. Any subsequent replacement of the agreements governing such indebtedness, or any new indebtedness could have similar or greater restrictions. As a result of these restrictions, we may be limited in how we conduct our business and pursue our strategy, unable to raise additional debt financing to operate during general economic or business downturns or unable to compete effectively or to take advantage of new business opportunities. We may require additional capital in the future to finance our growth and development, upgrade and improve our manufacturing capabilities, implement further marketing and sales activities, fund ongoing research and development activities, satisfy regulatory and environmental compliance obligations and national approvals requirements, satisfy obligations under the Reimbursement Agreement, fund acquisitions and meet general working capital needs. If our access to capital were to become constrained significantly, or if costs of capital increased significantly, due to lowered credit ratings, increased interest rates, prevailing business conditions, financial leverage, the volatility of the capital markets, decreased investor interest or other factors, our business, financial condition, results of operations and cash flows could be adversely affected and our ability to fund future development and acquisition activities could be impacted. We believe that we have adequate capital resources to meet our projected operating needs, capital expenditures and other cash requirements, including payments to Honeywell under the Reimbursement Agreement. However, we may need additional capital resources in the future and if we are unable to obtain sufficient resources for our operating needs, capital expenditures and other cash requirements for any reason, our business, financial condition and results of operations could be adversely affected. Risks Relating to Our Common Stock and the Securities Market Our stock price has been volatile; stockholder' s percentage ownership in our Company may be diluted in the future. The market price of our common stock has been volatile in the past and may be volatile in the future. The market price of our common stock may be significantly affected by the following factors: actual or anticipated fluctuations in our operating results; changes in financial estimates by securities analysts or our failure to perform in line with such estimates; announcements by us or our competitors of significant technical innovations, acquisitions, **divestitures,** strategic partnerships, joint ventures or capital commitments; the loss of, or decrease in sales to, one or more key customers; global macroeconomic conditions; and departures of key personnel. A stockholder' s percentage ownership in our Company may be diluted in the future because of common stock- based equity awards that we have granted and expect to grant in the future in accordance with our 2018 Stock Incentive Plan for the benefit of certain employees and other service providers, as well as our equity plan for our non- employee directors. In addition, we may issue additional equity as necessary to finance our ongoing operations and future acquisitions. In addition, our Amended and Restated Certificate of Incorporation (" our Certificate ") authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock, which may have preferences over our common stock with respect to dividends and distributions, as our Board may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of our common stock. Similarly, the repurchase or redemption rights or liquidation preferences that we could assign to holders of preferred stock could affect the residual value of our common stock. In addition, we may pursue acquisition opportunities for which the consideration thereof may consist partially or entirely of newly issued shares of our common stock and such transactions would dilute the voting power and / or reduce the value of our common stock. Certain provisions in our governing documents may discourage takeovers. Several provisions of our ~~Charter~~ **governing** ~~Documents~~ **documents** and Delaware law may discourage, delay or prevent a merger or acquisition. These **provisions** include, among others, **that** our stockholders are not permitted to act by written consent; ~~we have established~~ advance notice requirements for stockholder nominations and proposals; ~~we limit~~ **limitations on** the persons who may call special meetings of stockholders and ~~we have~~ limitations on our ability to enter into business ~~combinations~~ - **combination** transactions. These and other provisions of our ~~Charter~~ **governing** ~~Documents~~ **documents** and Delaware law may discourage, delay or prevent certain types of transactions involving an actual or a threatened acquisition or change in control of our Company, including unsolicited takeover attempts, even though the transaction may offer our stockholders the opportunity to sell their shares of our common stock at a price above the prevailing market price. General Risk Factors We depend on the recruitment and retention of qualified personnel, and our failure to attract and retain such personnel could adversely affect our business, financial condition, results of operations, and cash flows. Due to the complex nature of our business, our future performance is highly dependent upon the continued services of our employees and management who have significant industry expertise, including our engineering and design personnel and trained sales force. Our performance is also dependent on the development of additional personnel and the hiring of new qualified engineering, design, manufacturing, marketing, sales and management personnel for our operations. Competition for qualified personnel in our markets is intense, many locations in which we operate have seen ~~increases in employee resignations,~~ competition for talent ~~,~~ and increases in wages, and we may not be successful in attracting or retaining qualified personnel. The loss of key employees, our inability to attract new qualified employees or adequately train employees, or the delay in hiring key personnel could negatively affect our business, financial condition, results of operations and cash flows. Our effective tax rate will be affected by factors including changes in tax rules, and in the interpretation and application of those rules, in the countries in which we operate. Our future results of operations could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in tax laws, regulations and judicial rulings (or changes in the interpretation thereof), changes in generally accepted accounting principles, changes in the valuation of deferred tax assets and liabilities, changes in the **accrual balance of the Reimbursement Agreement, changes in the** amount of earnings permanently reinvested offshore, the results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures, and various other governmental enforcement initiatives. Our tax expense includes estimates of tax reserves and reflects other estimates and assumptions, including assessments of our future earnings which could impact the valuation of our deferred tax assets. Changes in tax laws or regulations, including multi- jurisdictional changes enacted in response to the guidelines provided by the Organization for Economic Co- operation and Development to address base erosion and profit shifting will increase tax uncertainty and may adversely impact our provision for income taxes. **For example, the Organization for Economic Co-operation and Development has enacted model rules for a new global minimum tax (" Pillar Two "), and many governments around the world have enacted, or are in the process of enacting, legislation on these rules, which may adversely impact our effective tax rate.** Currency exchange rate fluctuations **and financial counterparty risks** may adversely affect our results. We are exposed to a variety of market risks, including the effects of changes in currency exchange rates. Refer to Part II, Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations ~~– Quantitative and Qualitative Disclosures About Market Risk~~ . Approximately ~~25~~ **24** % of our ~~2022~~ **2023** net revenue was derived outside the U. S., and we expect sales to non- U. S. customers to continue to represent a similar portion of our consolidated net revenue. A significant amount of our payment obligations, including pursuant to the Reimbursement Agreement, Tax Matters Agreement, and our debt obligations are denominated in U. S. ~~Dollars~~ **dollars** , which exposes us to foreign exchange risk. Finally, we generate significant amounts of cash outside of the U. S. that ~~is~~ **are** invested with foreign financial counterparties. Although we may enter into currency exchange contracts to reduce our risk related to currency exchange fluctuations, changes in the relative fair values of currencies occur from time to time and may, in some instances, have a material impact on our operations. We do not currently, but may in the future, hedge against our currency exposure and, therefore, our business will continue to be susceptible to currency fluctuations. While we employ comprehensive controls regarding global cash management to guard against cash or investment loss and to ensure our ability to fund our operations and commitments, a material disruption to the counterparties with whom we transact business could expose us to financial loss. We also translate assets, liabilities, revenue and expenses denominated in non- U. S. dollar currencies into U. S. dollars for our Consolidated Financial Statements based on applicable exchange rates. Consequently, fluctuations in the value of the U. S. dollar compared to other currencies may have a material impact on the value of these items in our Consolidated Financial Statements, even if their value has not changed in their original currency. If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired and investors' views of us could be harmed. The Sarbanes- Oxley Act **of 2002** requires that we maintain effective internal control over financial reporting and disclosure controls and procedures. If we are not able to comply with the requirements of Section 404 **thereunder** in a timely manner, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our common stock could decline and we could be subject to sanctions or investigations by SEC or other regulatory authorities, which would require additional financial and management resources. Even if we were to conclude, and our auditors were to concur, that our internal ~~controls~~ - **control** over financial reporting provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with **accounting principles generally accepted in the U. S. (" U. S.** GAAP **")** , because of its inherent limitations, internal control over financial reporting might not prevent or detect fraud or misstatements. This, in turn, could have an adverse impact on trading prices for our common stock, and could adversely affect our ability to access the capital markets. If our goodwill, other intangible assets and long- lived assets become impaired, we may be required to record a significant charge to earnings. We test, at least annually, the carrying value of goodwill for impairment, as discussed in Note 2. Summary of Significant Accounting Policies to Consolidated Financial Statements. We review other intangible assets and long- lived assets for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. The estimates and assumptions about future results of operations and cash flows made in connection with the impairment testing could differ from future actual results of operations and cash flows. If the assumptions used in our analysis are not realized or if there was an adverse change in facts and circumstances, it is possible that an impairment expense may need to be recorded in the future. If the fair value of our reporting units falls below ~~its~~ **their** carrying ~~amount~~ **amounts** because of reduced operating performance, market declines, changes in the discount rate, or other conditions, expenses for impairment may be necessary. Any such expenses may have a material negative impact on our results of operations. There were no **material** impairment expenses taken during the years ended December 31, **2023,** 2022, **and** 2021 ~~, and 2020~~ . We may be required to make significant cash contributions to our defined benefit pension plans. We sponsor defined benefit pension plans under which certain eligible employees will earn pension benefits. We have plans in several countries including the U. S., the terms of which require that such qualified defined benefit pension plans maintain certain capitalization levels. Changes in discount rates and actual asset returns different than our anticipated asset returns can result in significant non- cash actuarial gains or losses. With regard to cash pension contributions, funding requirements for our pension plans are largely dependent upon interest rates, actual investment returns on pension assets and the impact of legislative or regulatory changes related to pension funding obligations. Our pension plan contributions may be material and could adversely impact our financial condition, cash ~~flow~~ **flows** , and results of operations. We may need to make pension plan contributions in future periods sufficient to satisfy funding requirements.