

Risk Factors Comparison 2024-07-25 to 2023-07-26 Form: 10-K

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

Our operations and financial condition have been and could continue to be adversely affected by global and regional economic conditions in ways we may not be able to predict or control. Our operations and financial condition have been and could continue to be adversely affected by global or regional economic conditions **and trends** if markets decline in the future **in ways we may not be able to predict or control**, whether related to a public health crisis similar to the Covid pandemic, **civil unrest similar to** the Russian invasion of Ukraine, higher inflation or interest rates, **economic** recession, natural disasters, impacts of and issues related to climate change, business disruptions, our ability to adequately staff operations or otherwise. **Office Commercial** building utilization, ~~higher mortgage rates~~, and the continued shift in consumer spending to online shopping, ~~and remote work~~ may negatively impact ~~office, residential,~~ and **retail commercial** construction. Additionally, escalation in interest rates, in conjunction with banking failures, may lead to financial institutions being more prudent with capital deployment and tightening lending, especially in relation to construction and real estate development. As a result, future construction activity could decrease due to a lack of financing availability, ~~and financial~~ **Financial** distress in this sector could be further exacerbated by a lack of refinancing options available for existing real estate loans when they mature **in the upcoming months**. Any future economic declines may result in decreased revenue, gross margins, earnings or growth rates or difficulty in managing inventory levels or collecting customer receivables. We also have experienced, and could continue to experience, labor inflation, increased competitive pricing pressure, raw material inflation and availability issues resulting in difficulties meeting customer demand. In addition, customer difficulties in the future could result from economic declines, decreased purchasing power, public health crisis similar to the Covid pandemic, the cyclical nature of their respective businesses, such as in the oil and gas industry, or otherwise and, in turn, result in decreases in product demand, increases in bad debt write-offs, decreases in timely collection of accounts receivable and adjustments to our allowance for credit losses, resulting in material reductions to our revenues and net earnings. Global economic and capital market conditions may cause our access to capital to be more difficult in the future and / or costs to secure such capital more expensive. ~~We~~ **In the future, we** may need new or additional financing **in the future** to provide liquidity to conduct our operations, expand our business or refinance existing indebtedness. Any sustained weakness in general economic conditions and / or U. S. or global capital markets could adversely affect our ability to raise capital on favorable terms or at all. From time to time we have relied, and we may also rely in the future, on access to financial markets as a source of liquidity for working capital requirements, acquisitions and general corporate purposes. Our access to funds under our credit facility is dependent on the ability of the financial institutions that are parties to that facility to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under our credit facility are several and not joint and, as a result, a funding default by one institution does not need to be made up by the others. Longer term volatility and continued disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect our access to the liquidity needed for our businesses in the longer term. Such disruptions could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged. Volatility in the equity markets or interest rates could substantially increase our pension costs and required pension contributions. We sponsor qualified defined benefit pension plans and various other nonqualified postretirement plans. The qualified defined benefit pension plans are funded with trust assets invested in a diversified portfolio of debt and equity securities and other investments. Among other factors, changes in interest rates, investment returns and the market value of plan assets can (i) affect the level of plan funding; (ii) cause volatility in the net periodic pension cost; and (iii) increase our future contribution requirements. A significant decrease in investment returns or the market value of plan assets or a significant change in interest rates could increase our net periodic pension costs and adversely affect our results of operations. A significant increase in our contribution requirements with respect to our qualified defined benefit pension plans could have an adverse impact on our cash flow. A public health crisis could cause disruptions to our operations which could adversely affect our business in the future. A significant public health crisis could cause disruptions to our operations similar to the effects of the Covid pandemic. The Covid pandemic had a negative effect on our business, results of operations, cash flows and financial condition. ~~It affected~~ **The effect on** our business ~~due to~~ **was a result of the overall** impact on the global economy, including its effects on transportation networks, raw material **availability, worker** availability, production efforts and customer demand for our products. Our ability to predict and respond to future changes resulting from potential health crisis is uncertain. Even after ~~a~~ **any future** public health crisis subsides, there may be long- term effects on our business practices and customers in economies in which we operate that could severely disrupt our operations and could have a material adverse effect on our business, results of operations, cash flows and financial condition. ~~As we cannot predict the duration, scope or severity of future pandemics, the negative financial impact to our results cannot be reasonably estimated and could be material.~~ Terrorist activities and other acts of violence or war and other disruptions have negatively impacted in the past, and could negatively impact in the future, the United States and foreign countries, the financial markets, the industries in which we compete, **and** our operations and profitability. Terrorist activities, acts of violence or war and other disruptions have contributed to economic instability in the United States and elsewhere, and acts of terrorism, cyber- terrorism, violence or war could **negatively** affect the industries in which we compete, our ability to purchase raw materials, adequately staff our operations, manufacture products or sell or distribute products, which could have a

material adverse impact on our financial condition and results of operations. ~~Adverse~~ **Severe** weather conditions and natural disasters, including those related to the impacts of climate change, may reduce the demand for some of our products, impair our ability to meet our demand for such products or cause supply chain disruptions which could have a negative effect on our operations and sales. From time to time, ~~extreme~~ **severe** weather conditions, including natural disasters, and those related to the impacts of climate change, have had a negative effect on our operations and sales. **Events such as destructive wildfires, tornados, extreme storms or temperatures and increased flooding or other natural disasters could and have in the past caused damage to our facilities, leading to production or distribution challenges which have in the past and could in the future have a negative effect on our sales.** Unusually cold or rainy weather, especially during the general construction and exterior painting season, ~~could~~ **may also** have an adverse effect on sales. **Furthermore, the impacts of these risks to our suppliers may have a detrimental effect on the sales, manufacturing, and distribution of our products, including supply chain disruptions, raw material shortages and increased costs.** As a result, we have historically experienced weaker sales and net income in our third fiscal quarter (December through February) in comparison to our performance during our other fiscal quarters. ~~Events such as destructive wildfires, extreme storms or temperatures and increased flooding or other natural disasters could damage our facilities, leading to production or distribution challenges which could have a negative effect on our sales. The impacts of these risks to our suppliers may also have a detrimental effect on the sales, manufacturing, and distribution of our products, including raw material shortages and increased costs.~~ Any such effect on sales may result in a reduction in earnings or cash flow. Significant foreign currency exchange rate fluctuations may harm our financial results. We conduct business in various regions throughout the world and are therefore subject to market risk due to changes in the exchange rates of foreign currencies in relation to the U. S. dollar. Because our Consolidated Financial Statements are presented in U. S. dollars, increases or decreases in the value of the U. S. dollar relative to other currencies in which we transact business **have in the past and could in the future have a** materially ~~adversely~~ **adverse affect effect on** our net revenues, ~~and~~ earnings, and the carrying values of our assets located outside the United States. **FINANCIAL RISKS** The use of accounting estimates involves judgment and could impact our financial results. The preparation of financial statements in conformity with Generally Accepted Accounting Principles **in the U. S.** (“GAAP”) requires us to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Our most critical accounting estimates are described in **Item 7 under** Management’s Discussion and Analysis of Financial Condition and Results of Operations under “Critical Accounting Policies and Estimates.” Additionally, as discussed in Note P, “Contingencies and Accrued Losses,” of the Notes to Consolidated Financial Statements, we make certain estimates, including decisions related to legal proceedings and various loss reserves. These estimates and assumptions involve the use of judgment, and therefore, actual financial results may differ. The results of our annual ~~testing of goodwill~~ and, as required, interim testing of goodwill and other long-lived assets have required, and in the future may **result in additional substantial** ~~require, that we record~~ impairment charges. As of May 31, ~~2023~~ **2024**, we had approximately \$ 1.8 billion in goodwill and other intangible assets. The Accounting Standards Codification (“ASC”) section 350, “Intangibles – Goodwill and Other,” requires that goodwill be tested at least on an annual basis, or more frequently as impairment indicators arise, using either a qualitative assessment or a fair-value approach at the reporting unit level. We perform our annual required impairment tests, which involve the use of estimates related to the fair market values of the reporting units with which goodwill is associated, as of the first day of our fourth fiscal quarter. The evaluation of our long-lived assets for impairment includes determining whether indicators of impairment exist, this is a subjective process that considers both internal and external factors. The impairment assessment evaluation requires the use of significant judgment regarding estimates and assumptions surrounding future results of operations and cash flows. ~~For discussion of the approach for, and results of, our interim and annual impairment testing for goodwill and indefinite lived intangible assets for all periods presented, please refer to the headings entitled “Goodwill” and “Other Long-Lived Assets” within the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Critical Accounting Policies and Estimates” sections located in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation” as well as Note A (11), “Summary of Significant Accounting Policies- Goodwill and Other Intangible Assets,” and Note C, “Goodwill and Other Intangible Assets,” to our Consolidated Financial Statements as presented below.~~ **In connection the future, if global economic conditions were to decline significantly, or if our reporting units experience significant declines in business, we may incur additional, substantial goodwill and other intangible asset impairment charges. The amount of any such impairment charge could have a material adverse effect on our results of operations. Our significant amount of indebtedness could have a material adverse impact on our business. Our total debt was approximately \$ 2.1 billion and \$ 2.7 billion at May 31, 2024 and 2023, respectively, which compares with May 31, 2023 \$ 2.5 billion and 2022, which compares with \$ 2.1 billion in stockholders’ equity at May 31, 2024 and 2023, respectively.** Our level of indebtedness could ~~have important consequences~~ **adversely impact out business.** For example, it could: • require us to dedicate a material portion of our cash flow from operations to make payments on our indebtedness, thereby reducing the cash flow available to fund working capital, capital expenditures, acquisitions, dividend payments, stock repurchases or other general corporate requirements; • result in a downgrade of our credit rating, which would increase our borrowing costs, adversely affect our financial results, and make it more difficult for us to raise capital; • restrict our operational flexibility and reduce our ability to conduct certain transactions, since our credit facility contains certain restrictive financial and operating covenants; • limit our flexibility to adjust to changing business and market conditions, which would make us more vulnerable to a downturn in general economic conditions; and • have a material adverse effect on our short-term liquidity if large debt maturities occur in close succession. We cannot ~~guarantee~~ **assure you** that our business **will** always ~~will~~ be able to make timely or sufficient payments of our debt. Should we fail to comply with covenants in our debt instruments, such failure could result in an event of default which, if not cured or waived, would have a material adverse effect on us. **OPERATIONAL RISKS** Operating improvement initiatives could cause us

to incur significant expenses and impact the trading value of our common stock. On May 31, 2021, we formally concluded our 2020 Margin Acceleration Plan ("MAP to Growth") operating improvement program, which resulted in significant changes in our organizational and operational structure impacting most of our companies. In August 2022, we approved and announced our Margin Achievement Plan 2025 ("MAP 2025") **operating improvement initiative, during the fiscal..... we approved and announced our MAP 2025**. MAP 2025 is a multi-year restructuring plan to build on the achievements of MAP to Growth. Our MAP 2025 operating improvement program **may is designed to** result in significant changes in our organizational and operational structure. We have taken actions and may continue to take additional actions during future periods, in furtherance of these or other operating improvement initiatives. We may incur further expenses as a result of these actions, and we also may experience disruptions in our operations, decreased productivity and unanticipated associate turnover **and**. **Further**, the objectives of our operating improvement initiatives may not be achieved. The occurrence of any of these **, our failure to succeed in our MAP 2025 operating improvement plan**, or other related events associated with our operating improvement initiatives could adversely affect our operating results and financial condition. Fluctuations in the supply and cost of raw materials may negatively impact our financial results. The cost and availability of raw materials, including packaging, **has in the past and could in the future** materially impact our financial results. We obtain raw materials from **many a number of** suppliers. Many of our raw materials are petroleum-based derivatives, minerals and metals. The cost of raw materials has in the past experienced, and likely will continue to experience, periods of volatility which have, and could in the future, increase the cost of manufacturing our products. Under normal market conditions, raw materials are generally available on the open market from a variety of sources; however, our suppliers may be impacted by social and environmental regulations and expectations, including regulations related to climate change, adverse weather conditions, pandemics, trade policy, **labor**, energy availability or civil unrest, **which could resulting --- result** in shortages **or and** price volatility. Interruptions in the supply of raw materials or sources of energy **have in the past and could in the future** have a significant impact on our ability or cost to produce products. Cost and adequate supply of raw materials is managed by establishing contracts, procuring from multiple sources, and identifying alternative materials or technology; however, the unavailability of raw materials or increased prices of raw materials that we are unable to pass along to our customers could have a material adverse effect on our business, financial condition, results of operations or cashflows. Additionally, changes in international trade duties, tariffs, sanctions and other aspects of international trade policy, both in the United States and abroad, **has in the past and could in the future** materially impact the cost of raw materials. Any increase in materials that is not offset by an increase in our prices could have a material adverse effect on our business, financial condition, results of operations or cash flows. The markets in which we operate are highly competitive and some of our competitors are much larger than we are and may have greater financial resources than we do. The markets in which we operate are fragmented, and we do not face competition from any one company across all our product lines. However, any significant increase in competition, resulting from the consolidation of competitors **or otherwise**, may cause us to lose market share or compel us to reduce prices to remain competitive, which could result in reduced gross profit margins. Increased competition may also impair our ability to grow or to maintain our current levels of revenues and earnings. **Some Companies companies** that compete in our markets include Akzo Nobel, Axalta Coating Systems Ltd., Carlisle Companies Inc., H. B. Fuller, Masco Corporation, PPG Industries, Inc., The Sherwin-Williams Company and Sika AG. Several of these companies are much larger than we are and may have greater financial resources than we do. Increased competition with these or other companies could prevent the institution of price increases or could require price reductions or increased spending to maintain our market share, any of which could adversely affect our results of operations. Our success depends upon our ability to **identify**, attract **and**, retain **and develop** key associates and the succession of senior management. Our success largely depends on the performance of our management team and other key associates. If we are unable to **identify**, attract **and**, retain **, and develop** talented, highly qualified senior management and other key associates (including the ability to identify **and**, attract **, retain and develop** key international associates), our business, results of operations, cash flows and financial condition could be adversely affected. In addition, if we are unable to effectively provide for the succession of senior management, including our Chief Executive Officer, our business, results of operations, cash flows and financial condition may be adversely affected. While we follow a disciplined, ongoing succession planning process and have succession plans in place for senior management and other key associates, these do not guarantee that the services of qualified senior executives will continue to be available to us at particular moments in time. We depend on a **few key number of large** customers for a significant portion of our net sales and, therefore, significant declines in the level of purchases by any of these key customers could harm our business. Some of our operating companies, particularly in the Consumer reportable segment, face a substantial amount of customer concentration. **Our For example, our** key customers in the Consumer reportable segment include Ace Hardware, Amazon, Do It Best, The Home Depot, Inc., Lowe's, Menards, Orgill, True Value, W. W. Grainger, and Wal-Mart. Within our Consumer segment, sales to these customers accounted for approximately 67 %, **67 % and 64 % and 65 %** of net sales for the fiscal years ended May 31, **2024, 2023, and 2022 and 2021**, respectively. On a consolidated basis, sales to these customers across all of our reportable segments accounted for approximately **24 %, 25 %, and 22 % and 24 %** of our consolidated net sales for the fiscal years ended May 31, **2024, 2023, and 2022 and 2021**, respectively. Sales to The Home Depot, Inc. represented less than 10 % of our consolidated net sales for fiscal **2024, 2023, and 2022, and 2021**, and 23 %, **23 % and 25 % and 26 %** of our Consumer segment net sales for fiscal **2024, 2023, and 2022 and 2021**, respectively. If we were to lose one or more of our key customers, experience a delay or cancellation of a significant order, incur a significant decrease in the level of purchases **from any of our key customers**, or experience difficulty in collecting amounts due from **a any of our key customer customers**, our net revenues could decline materially and our operating results could be reduced materially. If our efforts in acquiring and integrating other companies or product lines **or establishing joint ventures fail, or we encounter difficulties associated with divestitures** our business may not grow **or realize anticipated benefits from these acquisitions or divestitures**. As an important part of our growth strategy, we intend to continue pursuing acquisitions of complementary businesses or products and creating joint

ventures. Our ability to continue to grow in this manner depends upon our ability to identify, negotiate and finance suitable acquisitions or joint venture arrangements. Execution of our acquisition strategy with respect to some companies or product lines could fail or could result in unanticipated costs to us that were not apparent despite our due diligence efforts, either of which could hinder our growth or adversely impact our results of operations. In addition, acquisitions and their subsequent integration involve ~~many a number of~~ risks, including, but not limited to: • inaccurate assessments of disclosed liabilities and the potentially adverse effects of undisclosed liabilities; • unforeseen difficulties in assimilating acquired companies, their products, and their culture into our existing business; • unforeseen delays in realizing the benefits from acquired companies or product lines, including projected efficiencies, cost savings, revenue synergies and profit margins; • unforeseen diversion of our management's time and attention from other business matters; • unforeseen difficulties resulting from insufficient prior experience in any new markets we may enter; • unforeseen difficulties in retaining key associates and customers of acquired businesses; • increased risk to our cybersecurity landscape; and • increases in our indebtedness and contingent liabilities, which could in turn restrict our ability to raise additional capital when needed or to pursue other important elements of our business strategy. **Furthermore, we may make strategic divestitures because of portfolio rationalization which may impact our future growth. Divestitures may result in continued financial involvement in the divested business, such as through indemnities or retained liabilities, which could result in financial obligations imposed upon us and could affect our future financial condition, results of operations and cash flows.** We derive a significant amount of our revenues from foreign markets, which subjects us to additional business risks that could adversely affect our results of operations. Our foreign manufacturing operations accounted for approximately ~~28-29~~ **5-3** % of our net sales for the fiscal year ended May 31, ~~2023-2024~~ **2023-2024**, not including exports directly from the United States which accounted for approximately ~~0.9-8~~ % of our net sales for fiscal ~~2023-2024~~ **2023-2024**. We plan to continue to grow our international operations and the growth and maintenance of such operations could be adversely affected by a public health ~~crises-crisis~~ **civil unrest, invasions and conflicts like** the Russian invasion of Ukraine, war, changes in social, political and economic conditions, inflation rates, trade protection measures, restrictions on foreign investments and repatriation of earnings, changing intellectual property rights, difficulties in staffing and managing foreign operations and ~~and~~ **changes in regulatory requirements, and other events** that restrict the sales of our products or increase our costs. Our ability to effectively manage our foreign operations may pose significant risks that could adversely affect our results of operations, cash flow, liquidity or financial condition. **Cybersecurity, Data data** privacy, ~~cybersecurity~~, and artificial intelligence considerations could impact our business. We rely on information technology systems, **products** ~~including tools that utilize artificial intelligence~~, and applications to conduct our business, including recording and processing transactions, administering human resource activities and associate benefits, manufacturing, marketing, and selling our products, researching and developing new products, maintaining and growing our businesses, and supporting and communicating with our associates, customers, suppliers and other stakeholders. The importance of such systems has increased due to many of our associates working remotely. Some of these systems and applications are operated by third parties. ~~Additionally, we, ourselves and through our third parties, collect and process personal, confidential, and sensitive data about our business, which may include information about our customers, associates, suppliers, distributors and others. Some of this data is stored, accessible or transferred internationally.~~ **or our due diligence regarding third-party providers fails our businesses,** our business or financial results could be negatively impacted. **Additionally, we, ourselves and through our third parties, digitally collect and process different types of information including personal, confidential, proprietary, and sensitive data about our business, which may include information about our customers, associates, suppliers, distributors and others. Some of this data is stored, accessible or transferred internationally.** The interpretation and application of cybersecurity, artificial intelligence, biometric, and privacy laws, rules and regulations around the world applicable to our business (collectively, the "Data Protection Laws") are uncertain and evolving. It is possible that the Data Protection Laws may be interpreted and applied in a manner that is inconsistent with our data practices. Complying with these various laws is difficult and could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business. In addition, ~~many some of our systems,~~ **tools and resources we use,** integrate or will integrate some form of artificial intelligence which has the potential to result in bias, miscalculations, data errors, intellectual property infringement and **other** unintended consequences. It is possible that the information technology tools we use may negatively affect our reputation, disrupt our operations, or have a material impact on our financial results. Further, although we have implemented internal controls and procedures designed to manage compliance with the Data Protection Laws and protect our data, there can be no assurance that our controls will prevent a breach or that our procedures will enable us to be fully compliant with all Data Protection Laws. Cyber- attacks or breaches due to security vulnerabilities, associate error, supplier or third- party error, malfeasance or other disruptions may still occur. We have been and may in the future be subject to attempts to gain unauthorized access to our **data,** information technology systems and / or applications. We have **in the past** experienced data security incidents that have disrupted our operations, but which did not have a material impact on our financial results. These risks **have and** may **in the future** be increased as a result of ~~an increase in~~ remote work, a public health crisis similar to the Covid pandemic or foreign affairs such as ~~war or civil unrest~~ **the Russian invasion of Ukraine**. ~~In addition~~ **Future loss, it is not possible** **inaccessibility, alteration or misappropriation of information related to predict the us, our associates, former associates, customers, suppliers or others may have a negative** impact on our business ~~of the future loss, alteration or misappropriation of information related to us, our associates, former associates, customers, suppliers or others~~. A violation of, or failure to comply with, the Data Protection Laws **by us, our suppliers, or other third parties**, a cyber- attack or a security breach of our systems **or that of one of our key suppliers or third parties** could lead to negative publicity, legal claims, extortion, ransom, theft, modification or destruction of proprietary information or key information, damage to or inaccessibility of critical systems, manufacture of defective products, production downtimes, operational disruptions, data breach claims,

privacy violations and other significant costs, which could adversely affect our reputation, financial condition and results of operations. Our business and financial condition could be adversely affected if we are unable to protect our material **trademarks**, **intellectual property** and other proprietary information or there is a loss in the actual or perceived value of our brands. We have numerous valuable patents, trade secrets and know-how, domain names, trademarks, **trade dress**, and trade names, including certain marks that are significant to our business, which are identified under Item 1 of this Annual Report on Form 10-K. Despite our efforts to protect our **intellectual property**, **trademarks**, **trade secrets** and other proprietary **information and** rights from unauthorized use or disclosure, other parties may attempt to **obtain**, disclose or use them without our authorization; such unauthorized **action**, use or disclosure could negatively impact our business and financial condition. Similarly, the **value of our brands may be impacted by reputational damage**. The reputations of our branded products depend on numerous factors, including the successful advertising and marketing of our brand names, consumer acceptance, continued trademark validity, the availability of similar products from our competitors, and our ability to maintain product quality, technological advantages and claims of superior performance. Furthermore, the prevalence of social media, **online reviews and other digital public forums** increases our risk of receiving negative commentary that could damage the perception of our brands **resulting in a decreased perception of value**. A loss of a brand or in the actual or perceived value of our brands could limit or reduce the demand for our products and could negatively impact our business and financial condition. Although we have insurance, it may not cover every potential risk associated with our operations. Although we maintain insurance of various types to cover many of the risks and hazards that apply to our operations, our insurance may not cover every potential risk associated with our operations. The occurrence of a significant event, the risks of which are not fully covered by insurance, could have a material adverse effect on our financial condition and results of operations. Moreover, no assurance can be given that we will be able to maintain adequate insurance in the future ~~at rates and with terms and conditions we consider reasonable~~. If our efforts to achieve stated sustainability goals, targets or objectives fail, **or we fail to effectively respond to changing regulatory requirements related to climate change**, our business and reputation may be adversely affected. We might fail to effectively address increased attention or expectations from the media, stockholders, activists and other stakeholders on climate change and related environmental **or other** sustainability matters. Such failure, or the perception that we have failed to act responsibly with respect to such matters or to effectively respond to new or additional regulatory requirements **regarding related to** climate change, whether or not valid, could result in adverse publicity and negatively affect our business and reputation. In addition, we have established and publicly announced goals to reduce our impact on the environment and, in the future may establish and publicly announce other goals or commitments associated with our sustainability initiatives. Our ability to achieve any stated goal, target or objective is subject to numerous factors and conditions, many of which are outside of our control, including evolving regulatory requirements. Furthermore, standards for tracking and reporting such matters continue to evolve. Our selection of voluntary disclosure frameworks and standards, and the interpretation or application of those frameworks and standards, may change from time to time or differ from those of others. Methodologies for reporting this data may be updated and previously reported data may be adjusted to reflect improvement in availability and quality of data, changing assumptions, changes in the nature and scope of our operations and other changes in circumstances, which could result in significant revisions to our current goals, reported progress in achieving such goals, or ability to achieve such goals in the future. If we fail to achieve, are perceived to have failed, or are delayed in achieving these goals and commitments, it could negatively affect investor confidence in us, as well as expose us to government enforcement actions and private litigation.

LEGAL AND REGULATORY RISKS The industries in which we operate expose us to inherent risks of legal and warranty claims and other litigation-related costs, which could adversely impact our business. We face an inherent risk of legal claims if the exposure to, or the failure, use, or misuse of our products results, or is alleged to result, in bodily injury and / or property damage. In the course of our business, we are subject to a variety of inquiries and investigations by regulators, as well as claims and lawsuits by private parties, including those related to product liability, product claims regarding asbestos or other chemicals or materials **that are or were** in our products, **whether intentionally added or resulting from contamination**, warranties, the environment, employment matters, ~~contracts, service~~ contracts, intellectual property and commercial matters, which due to their uncertain nature may result in losses, some of which may be material. We are defending claims and class action lawsuits, and could be subject to future claims and lawsuits, in which significant financial damages are alleged. These matters could consume material financial resources to defend and be a distraction to management. Some, but not all, of such matters are insured. We offer warranties on many of our products, as well as long term warranty programs at certain of our businesses and, as a result, from time to time we may experience higher levels of warranty expense, which is typically reflected in selling, general and administrative expenses. The nature and extent to which we use **reactive chemistry or** hazardous or flammable materials in our manufacturing processes creates risk of damage to persons and property that, if realized, could be material. Compliance with environmental, **sustainability**, health and safety **and other** laws and regulations could subject us to unforeseen future expenditures or liabilities, which could have a material adverse effect on our business. We are subject to numerous, complicated and often increasingly stringent environmental, health and safety laws and regulations, including those developed in response to climate change, in the jurisdictions where we conduct business and sell our products. Governmental and regulatory authorities impose various laws and regulations on us that relate to environmental protection, the use, sale, transportation, import and export of certain chemicals or hazardous materials, and various health and safety matters, including the **preparation, storage, and sale of food products**, discharge of pollutants into the air and water, the handling, use, treatment, storage and clean-up of solid and hazardous wastes, the use of certain chemicals in product formulations, and the investigation and remediation of soil and groundwater affected by hazardous substances and those related to climate change. These laws and regulations include the Clean Air Act, the Clean Water Act, RCRA, CERCLA, TSCA, DSL, REACH and many other federal, state, provincial, local and international statutes. These laws and regulations often impose strict, retroactive and joint and several liability for the costs of, and damages resulting from, not addressing our, or our predecessors' past or present facilities and third-party disposal sites. We are currently

undertaking remedial activities at a number of our properties and could be subject to future liability as yet unknown, but that could be material. We have not always been and may not always be in full compliance with all environmental, health and safety laws and regulations in every jurisdiction in which we conduct our business. In addition, if we violate or fail to comply with environmental, health and safety laws (including related to permitting), we could be fined or otherwise sanctioned by regulators, including enjoining or curtailing operations or sales, remedial or corrective measures, installing pollution control equipment, or other actions. We have been and ~~also~~ could in the future be liable for consequences arising out of human exposure to hazardous substances or chemicals of concern relating to our products or operations. ~~We may~~ Accordingly, we cannot guarantee that we ~~will not~~ be required to make additional expenditures to remain in or to achieve compliance with environmental, health or safety laws or changes in stakeholder preferences or expectations in the future ~~and or that~~ any such additional expenditures ~~may will not~~ have a material adverse effect on our business, financial condition, results of operations or cash flows. If regulatory permits or registrations are delayed, restricted, or rejected, subsequent operations at our businesses could be delayed or restricted, which could have an adverse effect on our results of operations. Our businesses are subject to varying domestic and foreign laws and regulations that may restrict or adversely impact our ability to conduct our business. Our businesses are subject to varying domestic and foreign laws and regulations that may restrict or adversely impact our ability to conduct our business. These include securities, environmental, **sustainability**, health, safety, tax, competition and anti-trust, insurance, service contract and warranty, trade controls, data security, anti-corruption, anti-money laundering, **labor**, wage and hour employment and privacy laws and regulations. These laws and regulations change from time to time and thus may result in increased risk and costs to us related to our compliance therewith. From time-to-time regulators review our compliance with applicable laws. We have not always been, and may not always be, in full compliance with all laws and regulations applicable to our business and, thus enforcement actions, fines and private litigation claims and damages, which could be material, may occur, notwithstanding our belief that we have in place appropriate risk management and compliance programs to mitigate these risks. We could be adversely affected by violations of the U. S. Foreign Corrupt Practices Act and similar anti-bribery laws of other countries, as well as trade sanctions administered by the office of Foreign Assets Control and the Department of Commerce. The U. S. Foreign Corrupt Practices Act and similar anti-bribery laws of other countries generally prohibit companies and their intermediaries from making **or receiving** improper payments to governmental officials or others for the purpose of obtaining or retaining business or for other unfair advantage. Our policies mandate compliance with anti-bribery laws. We operate in many parts of the world that have experienced ~~governmental~~ corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We are required to comply with U. S. regulations on trade sanctions and embargoes administered by the U. S. Department of the Treasury, Office of Foreign Assets Control, the Commerce Department and similar multi-national bodies and governmental agencies worldwide, which are complex and often changing. A violation thereof could subject us to regulatory enforcement actions, including a loss of export privileges and significant civil and criminal penalties and fines. Although we have internal controls and procedures designed to ensure compliance with these laws, there can be no assurance that our controls and procedures will prevent a violation of these laws. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operations, financial condition, and cash flows. We could be adversely affected by or incur liability for the actions or inaction of our third parties. We vet and monitor our ~~business~~ **customers, suppliers, services providers and other partners-parties and companies** that we engage in an effort to ensure that the business practices of those third parties are in compliance with applicable laws and regulations and industry best practices, including applying appropriate technical security measures, safeguarding **data privacy and** human rights and preventing illegal trade **and corruption**. In the event one of our third parties experiences a data breach, is found to have violated applicable laws or regulations, or the business practices of the third party come under ~~public~~ scrutiny, we could be subject to legal claims, fines and reputational damage related to the third-party relationship. In the event any third-party **claim**, legal violation or business practice requires us to ~~severe~~ **sever** the third-party relationship, we could also experience an impact on our services, operations or our ability to obtain raw materials for our products. Our operations are subject to the effect of global tax law changes, some of which have been, and may be in the future, retroactive in application. Our operations are subject to various federal, state, local and foreign tax laws and regulations which govern, among other things, taxes on worldwide income. Any potential tax law changes may, for example, increase applicable tax rates, have retroactive application, or impose stricter compliance requirements in the jurisdictions in which we operate, which could reduce our consolidated net earnings. In response to, for instance, an economic crisis or recession, governments may revise tax laws, regulations or official interpretations in ways that could have a significant impact on us, including modifications that could, for example, reduce the profits that we can effectively realize from our non-U. S. operations, or that could require costly changes to those operations, or the way in which they are structured. If changes in tax laws, regulations or interpretations were to significantly increase the tax rates on non-U. S. income, our effective tax rate could increase, our profits could be reduced, and if such increases were a result of our status as a U. S. company, could place us at a disadvantage to our non-U. S. competitors if those competitors remain subject to lower local tax rates. We could be adversely affected by failure to comply with federal, state and local government procurement regulations and requirements. ~~We~~ **Some of our companies** have contracts with and supply product to federal, state and local governmental entities and their contractors, and are required to comply with specific procurement regulations and other requirements relating to those contracts and sales. Requirements in our contracts and those requirements flowed down to us in our capacity as a subcontractor or supplier, although customary in government contracts, may impact our performance and compliance costs. Failure to comply with these regulations and requirements or to make required disclosures under contract could result in reductions of the value of contracts, contract modifications or termination for cause, adverse past performance ratings, actions under a federal or state false claims statutes, suspension or debarment from government contracting or subcontracting for a period of time and the assessment of penalties and fines, any of which could negatively impact our results of operations and financial condition and could have a negative impact

on our reputation and ability to procure other government contracts in the future.