Risk Factors Comparison 2024-02-29 to 2023-02-28 Form: 10-K

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Set forth below are the risks that we believe are material to our investors. Our business, results of operations and financial condition may be materially adversely affected due to any of the following risks. The risks described below are not the only ones we face. Additional risks of which we are not presently aware or that we currently believe are immaterial may also harm our business. Risks Related to Our Business and Industry The costs that we pay for metals fluctuate due to a number of factors beyond our control, and such fluctuations could adversely affect our operating results, particularly **decreases in** ~~if we cannot pass on higher metal~~ **metals** prices ~~to our customers~~ . We purchase large quantities of aluminum, carbon, stainless and alloy steel and other metals, which we sell to a variety of customers. Our profitability is largely dependent upon the prices of the steel, aluminum ~~,~~ and other metals we sell our customers. The price of metals we purchase and the price we charge our customers for the products we sell ~~change~~ **fluctuate** based on many factors outside of our control, including general economic conditions (both domestic and international), competition, production levels, raw material costs, customer demand levels, import duties and other trade restrictions, currency fluctuations and surcharges imposed by our suppliers. **Pricing** ~~Prolonged disruption in the supply and / or~~ **for** ~~distribution of metals due to weather, climate change, natural disasters, COVID- 19, labor disputes or~~ **our products generally has** ~~interruption of service by carriers could increase costs, limit the availability of materials critical to our operations and have~~ a **much more** significant impact on **our** results **of operations than** ~~. We attempt to pass cost increases on to our customers~~ **customer** ~~with higher selling~~ **demand levels. If pricing declines, we will typically generate lower levels of gross profit and pretax income dollars. In addition, changes in metals** prices **that lower our gross profit margin can adversely affect our operating results** ~~, but we are not always able to do so, particularly when the cost increases are not demand driven~~ . When metal prices decrease, we often cannot replace our higher cost inventory with the lower cost metal at a rate that would allow us to maintain a consistent gross profit margin, which would reduce our profitability during that interim period. Metal prices are volatile due to, among other things, fluctuations in foreign and domestic production capacity, raw material availability and related pricing, metals consumption, tariffs, import levels into the U. S., governmental regulations, and the strength of the U. S. dollar relative to other currencies. Future changes in global general economic conditions or in production, consumption or export of metals could cause fluctuations in metal prices globally, which could adversely affect our profitability and cash flows. We generally do not enter into long- term agreements with our suppliers or hedging arrangements that could lessen the impact of metal price fluctuations. We maintain substantial inventories of metal to accommodate the short lead times and delivery requirements of our customers. Our customers typically purchase products from us pursuant to purchase orders and typically do not enter into long- term purchase agreements or arrangements with us. Accordingly, we purchase metal in quantities we believe to be appropriate to satisfy the anticipated needs of our customers based on information derived from customers, market conditions, historic usage and industry research. Commitments for metal purchases are generally at prevailing market prices in effect at the time orders are placed or at the time of shipment. During periods of rising metal costs, our results may be negatively impacted by increases in the costs of the metals we purchase if we are unable to make equivalent increases in the selling prices of the products we sell. In addition, when metal prices decline, our selling prices generally decline and, as we sell inventory purchased at higher costs, results in lower gross profit margins **and gross profit** . Consequently, during periods in which we sell this existing inventory, the effects of changing metal prices could adversely affect our operating results. Global economic conditions, including inflation, **elevated interest rates, infectious disease** and supply chain disruptions, have adversely affected, and could continue to adversely affect, our operations. Our financial condition and results of operations are impacted by global markets and economic conditions over which we do not have control. A general global economic downturn or other adverse macroeconomic trends, including heightened inflation, capital markets volatility, currency rate fluctuations, an economic slowdown or recession, or a slowing or stalled recovery therefrom, have in the past resulted in and may in the future result in unfavorable conditions that negatively affect demand **and selling prices** for our products and exacerbate some of the other risks that affect our business, financial condition and results of operations. ~~Both domestic and international markets experienced significant inflationary pressures in fiscal year 2022 and inflation rates in the U. S., as well as in other countries in which we operate, are currently expected to continue at elevated levels for the near- term.~~ In addition, the Federal Reserve in the U. S. and other central banks in various countries have raised ~~, and may again raise,~~ interest rates in response to concerns about inflation, which, coupled with ~~reduced government spending and~~ volatility in financial markets **and the possibility that such rates may remain elevated for longer than expected** , has had and may continue to have the effect of further increasing economic uncertainty and heightening these risks. Interest rate increases or other government actions taken to reduce inflation have resulted in recessionary pressures in many parts of the world. **We believe** ~~Recent~~ **recent** inflationary pressures have increased the costs of labor, energy and raw materials and have adversely affected consumer spending, economic growth and our operations. If **such pressures increase our operating costs and** we are unable **to increase our gross profit at a similar rate due to decreases in demand, lack of mill price increases, our inability** to pass any increases in **metals replacement** costs ~~along~~ to our customers, ~~it~~ **or otherwise, our operating income margins would decline and our business, financial condition and results of operations** could **be** adversely ~~affect~~ **affected** ~~our operating results~~ . The **war in** ~~2022 Russian military invasion of~~ Ukraine has led, is currently leading, and for an unknown period of time will continue to lead to disruptions in local, regional, national, and global markets and economies affected thereby **, including in the global steel market** . These disruptions caused by the invasion have included, and may continue to include, political, social, and economic disruptions and uncertainties and material increases in certain commodity prices that may affect our business operations **. In addition, the duration and impact**

of the evolving conflict surrounding Israel and Gaza is unknown but is likely to have global economic and political ramifications. In 2020, our operations were adversely affected by the impacts of the COVID- 19 pandemic and related macroeconomic effects. Other outbreaks of contagious diseases, or other adverse public health developments in countries where we operate or our customers are located, could similarly adversely affect our business, results of operations and financial condition in the future . Excess capacity and over- production by foreign metal producers or decreases in tariffs could increase the level of metal imports into the U. S., resulting in lower domestic prices, which would adversely affect our sales, margins and profitability. Global metal- making capacity exceeds demand for metal products in some regions around the world. Rather than reducing employment by rationalizing capacity with consumption, we believe metal manufacturers in many countries (often with government assistance or subsidies in various forms) have periodically exported metal at prices which may not reflect their costs of production or capital. Excessive imports of metal into the U. S. have exerted, and may continue to exert, downward pressure on U. S. metal prices. On March 1, 2018, the ~~United States~~ **U. S.** announced a plan to indefinitely impose a 25 percent tariff on certain imported steel products and a 10 percent tariff on certain imported aluminum products under Section 232 of the Trade Expansion Act of 1962 (the " Section 232 ") tariffs. These **Section 232** tariffs ~~have triggered retaliatory actions~~ **were imposed on national security grounds and addressed imported steel that was being unfairly traded** by certain ~~affected countries~~ **foreign competitors at artificially low prices. In retaliation against the Section 232 tariffs** , **the European Union subsequently imposed its own tariffs against certain steel products** and other ~~foreign~~ **goods imported from the U. S. In recent years, negotiations between the U. S. government and other** governments have **resulted in revisions to these** ~~initiated or are considering imposing trade~~ measures ~~on steel and aluminum produced in the United States~~ . To the extent these tariffs and other trade actions result in a decrease in international demand for steel and aluminum produced in the ~~United States~~ **U. S.** or otherwise negatively impact demand for our products, our business may be adversely impacted. We expect that these tariffs, while in effect, will discourage metal imports from non- exempt countries. These tariffs have had a favorable impact on the prices of the products we sell and our results of operations. If these or other tariffs or duties expire or if others are relaxed or repealed, or if relatively higher U. S. metal prices make it attractive for foreign metal producers to export their products to the U. S., despite the presence of duties or tariffs, the resurgence of substantial imports of foreign metal could create downward pressure on U. S. metal prices **. In recent years, the U. S. government agreed to modified tariff rate quota systems with each of the European Union, Japan and the United Kingdom that allow more 13imports from those trading partners to enter the U. S. market free of Section 232 tariffs. The U. S. government may also negotiate reductions or eliminations of Section 232 duties with other trading partners. If the Section 232 measures are further removed or substantially lessened, whether through legal challenge, legislation, executive action or otherwise, imports of foreign metals would likely increase and metal prices in the U. S. would likely fall,** which could ~~have a material~~ **materially** ~~adverse~~ **adversely** ~~effect~~ **affect** ~~on~~ our ~~earnings and future~~ **revenues, financial** results ~~of operations~~ **and cash flows** . We operate in an industry that is subject to cyclical fluctuations and any downturn in general economic conditions or in our customers' specific industries could negatively impact our profitability and cash flows. The metals service center industry is cyclical and impacted by both market demand and metals supply. Periods of economic slowdown (such as global or regional recessions) decrease the demand for our products and adversely affect our pricing. If either demand or pricing were to decline from the current levels, this could reduce our profitability and cash flows. ~~13We~~ **We** sell many products to industries that are cyclical, such as the non- residential construction, semiconductor, energy, automotive, aerospace and heavy equipment industries. Although many of our direct sales are to sub- contractors or job shops that may serve many customers and industries, the demand for our products is directly related to, and quickly impacted by, demand for the finished goods manufactured by customers in these industries, which may change as a result of changes in the general U. S. or worldwide economy, inflation, domestic exchange rates, energy prices or other factors beyond our control ~~. Our business may continue to be negatively impacted by the coronavirus (COVID- 19) pandemic and could be negatively impacted by other pandemics and outbreaks. Our operations were adversely affected in 2022 by the impacts of the COVID- 19 pandemic and related macroeconomic effects, including labor shortages, raw material constraints and other supply chain disruptions. The ongoing impacts of the COVID- 19 pandemic could further affect general economic conditions, our business and results of operations. Future developments would dictate the type and level of these potential impacts, which are highly uncertain and are difficult to predict. In addition, the COVID- 19 pandemic has resulted in a widespread health crisis that is adversely affecting the economies and financial markets of many countries, which could result in a prolonged economic downturn that may negatively affect demand for our products and services. The imposition of quarantine and travel restrictions has negatively affected and, if reimposed, may continue to negatively affect our business. The extent to which COVID- 19 continues to impact our business, results of operations and financial condition is highly uncertain and will depend on future developments. Such developments may include the geographic spread and duration of the virus, including the emergence of new variants, the severity of the disease, vaccination rates and the actions that may be taken by various governmental authorities and other third parties in response to the pandemic. Other outbreaks of contagious diseases, or other adverse public health developments in countries where we operate or our customers are located, could similarly adversely affect our business, results of operations and financial condition in the future~~ . We compete with a large number of companies in the metals service center industry, and, if we are unable to compete effectively, our profitability and cash flows may decline. We compete with a large number of other general- line distributors and processors, and specialty distributors in the metals service center industry. Competition is based principally on price, inventory availability, timely delivery, customer service, quality and processing capabilities. Competition in the various markets in which we participate comes from companies of various sizes, some of which have more established brand names in the local markets that we serve. To compete for customer sales, we may lower prices or offer increased services at a higher cost, which could reduce our profitability and cash flows. Rapidly declining prices and / or demand levels may escalate competitive pressures, with service centers selling at substantially reduced prices, and sometimes at a loss, in an effort to reduce their high- cost inventory and generate cash. Any increased and / or sustained competitive pressure could cause our share of industry sales to decline along with our profitability and cash flows. If we were to lose any of our primary suppliers or otherwise be unable to obtain sufficient amounts of necessary metals on a timely basis, we may not be able to meet our customers' needs and may suffer reduced sales. We have few long- term contracts to purchase metals. Therefore, our primary suppliers of aluminum, carbon, stainless and alloy steel or other metals could curtail or discontinue their delivery of these metals to us in the quantities we need with little or no notice. Our ability to meet our customers' needs and provide value- added inventory management services depends on our ability to maintain an uninterrupted supply of high- quality metal products from our suppliers. If our suppliers experience production problems, lack of capacity or transportation disruptions, the lead times for receiving our supply of metal products could be extended and the cost of our inventory may increase. If, in the future, we are unable to obtain sufficient amounts of the necessary metals at competitive prices and on a timely basis from our customary suppliers, we may not be able to obtain these metals from acceptable alternative sources at competitive prices to meet our delivery schedules. Even if we do find acceptable alternative suppliers, the process of locating and securing these alternatives may be disruptive to our business, which could have an adverse impact on our ability to meet our customers' needs and reduce our profitability and cash flows. In addition, if a significant domestic supply source is discontinued and we cannot find ~~14acceptable~~ -- **acceptable** domestic alternatives, we may need to find foreign sources of supply. Using foreign sources of supply could result in longer lead times, increased price volatility, less favorable payment terms, increased exposure to foreign currency movements and certain tariffs and duties and require greater levels of working capital. Alternative sources of supply may not maintain the quality standards that are in place with our current suppliers that could impact our ability to provide the same quality of products to our customers that we have provided in the past, which could cause our customers to move ~~their~~ **14their** business to our competitors or to file claims against us, and such claims may be more difficult to pass through to foreign suppliers. There has been significant consolidation at the metal producer level both globally and within the U. S. This consolidation has reduced the number of suppliers available to us, which may limit our ability to obtain the necessary metals to service our customers. The number of available suppliers may be further reduced if the general economy enters into another recession ~~. Lower metal prices and lower demand levels may cause certain mills to reduce their production capacity; and, in that case, the mill may operate at a loss, which could cause one or more mills to discontinue operations if the losses continue over an extended period of time or if the mill cannot obtain the necessary financing to fund its operating costs~~ . We rely upon our suppliers as to the specifications of the metals we purchase from them. We rely on mill certifications that attest to the physical and chemical specifications of the metal received from our suppliers for resale and generally, consistent with industry practice, we do not undertake independent testing of such metals unless independent tests are required by customers. We rely on customers to notify us of any metal that does not conform to the specifications certified by the supplying mill. Although our primary sources of products have been domestic mills, we have and will continue to purchase product from foreign suppliers when we believe it is appropriate. In the event that metal purchased from domestic suppliers is deemed to not meet quality specifications as set forth in the mill certifications or customer specifications, we generally have recourse against these suppliers for both the cost of the products purchased and possible claims from our customers. However, such recourse will not compensate us for the damage to our reputation that may arise from substandard products and possible losses of customers. Moreover, there is a greater level of risk that similar recourse will not be available to us in the event of claims by our customers related to products from foreign suppliers that do not meet the specifications set forth in the mill certifications. In such circumstances, we may be at greater risk of loss for claims for which we do not carry, or carry insufficient, insurance. Climate change might adversely impact our supply chain or our operations. Concern about climate change might result in new legal and regulatory requirements to reduce or mitigate the effects of climate change. While we believe our operations do not emit significant amounts of carbon dioxide or other greenhouse gases, legal or regulatory changes related to climate change may result in higher prices for metal, higher prices for utilities required to run our facilities, higher fuel costs for us and our suppliers, increased compliance costs and other adverse impacts. To the extent that new legislation or regulations increase our costs, we may not be able to fully pass these costs on to our customers without a resulting decline in sales and adverse impact to our profits. Changing market dynamics, global policy developments, and the increasing frequency and impact of extreme weather events on critical infrastructure in the U. S. and elsewhere have the potential to disrupt our business, the business of our third- party suppliers, and the business of our customers, and may cause us to experience higher attrition, losses and additional costs to maintain or resume operations. There is also increased focus by governmental and non- governmental entities on sustainability matters. Any perception that we have failed to act responsibly regarding climate change could result in negative publicity and adversely affect our business and reputation. There also has been increased stakeholder focus, including by U. S. and foreign governmental authorities, investors, customers, media and nongovernmental organizations, on environmental sustainability matters, such as climate change, the reduction of greenhouse gases and water consumption. Legislative, regulatory or other efforts to combat climate change or other environmental concerns could result in future increases in taxes, restrictions on or increases in the costs of supplies, transportation and utilities, any of which could increase our operating costs, and necessitate future investments in facilities ~~15and~~ -- **and** equipment. Further, our customers ~~we serve~~ may impose emissions reduction or other environmental standards and requirements. As a result, we may experience increased compliance burdens and the sourcing of our products may be adversely affected. These risks also include the increased pressure to make commitments, set targets, or establish additional goals to take actions to meet them, which could expose us to market, operational, execution and reputational costs or risks. Developing and acting on initiatives within the scope of social and environmental sustainability, and collecting, measuring and reporting environmental sustainability- related information and metrics can be costly, difficult and time consuming and is subject to evolving reporting standards. Further, statements about our social and environmental ~~sustainability~~ **15sustainability** - related initiatives and goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. If our social and environmental sustainability- related data, processes and reporting are incomplete or inaccurate, or if we fail to achieve progress with respect to our goals within the scope of social and environmental sustainability on a timely basis, or at all, our reputation, business, financial performance and growth could be adversely affected. We face increased competition from alternative materials and risks concerning innovation, new technologies, products and increasing customer requirements. As a result of increasingly stringent regulatory requirements, designers, engineers and industrial manufacturers, especially those in the automotive industry, ~~are~~ **may be** increasing their use of lighter weight and alternative materials, such as composites, plastics, glass and carbon fiber. In addition, higher sustained market prices of metal products could cause new alternative material producers to enter the market. New or increased use of such materials could reduce the demand for metal products, which may reduce our profitability and cash flow. If metals prices increase compared to certain substitute materials, the demand for our products could be negatively impacted, which could have an adverse effect on our financial results. In certain applications, metal products compete with other materials, such as composites, glass, carbon fiber, wood and plastic. Prices of all of these materials fluctuate widely, and differences between the prices of these materials and the price of metal products may adversely affect demand for our products and / or encourage material substitution, which could adversely affect the prices of and demand for metal products. The higher cost of metal relative to certain other materials may make material substitution more attractive for certain uses. Our insurance coverage, customer indemnifications or other liability protections may be unavailable or inadequate to cover all of our significant risks or our insurers may deny coverage of or be unable to pay for material losses we incur, which could adversely affect our profitability and overall financial position. We strive to obtain insurance agreements from financially solid, highly rated counterparties in established markets to cover significant risks and liabilities. Not every risk or liability can be insured, and for risks that are insurable, the policy limits and terms of coverage reasonably obtainable in the market may not be sufficient to cover all actual losses or liabilities incurred. Even if insurance coverage is available, we may not be able to obtain it at a price or on terms acceptable to us. Disputes with insurance carriers, including over policy terms, reservation of rights, the applicability of coverage (including exclusions), compliance with provisions (including notice) and / or the insolvency of one or more of our insurers may significantly affect the amount or timing of recovery. In some circumstances we may be entitled to certain legal protections or indemnifications from our customers through contractual provisions, laws, regulations or otherwise. However, these protections are not always available, are typically subject to certain terms or limitations, including the availability of funds, and may not be sufficient to cover all losses or liabilities incurred. If insurance coverage, customer indemnifications and / or other legal protections are not available or are not sufficient to cover our risks or losses, it could have a material adverse effect on our financial position, results of operations and / or cash flows. ~~16An increase in delinquencies could adversely affect our results. Inherent in the operation of our business is the credit risk associated with our customers. The creditworthiness of each customer and the rate of delinquenecies are directly impacted by several factors, including relevant industry and economic conditions, the availability of capital, the experience and expertise of the customer' s management team, commodity prices and political events. Any increase in delinquencies and credit losses on customer obligations could have a material adverse effect on our earnings and cash flows. In addition, although we evaluate and adjust allowances for credit losses related to past due and non- performing receivables on a regular basis, adverse economic conditions or other factors that might cause deterioration of the financial health of our customers could change the timing and level of payments received and thus necessitate an increase in our estimated losses, which could also have a material adverse effect on our earnings and cash flows.~~ If we do not successfully implement our growth strategy, our ability to grow our business could be impaired. We may not be able to identify suitable acquisition candidates or successfully complete any acquisitions or integrate any other businesses into our operations. If we cannot identify suitable acquisition candidates or are otherwise unable to complete acquisitions, we may not be able to continue to grow our business as expected and, if we cannot successfully integrate recently acquired businesses, we may incur increased or redundant expenses. Moreover, any additional indebtedness we incur to pay for these acquisitions could adversely affect our liquidity and financial condition. ~~We~~ **16We** have invested a significant amount of capital in new locations and new processing capabilities. We may not be able to identify sufficient opportunities for internal growth to be able to sustain growth at similar levels. In addition, we may not realize the expected returns from these investments. Acquisitions present many risks, and we may not realize the financial and strategic goals that were contemplated at the time of each transaction. Since our initial public offering in September 1994, we have successfully purchased ~~71~~ **73** businesses. We continue to evaluate acquisition opportunities and expect to continue to grow our business through acquisitions in the future. Risks we may encounter in acquisitions include: ● the acquired company may not perform as anticipated or expected strategic benefits may not be realized, which could result in an impairment charge or otherwise impact our results of operations; ● we may not realize the anticipated increase in our revenues if a larger than predicted number of customers decline to continue purchasing products from us; ● we may have to delay or not proceed with a substantial acquisition if we cannot obtain the necessary **regulatory approval or** funding to complete the acquisition in a timely manner; ● we may significantly increase our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition or assume existing debt of an acquired company, which, among other things, may result in a downgrade of our credit ratings ~~; ● we may have multiple and overlapping product lines that may be offered, priced and supported differently, which could cause our gross profit margin to decline~~ ; ● we may have increased inventory exposure for a short time period if the acquired company has significant amounts of material on order; ● our relationship with current and new employees, customers and suppliers could be impaired; ● our safety performance may decline, and our incidence rates increase; ~~17~~ ● our due diligence process may fail to identify risks that could negatively impact our financial condition; ● we may lose anticipated tax benefits or have additional legal or tax exposures if we have prematurely or improperly combined entities; ● we may face contingencies related to product liability, intellectual property, financial disclosures, environmental issues, violations of regulations / policies, tax positions and accounting practices or internal controls; ● the acquisition may result in litigation from terminated employees or third parties; ● our management' s attention may be diverted by transition or integration issues; ● costs and investments in excess of our expectations may be required to implement necessary compliance processes and related systems, including IT systems, accounting systems and internal controls over financial reporting; ● we may pay more than the acquired company is worth; ● we may ~~be unable to obtain timely approvals from governmental authorities under competition and antitrust laws; ● we may~~ assume substantial additional environmental exposures, commitments, contingencies and remediation and reclamation projects; ~~and~~ **and17** ● we may undertake acquisitions financed in part through public offerings or private placements of debt or equity securities, or other arrangements. Such acquisition financing could result in a decrease in our earnings and adversely affect other leverage measures. If we issue equity securities or equity- linked securities, the issued securities may have a dilutive effect on the interests of the holders of our common stock. These factors could have a material adverse effect on our business, results of operations, financial condition or cash flows, particularly in the case of a larger acquisition or the completion of a number of acquisitions in any short period of time. In addition, most of the acquisition agreements we have entered into require the former owners to indemnify us against certain liabilities related to the operation of those companies before we acquired them. In most of these agreements, however, the liability of the former owners is limited **,** and certain former owners may be unable to meet their indemnification responsibilities. Similarly, the purchasers of our non- core businesses may from time to time agree to indemnify us for operations of such businesses after the closing. We cannot be assured that any of these indemnification provisions will fully protect us, and as a result we may face unexpected liabilities that adversely affect our consolidated results of operations, financial condition and cash flows. We are a decentralized company, which presents certain risks. With a diverse geographic footprint in both North America and internationally, we believe our decentralized structure has catalyzed our growth and enabled us to remain responsive to opportunities and to our customers' needs by leaving significant control and decision- making authority and accountability in the hands of local management. Because we are decentralized, we may be slower to detect compliance- related problems (e. g., a rogue employee undertaking activities that are prohibited by applicable law or by our internal policies) and " company- wide " business initiatives, such as the integration of disparate information technology systems, are often more challenging and costly to implement than they would be in a more centralized environment. Depending on the nature of the problem or initiative in question, such failure could materially adversely affect our business, financial condition or results of operations. ~~18We~~ **We** are subject to various environmental, employee safety and health, and customs and export laws and regulations, which could subject us to significant liabilities and compliance expenditures. We are subject to foreign, federal, state and local environmental laws and regulations concerning air emissions, wastewater discharges, underground storage tanks and solid and hazardous waste disposal at or from our facilities. Our operations are also subject to various employee safety and health laws and regulations, including those concerning occupational injury and illness, employee exposure to hazardous materials and employee complaints. We are also subject to customs and export laws and regulations for international shipment of our products. Environmental, employee safety and health, and customs and export laws and regulations are comprehensive, complex and frequently changing. Some of these laws and regulations are subject to varying and conflicting interpretations. We are subject from time to time to administrative and / or judicial proceedings or investigations brought by private parties or governmental agencies with respect to environmental matters, employee safety and health issues or customs and export issues. Proceedings and investigations with respect to environmental matters, any employee safety and health issues or customs and export issues could result in substantial costs to us, divert our management' s attention and result in significant liabilities, fines or the suspension or interruption of our **operating** ~~service center~~ activities. Some of our current properties are located in industrial areas with histories of heavy industrial use. The location of these properties may require us to incur environmental expenditures and to establish accruals for environmental liabilities that arise from causes other than our operations. In addition, we are currently remediating contamination in connection with a certain property related to activities at former manufacturing operations of a subsidiary we acquired. Future events, such as changes in existing laws and regulations or their enforcement, new laws and regulations or the discovery of conditions not currently known to us, could result in material environmental or export compliance or remedial liabilities and costs, constrain our operations or make such operations more costly. ~~We~~ **18We** operate internationally and are subject to **changes in tax rates,** exchange rate fluctuations, exchange controls, political risks and other risks relating to international operations. ~~Six~~ **Seven** percent of our ~~2022~~ **2023** consolidated net sales were from operations outside the U. S., subjecting us to the risks of doing business on a global level. These risks include **changes in tax rates,** fluctuations in currency exchange rates, economic instability and disruptions, restrictions on the transfer of funds and the imposition of duties and tariffs. Additional risks from our multinational business include transportation delays and interruptions, war, terrorist activities, epidemics, pandemics, political instability, import and export controls, local regulation, changes in governmental policies, inflation, labor unrest and current and changing regulatory environments. International political and military conflict, such as the **war in** ~~current conflict between Russia and~~ Ukraine, ~~or~~ increasing tensions between Taiwan and China, **or evolving events in Israel and Gaza** could materially adversely affect the global economy. In addition, government policies on international trade and investment such as import quotas, tariffs, and capital controls, whether adopted by individual governments or addressed by regional trade blocs, can affect the demand for our customers' products and services. The implementation of more restrictive trade policies, such as higher tariffs or new barriers to entry, in countries in which our customers sell large quantities of products and services could negatively impact our business, results of operations and financial condition **. The Organization for Economic Cooperation and Development (" OECD ") has created a framework among 140 countries with the objective of implementing a global minimum effective tax rate of 15 %. While we do not anticipate a material impact to our effective income tax rate under these changes, as additional jurisdictions adopt this legislation and the rules continue to evolve, our effective income tax rate and income taxes paid could increase in future years** . Our operating results could be negatively affected by the global laws, rules and regulations, as well as political environments in the jurisdictions in which we operate. For example, we are subject to the FCPA, and similar worldwide anti-bribery laws in non- U. S. jurisdictions such as the United Kingdom' s Bribery Act 2010, which generally prohibit companies and their intermediaries from corruptly paying, offering to pay, or authorizing the payment of money, a gift, or anything of value, to a foreign official or foreign political party, for purposes of obtaining or retaining business. A company can be held liable under these anti- bribery laws not just for its own direct actions, but also for the actions of its foreign subsidiaries or other third parties, such as agents or distributors. In addition, we could be held liable for actions taken by employees or third parties on behalf of a company that we acquire. If we fail to comply with the requirements under these laws and **regulations** ~~other laws, we are subject to due to our international operations~~ , we may face possible civil and / or criminal penalties, which could have a material adverse effect on our business or financial ~~result19We~~ **results. We** rely on information management systems and any damage, interruption or compromise of our information technology management systems, networks or data could disrupt and harm our business. We rely upon information technology systems and networks **in connection with the operation of our business** , some of which are managed by third parties, to process, transmit ~~,~~ and store electronic information ~~in connection with the operation of our business~~ . These systems and networks may include operational technology systems that we use to operate and manage our equipment and inventory. Additionally, we collect and store data that is sensitive to our company, including proprietary business information and the personal information of our employees **, customers** or others. Operating these information technology systems and networks and processing and maintaining this data, in a secure manner, is critical to our business operations and strategy. Our information management systems and the data contained therein are vulnerable **to threats and disruption** , including interruption due to power loss, system and network failures, operator negligence and similar causes. In addition, our systems and data are susceptible to ~~security~~ **cybersecurity** incidents, such as viruses, malware, **ransomware** and other cybersecurity attacks. Cybersecurity attacks are increasing in frequency and sophistication. Cybersecurity attacks may range from random attempts to coordinated and targeted attacks, including sophisticated computer crime and advanced threats. These threats pose a risk to the security of our information technology systems and networks and the confidentiality, availability and integrity of our data. We have experienced cybersecurity events such as viruses and attacks on our IT systems. To date, none of these events has had a material impact on our operations or financial results. Despite our efforts to protect our systems, networks and data, we cannot guarantee protection from all ~~security~~ **cybersecurity** incidents, including theft, misplaced or lost data, programming errors, or employee errors that could potentially lead to the compromise of such data, improper use of our systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, defective products, production downtimes and operational ~~disruptions~~ **19disruptions** . Furthermore, data protection laws and regulations around the world often require " reasonable, " " appropriate " or " adequate " technical and organizational security measures, and the interpretation and application of those laws and regulations are often uncertain and evolving; there can be no assurance that our security measures will be deemed adequate, appropriate or reasonable by a regulator or court. Moreover, even security measures that are deemed appropriate, reasonable, and / or in accordance with applicable legal requirements may not be able to protect the information we maintain. Given the unpredictability of the timing, nature and scope of security incidents such as cybersecurity attacks or potential disruptions, we are subject to production downtimes, operational delays, other detrimental impacts on our operations or ability to provide products and services to our customers, the compromising, misappropriation, destruction or corruption of data, unauthorized access to or acquisition of data, other manipulation or improper use of our systems or networks, financial losses from remedial actions, loss of business or potential liability, and / or damage to our reputation, any of which could have a material adverse effect on our competitive position, results of operations, cash flows or financial condition. Any significant compromise of our information management systems and networks or data could impede or interrupt our business operations and may result in negative consequences including loss of revenue, fines, penalties, litigation, reputational damage, regulatory actions or increased regulatory scrutiny, inability to accurately and / or timely complete required filings with government entities including the SEC and the Internal Revenue Service, unavailability or disclosure of confidential information (including personal data), negative impact on our stock price, environmental damage, and personal injury or death. Furthermore, we may be required to expend significant attention and financial resources to protect against physical or security incidents that could result in the misappropriation of our information or the information of our employees and customers. While we have purchased cybersecurity insurance, there are no assurances that the coverage would be adequate in relation to any incurred losses. Moreover, as cyber- attacks increase in frequency and magnitude, we may be unable to obtain cybersecurity insurance in amounts and on terms we view as adequate for our operations. ~~20Our~~ -- **Our** enterprise data practices, including the collection, use, sharing, and security of the personal identifiable information of our customers, employees, or suppliers are subject to increasingly complex, restrictive, and punitive regulations in all key market regions. Various federal, state, and foreign laws and regulations as well as industry standards and contractual obligations govern the collection, use, retention, protection, disclosure, cross- border transfer, localization, sharing, and security of the data we receive from and about our customers, employees, suppliers, and other individuals. The regulatory environment for the collection and use of personal information for companies is evolving in the ~~United States~~ **U. S.** and internationally ~~. The U. S. federal government, U. S. states, and foreign governments, including those in Europe, the United Kingdom, China, Singapore, South Korea, and elsewhere have enacted (or are considering) laws and regulations that may restrict our ability to collect, use, and disclose personal information and may increase or change our obligations with respect to storing or managing our employees' personal information, as well as our customers' or suppliers' data, which may include individuals' personal information~~ . Under global data privacy and data protection regulations, the failure to maintain compliant data practices could result in consumer complaints, regulatory inquiry, civil or criminal penalties, litigation, legal liability, as well as brand impact or other harm to our business. In addition, increased consumer sensitivity to real or perceived failures in maintaining acceptable data practices could damage our reputation and deter current and potential users or customers from using our products and services. Because many of these laws are new, there is little clarity as to their interpretation, as well as a lack of precedent for the scope of enforcement ~~. The cost of compliance with these laws and regulations will be high and is likely to increase in the future. For example, in Europe, the General Data Protection Regulation applies to all of our ongoing operations in the EU as well as some of our operations outside of the EU that involve the processing of EU personal data. This regulation imposes significant potential financial penalties for noncompliance,~~

~~including fines of up to 4 % of worldwide revenue~~ . Other foreign, state and local jurisdictions have adopted and are considering adopting, laws and regulations imposing obligations regarding personal data. In some cases, these laws provide a private right of action that would allow customers to bring suit directly against us for mishandling their data or security incidents involving their personal information. **The cost of compliance with these laws and regulations will be high and is likely to increase in the future.** Our financial results may be affected by various legal and regulatory proceedings, including those involving antitrust, tax, environmental, or other matters. We are subject to a variety of litigation and legal compliance risks. These risks include, among other things, possible liability relating to product liability, personal injuries, intellectual property rights, contract- related claims, government contracts, taxes, environmental matters and compliance with U. S. and foreign laws, including competition laws and laws governing improper business practices. We or one of our subsidiaries could be charged with wrongdoing as a result of such matters. If convicted or found liable, we could be subject to significant fines, penalties, repayments, or other damages (in ~~certain~~ **20certain** cases, treble damages). As a global business, we are subject to complex laws and regulations in the U. S. and other countries in which we operate. Those laws and regulations may be interpreted in different ways. They may also change from time to time and so may their related interpretations. Changes in laws or regulations could result in higher expenses and payments, and uncertainty relating to laws or regulations may also affect how we conduct our operations and structure our investments and could limit our ability to enforce our rights. The volatility of the stock market could result in a material impairment of goodwill or indefinite- lived intangible assets. We review the recoverability of goodwill and indefinite- lived intangible assets annually or whenever significant events or changes in circumstances occur that might impair the recovery of recorded costs. Factors that may be considered a change in circumstances, indicating that the carrying value of our goodwill or indefinite- lived intangible assets may not be recoverable, include a decline in stock price and market capitalization, declines in the market conditions for our products, viability of end markets, loss of customers, reduced future cash flow estimates, and slower growth rates in our industry ~~. For example, we recognized $ 137. 5 million of impairment and restructuring charges in the first quarter of 2020 due to our reduced long- term outlook for our energy- related businesses related to declines in the energy (oil and natural gas) market~~ . If prices for the products our customers sell fall substantially or remain low for a sustained period, we may be (i) unable to realize a profit from businesses that service such customers, (ii) required to record additional impairments, or (iii) ~~21required~~ -- **required** to suspend or reorganize operations that service such customers. An impairment charge, if incurred, could be material. Our business operations and financial performance could be adversely affected by changes in our relationship with our employees or changes to U. S. or foreign employment regulations. We had approximately ~~14~~ **15** , ~~500~~ **000** employees worldwide as of December 31, ~~2022~~ **2023** . This means we have a significant exposure to changes in domestic and foreign laws governing our relationships with our employees, including wage and hour laws and regulations, fair labor standards, minimum wage requirements, overtime pay, unemployment tax rates, workers' compensation rates, citizenship requirements and payroll taxes, which likely would have a direct impact on our operating costs. A significant increase in minimum wage or overtime rates in jurisdictions where we have employees could have a significant impact on our operating costs and may require that we relocate those operations or take other steps to mitigate such increases, all of which may cause us to incur additional costs, expend resources responding to such increases and lower our profitability. We face certain risks associated with potential labor disruptions. Approximately ~~13~~ **12** % of our employees are covered by collective bargaining agreements and / or are represented by unions or workers' councils. Approximately ~~500~~ **700** employees are covered by ~~23~~ **19** different collective bargaining agreements that expire in ~~2023~~ **2024 unless renewed** . While we believe that our relations with our employees are generally good, we cannot provide assurances that we will be completely free of labor disruptions such as work stoppages, work slowdowns, union organizing campaigns, strikes, lockouts or that any existing labor disruption will be favorably resolved. We could incur additional costs and / or experience work stoppages that could adversely affect our business operations through a loss of revenue and strained relationships with customers. Risks Related to our IndebtednessOur indebtedness could impair our financial condition or cause a downgrade of our credit rating and reduce the funds available to us for other purposes and our failure to comply with the covenants contained in our debt instruments could result in an event of default that could adversely affect our operating results. We have substantial debt service obligations. As of December 31, ~~2022~~ **2023** , we had aggregate outstanding indebtedness of approximately $ 1. ~~66~~ **15** billion ~~, which was reduced to $ 1. 16 billion in January 2023 as a result of the redemption of $ 500. 0 million of senior unsecured notes~~ . This indebtedness could adversely affect us in the following ways: ● additional financing may not be available to us in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes and, if available, may be considerably more costly than our current debt **service** costs; ● a significant portion of our cash flow from operations must be dedicated to the payment of interest and principal on our debt, which reduces the funds available to us for our operations, dividends **and share repurchases** or other purposes; **21** ~~● our leverage may increase our vulnerability to economic downturns and limit our ability to withstand adverse events in our business by limiting our financial alternatives; and ● our ability to capitalize on significant business opportunities, including potential acquisitions, and to plan for, or respond to, competition and changes in our business may be limited due to our indebtedness. Our existing debt agreements contain financial and restrictive covenants that limit the total amount of debt that we may incur and may limit our ability to engage in other activities that we may believe are in our long- term best interests. Our failure to comply with these covenants may result in an event of default, which, if not cured or waived, could accelerate the maturity of our indebtedness or prevent us from accessing additional funds under our revolving credit facility. If the maturity of our indebtedness is accelerated, we may not have sufficient cash resources to satisfy our debt obligations and we may not be able to continue our operations as planned. See discussion regarding our financial covenants in the 22~~