Risk Factors Comparison 2024-02-20 to 2023-02-22 Form: 10-K

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The risks described below and in other documents we file from time to time with the SEC could materially and adversely affect our business, results of operations, cash flow, liquidity or financial condition. Although the risks are organized by headings, and each risk is discussed separately, many are interrelated. While we believe we have identified and discussed below the key risks affecting our business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect our business, results of operations, cash flow, liquidity or financial condition in the future. Readers should not interpret the disclosure of any risk factor to imply that the risk has not already materialized. ECONOMIC AND STRATEGIC RISKS Adverse changes in general business and economic conditions in the United States and worldwide may adversely affect our results of operations, cash flow, liquidity or financial condition. **We operate all over the world serving customers in more than 120 countries.** Our business ~~is~~ **, operations, and business plans and strategies are** sensitive to global and regional business and economic conditions. Adverse changes in such conditions in the United States and worldwide **have in the past impacted and** may **in the future** reduce the demand for some of our products, adversely impact our ability to predict and meet any future changes in the demand for our products, and impair the ability of those with whom we do business to satisfy their obligations to us, each of which could adversely affect our results of operations, cash flow, liquidity or financial condition. ~~Higher~~ **Changes in** inflation rates, interest rates, tax rates ~~and~~ **,** unemployment rates, ~~higher~~ labor ~~and~~ **costs,** healthcare costs, ~~recessions~~ **recessionary conditions** , ~~changing~~ **geopolitical conditions,** governmental policies, laws and regulations, business disruptions due to cybersecurity incidents, terrorist activity, armed ~~conflict~~ **conflicts and wars** (including the ongoing conflict between Russia and Ukraine **and the Israel- Hamas war**) ~~, war~~ , public health crises **,** ~~(including the COVID- 19 pandemic~~ **pandemics** ~~)~~ **, outbreaks of disease, catastrophic events** , adverse weather conditions or natural disasters (including those that may be related to climate change or otherwise), supply chain disruptions (including those caused by industry capacity constraints, labor shortages, raw material availability, and transportation and logistics delays and constraints), and other economic factors have in the past and could in the future adversely affect demand for some of our products, our ability to predict and meet any future changes in the demand for our products, the availability, delivery or cost of raw materials, our ability to adequately staff and maintain operations at affected facilities and our results of operations, cash flow, liquidity or financial condition and that of our customers, vendors and suppliers. With respect to inflation in particular, ~~we~~ **high levels of inflation impacted consumer behavior in 2023. We** expect inflationary pressure to **continue to** impact consumer **and manufacturing customer** behavior during ~~2023~~ **2024** , including in the United States ~~and Europe~~ housing ~~markets~~ - **market** ~~and~~ as a result of elevated mortgage rates **and in global industrial markets as a result of softer demand** . Any such shift in consumer **and manufacturing customer** behavior could adversely affect the demand for some of our products and our results of operations, cash flow, liquidity or financial condition. Protracted duration of economic downturns in cyclical segments of the economy may depress the demand for some of our products and adversely affect our sales, earnings, cash flow or financial condition. Portions of our business involve the sale of paint, coatings and related products to segments of the economy that are cyclical in nature, particularly segments relating to construction, housing, manufacturing and oil production, refining, storage and transportation. Our sales to these segments are affected by the levels of discretionary consumer and business spending in these segments. During economic downturns in these segments, the levels of consumer and business discretionary spending ~~may~~ **have in the past decreased. A** decrease ~~, and the recovery of these segments may lag behind the recovery of the overall economy. This decrease~~ in **consumer and business discretionary** spending ~~likely will~~ **has in the past and could in the future** reduce the demand for some of our products and ~~may~~ **has in the past and could in the future** adversely affect our sales, earnings, cash flow or financial condition. ~~In response~~ **Interest rates increased substantially in 2022 and 2023 and may continue** to ~~increasing~~ **increase** ~~inflation, the U~~ . ~~S. Federal Reserve began to raise~~ **The recent and continued combination of high** interest rates ~~in March 2022~~ and **high** ~~since then, has signaled it expects to make additional rate increases. We expect inflationary~~ --- **inflation** ~~pressure to impact~~ **impacted** consumer **and manufacturing customer** behavior during 2023, **which we expect to continue into 2024** ~~particularly in the United States and Europe housing markets and as a result of elevated mortgage rates~~ . Rising interest rates and ~~any such shift~~ **shifts** in consumer behavior **have adversely affected and** may **continue to** adversely affect the demand for new residential homes, existing home turnover and new non- residential construction. ~~A~~ **Any** worsening in these segments will reduce the demand for some of our products and may adversely impact sales, earnings and cash flow. In the U. S. construction and housing segments, we continue to see project backlogs due to contractors experiencing a shortage of skilled workers, resulting in an adverse effect on the growth rate of demand for our products. While we would typically expect to see higher demand for our products as project backlogs are reduced in the future, ~~rising~~ inflation and other economic conditions may delay a recovery in demand, which may result in the labor shortage and such other conditions adversely impacting our sales, earnings, cash flow or financial condition. ~~Public health crises, including pandemics and the measures taken by public health and governmental authorities to address them, could adversely impact our business, results of operations, cash flow, liquidity and financial condition in the future. Our business, results of operations, cash flow and financial condition were adversely affected by the COVID- 19 pandemic, including the impacts resulting from efforts by public health and governmental authorities to contain and combat the outbreak and spread of COVID- 19. The pandemic caused us to make significant changes throughout our business designed to protect the health and well- being of our employees and customers. These changes resulted in additional costs and adversely impacted our business and financial performance. We continue to evaluate the changes we have made in our business and work with public health, government and other authorities~~

~~and organizations, as necessary and appropriate, to maintain our operations and support the health and well- being of our employees, customers and their families. The pandemic also severely impacted the global economy (and continues to impact certain regional economies more than others), disrupted consumer spending and global supply chains, and created significant volatility and disruption of financial markets, all of which have adversely affected our business, including as a result of occasional, temporary disruptions and closures of some of our facilities, shifts in consumer behaviors and preferences and impacts in the demand for some of our products. Public health crises (including the COVID- 19 pandemic if current conditions were to worsen for an extended period) and the measures taken by public health and governmental authorities to address them, could adversely impact our business, results of operations, cash flow, liquidity and financial condition in the future. The extent of the impact of any public health crisis to our business will depend on numerous factors that we may not be able to predict or control, including, but not limited to: (a) the duration, severity and scope of the crisis, including the spread of new virus strains and variants; (b) rapidly- changing governmental and public health directives to address it; (c) the development, availability, effectiveness and distribution of treatments and vaccines; (d) the extent and duration of its adverse and / or volatile effects on economic and social activity, supply chain logistics, inflationary pressures, consumer confidence, discretionary spending and preferences, labor and healthcare costs, labor markets and unemployment rates; (e) our ability to sell, provide and meet the demand for our services and products; (f) any temporary reduction in our workforce or closures of our offices and facilities and our ability to adequately staff and maintain our operations; (g) the ability of our customers and suppliers to continue their operations; and (h) any impairment in value of our tangible or intangible assets which could be recorded as a result of weaker economic conditions.~~ FINANCIAL RISKS A weakening of global credit markets ~~could~~ **or changes to our credit ratings may** adversely affect our results of operations, cash flow, liquidity or financial condition. A weakening of global credit markets **has in the past and** could **in the future** adversely impact our net sales, the collection of accounts receivable, funding for working capital needs, expected cash flow generation from current and acquired businesses, access to capital and our investments, which **has in the past and** could **in the future** adversely impact our results of operations, cash flow, liquidity or financial condition. We finance a portion of our sales through trade credit. Credit markets remain tight, and some customers who require financing for their businesses have not been able to obtain, and may in the future have difficulty obtaining, necessary financing. A continuation or worsening of these conditions could limit our ability to collect our accounts receivable, which could adversely affect our results of operations, cash flow, liquidity or financial condition. We generally fund a portion of our seasonal working capital needs and obtain funding for other general corporate purposes through short- term borrowings backed by our revolving credit facility and other financing facilities. If any of the banks in these credit and financing facilities are unable to perform on their commitments, such inability could adversely impact our cash flow, liquidity or financial condition, including our ability to obtain funding for working capital needs and other general corporate purposes. Although we have available credit facilities to fund our current operating needs, we cannot be certain we will be able to replace our existing credit facilities or refinance our existing or future debt when necessary. Our cost of borrowing and ability to access the capital markets are affected not only by market conditions, but also by our debt and credit ratings assigned by the major credit rating agencies. **Rating agencies regularly evaluate our business and could downgrade our credit rating based on a number of factors, including factors beyond our control, such as general business or economic conditions.** Downgrades in these ratings likely would increase our cost of borrowing and could have an adverse effect on our access to the capital markets, including our access to the commercial paper market. An inability to access the capital markets **with the same flexibility we have now and on terms commercially acceptable to us, or at all,** could have a material adverse effect on our results of operations, cash flow, liquidity or financial condition. We have goodwill and intangible assets recorded on our **Consolidated** ~~balance~~ **Balance** ~~sheet~~ **Sheets** . We periodically evaluate the recoverability of the carrying value of our goodwill and intangible assets whenever events or changes in circumstances indicate such value may not be recoverable. An impairment assessment involves judgment as to assumptions regarding future sales and cash flow and the impact of market conditions on those assumptions. Future events **, such as the integration or rebranding of trademarks acquired in acquisitions** and changing market conditions may impact our assumptions and change our estimates of future sales and cash flow, **including our ability to track trademark specific sales and cash flow,** resulting in us incurring substantial impairment charges, which ~~would~~ **could** adversely affect our results of operations or financial condition. We hold investments in equity and debt securities in some of our defined benefit pension plans. A decrease in the value of plan assets resulting from a general financial downturn may cause a negative pension plan investment performance, which may adversely affect our results of operations, cash flow, liquidity or financial condition. We require a significant amount of cash to service the substantial amount of debt we have outstanding. Our ability to generate cash depends on many factors beyond our control. We also depend on the business of our subsidiaries to satisfy our cash needs. If we cannot generate the required cash, we may not be able to make the necessary payments required under our indebtedness. At December 31, ~~2022~~ **2023** , we had total debt of approximately $ ~~10~~ **9** . ~~570~~ **851** billion, which is ~~an~~ **a** ~~increase~~ **decrease** of $ ~~954~~ **718** . ~~7~~ **8** million since December 31, ~~2021~~ **2022** . We have the ability under our existing credit facilities to incur substantial additional indebtedness in the future. Our ability to make payments on our debt, fund ~~our~~ other liquidity needs ~~,~~ and make planned capital expenditures will depend on our ability to generate cash in the future. Our historical financial results have been, and we anticipate our future financial results will be, subject to fluctuations. Our ability to generate cash, to a certain extent, is subject to general business, economic, financial, competitive, legislative, regulatory and other factors beyond our control, including **supply chain disruptions, adverse weather conditions or natural disasters, armed conflicts and wars, changes in raw material and energy supplies,** public health crises ~~, such as the COVID- 19 pandemic, adverse weather conditions or natural disasters (including those that may be related to climate change or otherwise), supply chain disruptions, changes in raw material and energy supplies~~ and pricing and related impacts. We cannot guarantee our business will generate sufficient cash flow from our operations or future borrowings will be available to us in an amount sufficient to enable us to make payments of our debt, fund other liquidity needs and make planned capital expenditures. The degree to which we are leveraged could have important consequences for shareholders. For example, it could: • require us to dedicate a substantial portion of our cash flow from operations to the payment of debt service, reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other long- term growth initiatives and general corporate purposes; • increase our vulnerability to adverse business, economic or industry conditions; • limit our ability to obtain additional financing in the future to enable us to react to changes in our business or general business, economic or industry conditions; or • place us at a competitive disadvantage compared to businesses in our industry that have less debt. Additionally, any failure to comply with covenants in the instruments governing our debt could result in an event of default which, if not cured or waived, would have a material adverse effect on us. A significant portion of our operations are conducted through our subsidiaries. As a result, our ability to generate sufficient cash flow for our needs is dependent to some extent on the earnings of our subsidiaries and the payment of those earnings to us in the form of dividends, loans or advances and through repayment of loans or advances from us. Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on our debt or to provide us with funds to meet our cash flow needs, whether in the form of dividends, distributions, loans or other payments. Further, any payment of dividends, loans or advances by our subsidiaries could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization will be effectively subordinated to the claims of that subsidiary' s creditors, including trade creditors. Even if we are a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us. Finally, changes in the laws of foreign jurisdictions in which we operate **have in the past and** may **in the future** adversely affect the ability of some of our foreign subsidiaries to repatriate funds to us. Fluctuations in foreign currency exchange rates **and changing monetary policies** could adversely affect our results of operations, cash flow, liquidity or financial condition. Because of our international operations, we are exposed to risk associated with interest rates and value changes in foreign currencies **, including as a result of inflation, central bank monetary policies, currency controls and other exchange restrictions** , which may adversely affect our business. Historically, our reported net sales, earnings, cash flow and financial condition have been subjected to fluctuations in foreign exchange rates. Our primary exchange rate exposure is with the Euro, the **Brazilian Real, the Mexican Peso, the Canadian Dollar, the** Chinese ~~yuan~~ **Yuan** ~~, the Canadian dollar, the Brazilian real~~ , the British ~~pound~~ **Pound** , and the ~~Mexican~~ **Argentine** ~~peso~~ **Peso** , each against the U. S. ~~dollar~~ **Dollar** . While we actively manage the exposure of our foreign currency risk as part of our overall financial risk management policy, we ~~believe we~~ **have in the past and** may **in the future** experience losses from foreign currency exchange rate fluctuations, and **currency controls and restrictions, and** such losses could adversely affect our sales, earnings, cash flow, liquidity or financial condition **. Currency controls or restrictions may limit our ability to convert foreign currencies into U. S. Dollars, or to remit dividends and other payments from our subsidiaries or businesses located in or conducted within a country imposing such controls or restrictions. For example, we experienced a loss of $ 41. 8 million in 2023 as a result of the significant devaluation of the Argentine Peso in December 2023 as part of economic reforms implemented by the government of Argentina, and we may experience similar losses in the future** . OPERATIONAL RISKS Unexpected shortages and increases in the cost of raw materials and energy may adversely affect our earnings or cash flow. We purchase raw materials (including petrochemical- derived resins, latex and solvents, titanium dioxide and various additives) and energy for use in the manufacturing, distribution and sale of our products. Factors such as political instability, higher tariffs, supply chain disruptions, adverse weather conditions and natural disasters (including those that may be related to climate change or otherwise), **armed conflicts and wars,** or public health crises have **impacted** ~~disrupted,~~ and may in the future disrupt ~~,~~ the availability of raw material and fuel supplies, adversely impact our ability to meet customer demands for some of our products or adequately staff and maintain operations at affected facilities **,** and increase our costs. In addition, environmental and social regulations, including regulations related to climate change or otherwise, **have in the past and** may **in the future** negatively impact us or our suppliers in terms of availability and cost of raw materials, as well as sources and supply of energy. Although raw materials and energy supplies (including oil and natural gas) are generally available from various sources in sufficient quantities, unexpected shortages and increases in the cost of raw materials and energy, **supplier capacity constraints,** or any deterioration in our relationships with or the financial viability of our suppliers, may have an adverse effect on our earnings or cash flow **. Although we generally have a number of suppliers, in some cases we have limited or single- sources of supply. We purchase raw materials globally from sources around the world, including in the Middle East, Central and South America and other areas that may be less politically stable than other areas. Wars, armed conflicts, political instability, civil disturbances and unrest, terrorist attacks, and actions by governments in these areas (such as the ongoing conflict between Russia and Ukraine and the Israel- Hamas war and any expansion or increase in the severity and intensity of such) may decrease the supply and increase the price of raw materials that we use for our business, which could have a material adverse effect on our sales, earnings, cash flow or results of operations. For example, although we do not have significant operations in the region, the Israel- Hamas war has caused disruption, instability and volatility in supply chains and logistics, including shipping disruptions in the Red Sea and surrounding waterways** . In the event we experience supply chain disruptions from our suppliers, we may not be able to timely shift to internal production or secure alternate sources in order to prevent significant impacts to our business, or we may experience quality issues with raw materials and energy sourced from alternate sources. ~~During 2022, industry- wide shortages of alkyd resins impacted our ability to manufacture and meet the demand of some of our products, including certain stains, aerosols and industrial products.~~ If ~~these shortages continue or worsen, and~~ we are unable to offset ~~the shortages~~ **such disruptions** through internal production or alternate sources, we may experience adverse impacts to our business, including adverse effects to our earnings and cash flow. If the cost of raw materials and energy increases, we may not be able to offset higher costs in a timely manner by sufficiently decreasing our operating costs or raising the prices of our products. ~~In recent~~ **Following two** years **of historic inflation** , some raw material and energy prices ~~have increased~~ **decreased in 2023** , particularly **resins** ~~titanium dioxide~~ and **solvents derived from** petrochemical feedstock sources ~~,~~ such as propylene and ethylene ~~, as well as metal and plastic packaging~~ . **Ongoing global supply and demand dynamics drive** ~~While we have started to see a decline in some raw material prices in recent months,~~ the cost of raw materials and energy **, which** could continue to experience periods of volatility in the future and may adversely affect our earnings and cash flow. **Catastrophic events,** ~~Adverse~~ **adverse** weather conditions and natural disasters ~~,~~ **(** including those that may be related to climate change or otherwise ~~,~~ **)** may temporarily reduce the demand for some of our products, impact our ability to meet the demand for our products or cause supply chain disruptions and increased costs, and could have a negative effect on our sales, earnings or cash flow. Our business is seasonal in nature, with the second and third quarters typically generating a higher proportion of sales and earnings than other quarters. From time to time, **catastrophic events,** adverse weather conditions and natural disasters ~~,~~ **(** including those that may be related to climate change or otherwise ~~,~~ **)** **have caused business disruptions and** have had ~~or may have~~ an adverse effect on our sales, manufacture and distribution of paint, coatings and related products. **Our facilities and systems are not fully redundant and our disaster recovery planning may not be sufficient to meet business needs in the event of disruptions.** In the event **of catastrophic events,** adverse weather conditions or a natural disaster cause significant damage to any one or more of our principal manufacturing or distribution facilities, we may not be able to manufacture the products needed to meet customer demand, which could have an adverse effect on our sales of certain paint, coatings and related products. Also from time to time, the impact of these risks to our suppliers ~~have~~ **has** had or may have an adverse effect on our sales, manufacture and distribution of certain of our products. **Catastrophic events,** ~~Adverse~~ **adverse** weather conditions or natural disasters and their impacts have **in the past** resulted, and may in the future result, in industry- wide supply chain disruptions, increased raw material and other costs, and our hindered ability to manufacture the products needed to fully meet customer demand. In any of these instances, an adverse effect on sales may cause a reduction in our earnings or cash flow. Although we have an extensive customer base, the loss of any of our largest customers could adversely affect our sales, earnings or cash flow. We have a large and varied customer base due to our extensive distribution platform. During ~~2022~~ **2023** , no individual customer accounted for sales totaling more than ten percent of our sales. However, we have some customers that, individually, purchase a large amount of products from us. Although our broad distribution channels help to minimize the impact of the loss of any one customer or the loss of a significant amount of sales to any one customer, the loss of any of these large customers, or the loss of significant amount of sales to any of these large customers, could have an adverse effect on our sales, earnings or cash flow. Increased competition or failure to keep pace with developments in key competitive areas of our business may reduce our sales, earnings or cash flow performance. We face substantial competition from many international, national, regional and local competitors of various sizes in the manufacture, distribution and sale of our paint, coatings and related products. Some of our competitors operate more extensively in certain regions around the world and have greater financial or operational resources to compete internationally. **They may secure better terms from certain vendors, adopt more aggressive pricing, and devote more resources to certain product lines or parts of their business.** Other competitors are smaller and may be able to offer more specialized products. Technology, product quality **, product composition, raw material sourcing** , product innovation and development (including relating to increased customer interest in the sustainability attributes of products and our related key strategies and initiatives for expanding our product offerings), breadth of product line, technical expertise, distribution, service and price are key competitive factors for our business. Competition in any of these areas, or failure to keep pace with developments in any of these areas, may reduce our sales and adversely affect our earnings or cash flow by resulting in decreased sales volumes, reduced prices and increased costs of manufacturing, distributing and selling our products. Our results of operations, cash flow or financial condition may be negatively impacted if we do not successfully integrate past and future acquisitions into our existing operations and if the performance of the businesses we acquire do not meet our expectations. We have historically made strategic acquisitions of businesses in the paint and coatings industry and likely will acquire additional businesses in the future as part of our long- term growth strategy and initiatives. ~~During 2022, we invested $ 1. 003 billion to complete five acquisitions.~~ The success of past and future acquisitions depends in large part on our ability to integrate the operations and personnel of the acquired companies and manage challenges that may arise as a result of the acquisitions, particularly when the acquired businesses operate in new or foreign markets. In the event we do not successfully integrate such past and future acquisitions into our existing operations so as to realize the expected return on our investment, our results of operations, cash flow or financial condition could be adversely affected. ~~We may not successfully execute or achieve the expected benefits of our current business restructuring plan or other productivity initiatives we may take in the future. In the fourth quarter of 2022, we approved a business restructuring plan to simplify our operating model and portfolio of brands within the Consumer Brands Group and to reduce costs in all regions in the Consumer Brands Group, Performance Coatings Group and the Administrative segment. Key focus areas within the Consumer Brands Group include the China architectural business, aerosol portfolio and optimization of the overall retail portfolio. The majority of these restructuring actions are expected to be completed by the end of 2023. In the event we do not successfully execute on our restructuring plan or other productivity initiatives and are unable to realize expected benefits, our results of operations, cash flow or financial condition could be adversely affected. We discuss the restructuring plan in more detail in Note 4 to the Consolidated Financial Statements in Item 8.~~ Risks and uncertainties associated with our expansion into and our operations in Asia, Europe, South America and other foreign markets could adversely affect our results of operations, cash flow, liquidity or financial condition. Net ~~external~~ sales of our consolidated foreign subsidiaries totaled approximately 19. **2 %, 19.** 4 % ~~,~~ **and** 21. 2 % ~~and 19. 5 %~~ of our total consolidated ~~net~~ **Net** sales in **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. Sales outside of the United States make up a significant part of our current business and future strategic plans. Our results of operations, cash flow, liquidity or financial condition could be adversely affected by a variety of domestic and international factors, including general economic conditions, political instability, inflation rates, recessions, sanctions, tariffs, foreign currency exchange rates, foreign currency exchange controls, interest rates, foreign investment and repatriation restrictions, legal and regulatory constraints, civil unrest, armed ~~conflict~~ **conflicts and wars** (including the ongoing conflict between Russia and Ukraine **and the Israel- Hamas war**) ~~, war~~ , difficulties in staffing and managing foreign operations and other economic and political factors. In addition, public health crises ~~(including the COVID- 19 pandemic)~~ in foreign jurisdictions may temporarily reduce the demand for some of our products and adversely affect the availability and cost of raw materials ~~. During 2022, COVID- related lockdowns in China caused significant weakness in the demand for some of our products and adversely affected our sales in the region~~ . Our inability to successfully manage the risks and uncertainties relating to any of these factors could adversely affect our results of operations, cash flow, liquidity or financial condition. In many foreign countries, it is not uncommon for others to engage in certain business practices we are prohibited from engaging in because of regulations applicable to us, such as the Foreign Corrupt Practices Act and the UK Bribery Act. Recent years have seen a substantial increase in anti- bribery law enforcement activity, with more frequent and aggressive investigations and enforcement proceedings by both U. S. and non- U. S. regulators, and an increase in criminal and civil proceedings brought against companies and individuals. Although we have internal control policies and procedures designed to promote compliance with these regulations, there can be no assurance our policies and procedures will prevent a violation of these regulations. Any violation could cause an adverse effect on our results of operations, cash flow or financial condition. Policy changes affecting international trade could adversely impact the demand for our products and our competitive position. **International, national, and regional laws, regulations, and policies that have the effect of restricting global trade and markets and restricting the import and export of products, services and technology, or those of our customers, or for the benefit of favored industries or sectors, could interfere with our operations, supply chain, manufacturing costs and customer relationships and harm our business.** Due to the ~~international~~ **global** scope of our operations, changes in government policies on foreign trade and investment may affect the demand for our products and services, impact the competitive position of our products or prevent us from being able to sell products in certain countries **. Expanding export controls or limits on foreign investment, for example, can impact the global supply of raw materials. Government actions taken in connection with the United States- China trade conflict could impact business, including sales, imports and exports** . Our business benefits from free trade agreements, which may include the United States- Mexico- Canada Agreement and EU- UK Trade and Cooperation Agreement, and efforts to withdraw from, or substantially modify such agreements, in addition to **trends such as protectionism or nationalism, and** the implementation of more restrictive trade policies, such as more detailed inspections, higher tariffs, import or export licensing requirements, exchange controls or new barriers to entry, could have a material adverse effect on our results of operations, financial condition or cash flow and that of our customers, vendors and suppliers. Cybersecurity incidents and other disruptions to our information technology systems ~~could~~ **may** interfere with our operations, result in the compromise or loss of critical and confidential information and severely harm our business. We rely on information technology systems to conduct our business, including recording and processing transactions, manufacturing and selling our products, researching and developing new products, maintaining and growing our competitive position, and supporting and communicating with our employees, customers, suppliers and other vendors. These information technology systems are important to many business- critical processes including, but not limited to, production planning, manufacturing, **distribution,** finance, company operations, research and development, sales and customer service. Some of these systems are maintained or operated by third- party providers, including cloud- based systems. Cyber attacks and cybersecurity threats are increasingly sophisticated, constantly evolving and originate from many sources globally, and often cannot be recognized **or understood** until **the** ~~launched against a~~ target **has already been attacked** . Despite our efforts to prevent these threats and disruptions to our information technology systems, these systems may be affected by damage or interruption resulting from, among other causes, cyber attacks, security breaches, power outages, system failures or malware **(including but not limited to** ~~that take the form of phishing and other computer viruses,~~ ransomware ~~, worms, Trojan horses, spyware, adware, rogue software~~ and other programs that ~~act against the system user~~ **operate with malicious intent)** . These risks are expected to continue to be magnified due to the increased reliance on information technology systems to conduct our business, including those used in furtherance of supporting remote and hybrid in- office work environments and managing our global operations. Disruptions to these systems may impair our ability to conduct business and have a material adverse effect on our business, results of operations and financial condition. **While we maintain cybersecurity insurance, costs related to a cyberattack may exceed the amount of our insurance coverage or may be excluded under the terms of the policy.** As part of our business, we collect and handle sensitive and confidential information about our business, customers, employees and suppliers. Despite the security measures we have in place, our facilities and systems, and those **of** third parties ~~with which~~ we **rely on or** do business **with** , may be vulnerable to cyber attacks, security breaches, malware ~~, viruses,~~ **(including but not limited to** ransomware **and other programs that operate with malicious intent)** , power outages, system failures, acts of vandalism, human or technical errors or other similar events or disruptions. Our information, facilities and systems **and those hosted or supported by third parties on our behalf** could also be impacted by the intentional or unintentional improper conduct of our employees, vendors or others who have access to and may **mishandle or** misappropriate sensitive and confidential information. Any such event involving the misappropriation, loss or other unauthorized disclosure of information, whether impacting us or third parties ~~with which~~ we **rely on or** do business **with** , could result in losses, damage our reputation or relationships with customers and suppliers, expose us to the risks of litigation, regulatory action and liability, disrupt our operations and have a material adverse effect on our business, results of operations and financial condition. We continue to mitigate these risks in a number of ways, including through additional investment, engagement of third- party experts and consultants, improving the security of our facilities and systems (including through upgrades to our security and information technology systems), providing annual training for all employees (with more enhanced or frequent training based on role or responsibility), assessing the continued appropriateness of relevant insurance coverage and strengthening our controls and procedures to ~~monitor~~ **identify** , **detect, protect against, respond to and** mitigate ~~and respond appropriately to~~ these threats **. We and third parties we rely on or do business with have experienced**

cybersecurity attacks and incidents in the past, some of which have resulted in unauthorized access to our information and systems and other disruptions to our business operations, and we could in the future experience similar incidents . The domestic and international regulatory environment related to information security, **data** collection **and transfer, digital marketing or telemarketing,** and privacy is increasingly rigorous and complex, with new and rapidly changing requirements applicable to our business, which often require changes to our business practices. Compliance with these requirements, including the European Union' s General Data Protection Regulation, **China' s Personal Information Protection, Data Security, and Cyber Security Laws,** the California Consumer Privacy Act ~~,~~ **as amended by** the California Privacy Rights Act **, a growing number of other U. S. comprehensive state privacy laws,** and other international and domestic regulations, are costly and will result in additional costs in our efforts to continue to comply **. These laws and regulations can provide for significant penalties for non- compliance, which could result in additional costs of compliance, enforcement actions, regulatory investigations and fines, individual or class action litigation, or reputational harm. Ongoing efforts to comply with these laws also may divert management and employee attention from other business and growth initiatives** . Our ability to attract, retain, develop and progress a qualified global workforce could adversely impact our business and impair our ability to meet our strategic objectives and the needs of our customers. Our continued success depends in part on our ability to identify, attract and onboard qualified candidates with the requisite education, background, skills and experience and our ability to retain, develop, progress and engage qualified employees across our business, including our stores, fleet, manufacturing, research and development, information technology, corporate and other operations and functions. **We continue to face elevated wage rates and intense** ~~Competition~~ **competition** for talent ~~is intense, and we are facing increased wage rates and labor shortages~~ due to **the ongoing impacts of** a tightened labor market and other macroeconomic conditions. To the extent we are unable to remain competitive with our total rewards programs (which ~~includes~~ **include** compensation and benefits programs and practices), talent management strategy, inclusive workplace culture and related inclusion, diversity and equity and employee engagement strategies, initiatives, programs and practices, or if qualified candidates or employees become more difficult to attract or retain under reasonable terms, we may experience higher labor- related costs and may be unable to attract, retain, develop and progress a qualified global workforce, which could adversely affect our business and future success and impair our ability to meet our strategic objectives and the needs of our customers. **We may not achieve our strategies or expectations relating to sustainability considerations, which could expose us to potential liabilities, increased costs, reputational harm and other adverse effects on our business. We have established strategies and expectations for our business relating to certain sustainability considerations, including regarding reducing greenhouse gas emissions, increasing energy efficiency, increasing use of electricity from renewable energy sources, reducing waste and improving safety performance. These strategies and expectations reflect our current business plans and aspirations, and there is no guarantee that they will be achieved. Our ability to achieve any such strategies or expectations is subject to numerous factors and conditions, many of which are outside of our control. Examples of such factors include, but are not limited to, evolving legal, regulatory, and other standards, processes and assumptions; the pace of scientific and technological developments; increased costs; the availability of requisite suppliers, energy sources, or financing; and changes in carbon markets. Failures or delays (whether actual or perceived) in achieving our strategies or expectations related to these matters could expose us to potential liabilities, increased costs, reputational harm and other adverse effects on our business. Furthermore, many governments, regulators, investors, employees, customers, media outlets, and other stakeholders are increasingly focused on sustainability considerations relating to businesses, including climate change and greenhouse gas emissions, human capital, and inclusion and belonging. Our business may face increased scrutiny from such stakeholders and if our strategies relating to sustainability considerations do not meet stakeholder expectations and standards (including with respect to establishing science- based targets), which continue to evolve and may differ across jurisdictions in which we operate, our business, financial condition, results of operations and reputation could be adversely impacted. Similarly, our failure or perceived failure to pursue or fulfill our strategies and expectations; comply with federal, state, or international ethical, environmental, or other standards, regulations, or expectations; adhere to public statements; satisfy reporting standards; or meet evolving and varied stakeholder expectations within the timelines we announce, or at all, could have adverse operational, reputational, financial, and legal impacts.** Our business, reputation, image and brands could be damaged by negative publicity. Our reputation, image and recognized brands significantly contribute to our business and success **, as they are** ~~. Our reputation and image is~~ critical to retaining and growing our customer base and our relationships with other stakeholders. **Specifically,** ~~Our business and brands depend on~~ our ability to maintain a positive perception of us and our business, including through our seven guiding values of integrity, people, service, quality, performance, innovation, and growth **, influences our success** . Significant negative claims or publicity involving us, our business or our products, services, culture, values, strategies and practices, **including postings, articles, or comments on social media and the internet,** undermine confidence **in our Company** , and could materially damage our reputation and image, even if such claims **or publicity** are inaccurate. Damage to our reputation and image could adversely impact our ability to attract new and retain existing customers, employees and other business and stakeholder relationships ~~. Additionally~~ , ~~negative or inaccurate postings, articles, or comments on social media~~ and ~~the internet about us could generate negative publicity that could damage our business, reputation, image and brands. Damage to our business, reputation or image, or negative publicity,~~ could adversely affect the demand for some of our products and adversely affect our sales, earnings, cash flow or financial condition. Inability to protect or enforce our material trademarks and other intellectual property rights could have an adverse effect on our business. **Our competitive position and the value of our products and brands could be reduced and our business adversely affected if we are unable to maintain or adequately protect our intellectual property.** We have numerous patents, trade secrets, trademarks, trade names and know- how that are valuable to our business. Despite our efforts to protect such intellectual property and other proprietary information from unauthorized use or disclosure, third parties may attempt to disclose, obtain or use our trademarks or such other intellectual property and information without our authorization **. We also face attempts, including through cyber attacks and social engineering tactics, to gain unauthorized access to our systems for the purpose of improperly acquiring our trade secrets or confidential business information. The theft or unauthorized use or publication of our trade secrets and other confidential business information as a result of such incidents could adversely affect the value of our investment in research and development and our business** . Although we rely on the patent, trademark, trade secret and copyright laws of the United States and other countries to protect our intellectual property rights, the laws of some countries may not protect such rights to the same extent as the laws of the United States. Unauthorized use of our intellectual property by third parties, the failure of foreign countries to have laws to protect our intellectual property rights, or an inability to effectively enforce such rights in foreign countries could have an adverse effect on our business. LEGAL AND REGULATORY RISKS We are subject to a wide variety of complex ~~domestic~~ **U. S.** and ~~foreign~~ **non- U. S.** laws, rules **and regulations, as well as compliance risks related to new and existing laws** and regulations, compliance with which could **increase our costs and could** adversely affect our results of operations, cash flow or financial condition **. We maintain significant operations in the U. S. and outside of the U. S** . We are subject to a wide variety of complex ~~domestic~~ **U. S.** and ~~foreign~~ **non- U. S. federal, state and local** laws, rules and regulations, and legal compliance risks, including **laws, rules and regulations involving** securities ~~laws~~ , tax ~~laws~~ , employment and ~~pension~~ **pensions** ~~- related laws~~ , competition ~~laws~~ , **environmental,** ~~U. S. and foreign~~ export and ~~trading laws~~ **trade, intellectual property** , data privacy and cybersecurity ~~laws~~ , and ~~laws governing~~ improper business practices **, such as anti- bribery and corruption** . We are affected by new laws and regulations, and changes to existing laws and regulations, including interpretations by courts and regulators. ~~From time~~ **We are also subject** to ~~time~~ **compliance risks related to contract requirements** , **and risks that any third- party we engage to do work on our behalf might conduct business in a manner that is inconsistent with our Code of Conduct** ~~our~~ - **or** ~~Company~~ **with legal requirements. Compliance with continuously evolving U. S. and non- U. S. federal** , **state and local laws, rules, regulations and related interpretations applicable to our business, may increase our compliance costs** ~~our~~ - **or require significant capital investment, and our results of** operations ~~and~~ **could be adversely impacted if** ~~the~~ **these** ~~industries in which~~ **costs are greater than** we ~~operate may be~~ **have projected. If we are unable to comply with all of the laws, rules, regulations, and interpretations applicable to us, we could become the subject of inquiries,** ~~reviewed~~ **reviews ,** or ~~investigated~~ **investigations** by regulators, **an adverse outcome of** which could lead to enforcement actions **, the imposition of fines** or **costs, require us to suspend operations at certain facilities,** the assertion of private litigation claims and damages **, or damage to our reputation** . Although we believe we have adopted appropriate risk management and compliance programs to mitigate these risks, the global and diverse nature of our operations means compliance risks will continue to exist. **We face liability and reputational risks even if we comply with all laws and regulations.** Investigations, examinations and other proceedings, the nature and outcome of which cannot be predicted, likely will arise from time to time. These investigations, examinations and other proceedings could subject us to significant liability and require us to take significant accruals or pay significant settlements, fines and penalties, which could have a material adverse effect on our results of operations, cash flow or financial condition. **Increases in tax rates, or changes in tax laws or regulations, could increase our costs and could adversely affect our results of operations, cash flow or financial condition.** We are subject to tax laws and regulations in the ~~United States~~ **U. S.** and multiple ~~foreign~~ jurisdictions **outside of the U. S** . We are affected by changes in tax laws and regulations, as well as changes in related interpretations and other tax guidance ~~, such as the Inflation Reduction Act enacted in August 2022~~ . ~~This~~ **Economic and political conditions in the countries where we are subject to taxes, including in the U. S., have in the past and may in the future result in significant changes to tax** ~~law~~ **laws** ~~provides for~~ - **or regulations. Our effective tax rates are affected by changes in our mix of earnings in countries with different tax rates, and changes in laws, regulations and interpretations regarding deferred tax assets and liabilities** , among other things **. If our effective** ~~, a corporate alternative minimum~~ tax ~~on adjusted financial statement income and~~ **rate were to increase, that could have** an **adverse effect** ~~excise tax on corporate stock repurchases. We are continuing to evaluate the impact this new law may have~~ on our results of operations, cash flow or financial condition. In addition, **the increasingly complex global tax environment has** in **the past and may in the future result in higher compliance costs. In** the ordinary course of our business, we are subject to examinations and investigations by various tax authorities and other regulators. In addition to existing examinations and investigations, there could be additional examinations and investigations in the future, and existing examinations and investigations could be expanded. For non- income tax risks, we estimate material loss contingencies and accrue for such loss contingencies as required by U. S. generally accepted accounting principles based on our assessment of contingencies where liability is deemed probable and reasonably estimable in light of the facts and circumstances known to us at a particular point in time. Subsequent developments may affect our assessment and estimates of the loss contingency. In the event the loss contingency is ultimately determined to be significantly higher than currently accrued, the recording of the additional liability may result in a material adverse effect on our results of operations or financial condition for the annual or interim period during which such additional liability is accrued. In those cases where no accrual is recorded because it is not probable a liability has been incurred and cannot be reasonably estimated, any potential liability ultimately determined to be attributable to us may result in a material adverse effect on our results of operations, cash flow or financial condition for the annual or interim period during which such liability is accrued or paid. For income tax risks, we recognize tax benefits based on our assessment that a tax benefit has a greater than 50 % likelihood of being sustained upon ultimate settlement with the applicable taxing authority that has full knowledge of all relevant facts. For those income tax positions where we determine there is not a greater than 50 % likelihood such tax benefits will be sustained, we do not recognize a tax benefit in our financial statements. Subsequent events may cause us to change our assessment of the likelihood of sustaining a previously- recognized benefit which could result in a material adverse effect on our results of operations, cash flow or financial position for the annual or interim period during which such liability is accrued or paid. We discuss risks and uncertainties with regard to taxes in more detail in Note 21 to the

Consolidated Financial Statements in Item 8. We are required to comply with, and may become subject to additional, numerous complex and increasingly stringent domestic and foreign health, safety and environmental (including related to climate change) laws, regulations and requirements, the cost of which is likely to increase and may adversely affect our results of operations, cash flow or financial condition. Our operations are subject to various domestic and foreign health, safety and environmental laws, regulations and requirements, including those related to climate change ~~,~~ **and** chemicals registration and management ~~and the COVID- 19 pandemic~~ . These laws, regulations and requirements not only govern our current operations and products, but also may impose potential liability on us for our past operations. Increased global focus on climate change may result in the imposition of new or additional regulations or requirements applicable to, and increased financial and transition risks for, our business and industry. A number of government authorities and agencies have introduced, or are contemplating, regulatory changes to address climate change, including the regulation and disclosure of greenhouse gas emissions. The outcome of new legislation or regulation in the U. S. and other jurisdictions in which we operate may result in fees or restrictions on certain activities or materials and new or additional requirements, including to fund energy efficiency activities or renewable energy use and to disclose information regarding our greenhouse gas emissions performance, renewable energy usage and efficiency, waste generation and recycling rates, climate- related risks, opportunities and oversight and related strategies and initiatives across our global operations. Compliance with these climate change initiatives may also result in additional costs to us, including, among other things, increased production costs, additional taxes, additional investments in renewable energy use and other initiatives, reduced emission allowances or additional restrictions on production or operations. We may not be able to timely recover the cost of compliance with such new or more stringent laws and regulations, which could adversely affect our results of operations, cash flow or financial condition. Despite our efforts to timely comply with climate change initiatives, implement measures to improve our operations and execute on our related strategies and initiatives, any actual or perceived failure to comply with new or additional requirements or meet stakeholder expectations with respect to the impacts of our operations on the environment and related strategies and initiatives may result in adverse publicity, increased litigation risk, and adversely affect our business and reputation, which could adversely impact our results of operations, cash flow and financial condition. We expect health, safety and additional environmental laws, regulations and requirements to be increasingly stringent upon our industry in the future. Our costs to comply with these laws, regulations and requirements may increase as they become more stringent in the future, and these increased costs may adversely affect our results of operations, cash flow or financial condition. We are involved with environmental investigation and remediation activities at some of our currently- and formerly- owned sites, as well as a number of third- party sites, for which our ultimate liability may exceed the current amount we have accrued. We are involved with environmental investigation and remediation activities at some of our currently- and formerly- owned sites and a number of third- party sites. We accrue for estimated costs of investigation and remediation activities at these sites for which commitments or clean- up plans have been developed and when such costs can be reasonably estimated based on industry standards and professional judgment. These estimated costs are based on currently available facts regarding each site. We ~~continuously~~ **routinely** assess our potential liability for investigation and remediation activities and adjust our environmental- related accruals as information becomes available, including as a result of sites progressing through investigation and remediation- related activities, upon which more accurate costs can be reasonably estimated. Due to the uncertainties surrounding environmental investigation and remediation activities, our liability may result in costs that are significantly higher than currently accrued and may have an adverse effect on our earnings. We discuss these risks and uncertainties in more detail in the " Environmental- Related Liabilities " and " Environmental Matters " sections in Item 7 and in Note 11 to the Consolidated Financial Statements in Item 8. The nature, cost, quantity and outcome of pending and future litigation ~~, such as litigation arising from the historical manufacture and sale of lead pigments and lead- based paint,~~ could have a material adverse effect on our results of operations, cash flow, liquidity and financial condition. In the course of our business, we are subject to a variety of claims and lawsuits, including, but not limited to, litigation relating to product liability and warranty **, raw materials used in our products** , personal injury, environmental (including natural resource damages), intellectual property, commercial, contractual and antitrust claims that are inherently subject to many uncertainties regarding the possibility of a loss to us. These uncertainties will ultimately be resolved when one or more future events occur or fail to occur confirming the incurrence of a liability or the reduction of a liability. In accordance with the Contingencies Topic of the **Accounting Standards Codification (** ASC **)** , we accrue for these contingencies by a charge to income when it is both probable that one or more future events will occur confirming the fact of a loss and the amount of the loss can be reasonably estimated. In the event a loss contingency is ultimately determined to be significantly higher than currently accrued, the recording of the additional liability may result in a material impact on our results of operations, liquidity or financial condition for the annual or interim period during which such additional liability is accrued. In those cases where no accrual is recorded because it is not probable that a liability has been incurred or the amount of any such loss cannot be reasonably estimated, any potential liability ultimately determined to be attributable to us may result in a material impact on our results of operations, liquidity or financial condition for the annual or interim period during which such liability is accrued. ~~Our~~ **For example, our** past operations included the manufacture and sale of lead pigments and lead- based paints. Along with other companies, we are and have been a defendant in a number of legal proceedings, including individual personal injury actions, purported class actions and actions brought by various counties, cities, school districts and other government- related entities, arising from the manufacture and sale of lead pigments and lead- based paints. The plaintiffs' claims have been based upon various legal theories, including negligence, strict liability, breach of warranty, negligent misrepresentations and omissions, fraudulent misrepresentations and omissions, concert of action, civil conspiracy, violations of unfair trade practice and consumer protection laws, enterprise liability, market share liability, public nuisance, unjust enrichment and other theories. The plaintiffs seek various damages and relief, including personal injury and property damage, costs relating to the detection and abatement of lead- based paint from buildings, costs associated with a public education campaign, medical monitoring costs and others. We have also been a defendant in legal proceedings arising from the manufacture and sale of non- lead- based paints that seek recovery based upon various legal theories, including the failure to adequately warn of potential exposure to lead during surface preparation when using non- lead- based paint on surfaces previously painted with lead- based paint. We ~~believe the litigation brought to date is without merit or subject to meritorious defenses and~~ are vigorously defending such litigation. We expect additional lead pigment and lead- based paint litigation may be filed against us in the future asserting similar or different legal theories and seeking similar or different types of damages and relief. The Company will continue to vigorously defend against any additional lead pigment and lead- based paint litigation that may be filed, including utilizing all avenues of appeal, if necessary. ~~Notwithstanding our views on the merits, litigation~~ **Litigation** is inherently subject to many uncertainties, and we ultimately may not prevail. Adverse court rulings ~~or~~ **,** determinations of liability **, or third- party funding of litigation** , among other factors, could affect **litigation against us, including** the lead pigment and lead- based paint litigation **,** ~~against us~~ and encourage an increase in the number and nature of future claims and proceedings. **In addition,** ~~From~~ **from** time to time, various legislation and administrative regulations have been enacted, promulgated or proposed to impose obligations on present and former manufacturers of lead pigments and lead- based paints respecting asserted health concerns associated with such products or to overturn the effect of court decisions in which we and other manufacturers have been successful. **Legislation and administrative regulations also may be enacted, promulgated, or proposed to impose obligations for the manufacture or sale of other raw materials that are or were used in paints and coatings.** Due to the uncertainties involved, management is unable to predict the outcome of the ~~lead pigment and lead- based paint~~ litigation **against us** , the number or nature of possible future claims and proceedings, or the effect **of** any legislation and / or administrative regulations ~~may have on the litigation or against us~~ . Further, management cannot reasonably determine the scope or amount of the potential costs and liabilities related to such litigation, or resulting from any such legislation and regulations. Except with respect to the California public nuisance litigation, we have not accrued any amounts for such litigation because we do not believe it is probable that a loss has occurred, and we believe it is not possible to estimate the range of potential losses as there is no substantive information upon which an estimate could be based. In addition, any potential liability that may result from any changes to legislation and regulations cannot reasonably be estimated. Due to the uncertainties associated with the amount of any such liability and / or the nature of any other remedy which may be imposed in such litigation, any potential liability determined to be attributable to us arising out of such litigation may have a material adverse effect on our results of operations, cash flow, liquidity or financial condition. We discuss the risks and uncertainties related to litigation, including the lead pigment and lead- based paint litigation, in more detail in Note 12 to the Consolidated Financial Statements in Item 8. ~~14~~ **15**