Risk Factors Comparison 2024-02-20 to 2023-02-21 Form: 10-K

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The following factors, among others, could cause our actual results to differ materially from the forward- looking statements we make. All forward- looking statements attributable to us or persons working on our behalf are expressly qualified by the following factors. This information should be read in conjunction with Item 7, " Management' s Discussion and Analysis of Financial Condition and Results of Operations ", Item 7A, " Quantitative and Qualitative Disclosures about Market Risks " and the consolidated financial statements and related notes included in this Form 10- K. Risks Related to the Global Macroeconomic Environment and Our International Operations Adverse conditions in the global economy and disruptions of financial and commodities markets could negatively impact us and our customers. Our results of operations are affected by the level of business activity of our customers, which in turn is affected by global economic conditions and market factors impacting the industries and markets that they serve. Certain global economies and the financial and commodities markets continue to experience significant uncertainty and volatility. Adverse economic conditions, disruptions in financial markets or lack of liquidity in these markets, particularly in North America, including those caused by political risk or instability, may adversely affect our revenues and operating results. Disruptions in financial markets can cause increases in interest rates and borrowing costs. Economic and financial market conditions may also affect the availability or the cost of financing for projects and for our customers' capital or other expenditures, which can result in project delays or cancellations and thus affect demand for our products. There can be no assurance that any governmental responses to economic conditions or disruptions in the financial markets ultimately will stabilize the markets or increase our customers' liquidity or the availability of credit for us or our customers. Although no single customer accounts for more than 2 % of our sales, a payment default by one of our larger customers could have a negative short- term impact on earnings or liquidity. A financial or industry downturn could have an adverse effect on the collectability of our accounts receivable, which could result in longer payment cycles, increased collection costs and defaults, and limit our ability to borrow additional funds. Should one or more of our larger customers declare bankruptcy, it could adversely affect the collectability of our accounts receivable, along with credit loss reserves and net income. In addition, our ability to access the capital markets may be restricted at a time when we would like, or need, to do so. The economic, political and financial environment may also affect our business and financial condition in ways that we currently cannot predict. **The** Russia **-** ~~' s recent invasion of~~ Ukraine ~~,~~ and ~~the~~ **Middle East conflicts, and** resulting international ~~response~~ **responses** , have contributed to further volatility and uncertainty in the global financial and commodities markets, resulting in ~~higher~~ **fluctuations in** oil and commodity prices. There can be no assurance that economic and political instability, both domestically and internationally (for example, resulting from the Russia- Ukraine **or Middle East** ~~conflict~~ **conflicts** , changes in the creditworthiness of **the U. S. or** any government, changes to economic or trade policies, sanctions, tariffs or participation in trade agreements or economic and political unions) will not adversely affect our results of operations, cash flows or financial position in the future. Our global operations expose us to political, economic, legal, currency and other risks. We operate a network of ~~approximately~~ **nearly** 800 branches, warehouses and sales offices with operations in **approximately** ~~more than~~ 50 countries. Approximately one- third of our employee population are non- U. S. employees. We derive approximately 26 % of our revenues from sales outside of the U. S. As a result, we are subject to additional risks associated with owning and operating businesses in these foreign markets and jurisdictions. Operating in the global marketplace exposes us to a number of risks including: • geopolitical and security issues, including armed conflict and civil or military unrest (such as the **evolving** ~~conflict resulting from~~ Russia **-** ~~' s invasion of~~ Ukraine **and Middle East conflicts**), political instability, terrorist activity and human rights concerns; • natural disasters (including as a result of climate change) and public health crises (including pandemics such as COVID- 19), and other catastrophic events; • global supply chain disruptions and large- scale outages or inefficient provision of services from utilities, transportation, data hosting, or telecommunications providers; • abrupt changes in government policies, laws, regulations or treaties, including imposition of export, import, or doing- business regulations, trade sanctions, embargoes or other trade restrictions (such as sanctions and other restrictions imposed against Russia in response to **the** Russia **-** ~~' s invasion of~~ Ukraine **conflict** , as well as those against China to mitigate the potential U. S. national security concerns related to critical infrastructure and technology); • tax or tariff increases; • government restrictions on, or nationalization of, our operations in any country; • changes in labor conditions and difficulties in staffing and managing international operations, including logistical and communication challenges; • ~~restrictions on~~ **monetary policy of the countries where we operate and related** currency ~~movement~~ **exchange rate fluctuations** ; • challenges in protecting our IP rights in certain countries; • local business and cultural factors that differ from our current standards and practices; • continuing uncertainty regarding social, political, immigration, and tax and trade policies in the U. S. and abroad; ~~• currency exchange rate fluctuations;~~ and • other social, political and economic instability, including recessions and other economic crises in other regions. In ~~February 2022,~~ **response to the** ~~Russian~~ - **Russia-** ~~forces invaded~~ Ukraine **conflict** ~~. In response~~ , the United States, the European Union and other governments throughout the world imposed broad economic sanctions and other restrictions against Russia and Russian interests. **In October 2023, Hamas militants attacked Israel, leading Israel to respond with air strikes and a major ground operation in Gaza.** To the extent the ~~conflict between~~ Russia ~~and~~ **-** Ukraine **and Middle East conflicts** ~~escalates~~ - **escalate** or ~~is~~ **are** further prolonged, it may have the effect of heightening many of the risks described above or elsewhere in these ~~Risk~~ **risk** ~~Factors~~ **factors** . Our business and operations have been and ~~will~~ **may** continue to be adversely affected by the COVID- 19 pandemic, and the duration and extent to which ~~it~~ **COVID variants or other pandemics** will affect our business, financial condition, results of operations, cash flows, liquidity, and stock price remains uncertain. The global COVID- 19 pandemic ~~has~~

created significant disruption to the broader economies, financial markets, workforces, business environment and supply chains, as well as to our suppliers and customers. Beginning in 2020, the pandemic ~~has~~ caused significant disruptions to our business due to, among other things, disruptions to our suppliers and global supply chain, labor shortages, transportation disruptions, travel restrictions, the impact on our customers and their demand for our products and services and ability to pay for them, as well as temporary closures of facilities. Some of the actions we have taken in response to the COVID- 19 pandemic, such as implementing remote working arrangements, may also create increased vulnerability to cybersecurity incidents and other risks. ~~The duration~~ **Remote working arrangements** and ~~severity of~~ the ~~COVID- 19 pandemic remains uncertain and cannot be predicted~~ **decrease in commercial office occupancy rates may adversely affect sectors of the economy or the bank or financial markets, which may affect our customers or lenders, or may increase market volatility** . The full extent to which ~~the~~ **new COVID variants or new** ~~pandemic~~ **pandemics may** ~~will continue to~~ impact our business, results of operations, and financial condition depends on many evolving factors and future developments for which there remains significant uncertainty ~~, such as possible resurgences of the virus, including new variants~~ ; the availability, effectiveness and public acceptance of treatments or vaccines (including boosters); the impact of the imposition of governmental actions; and the impact of ~~the pandemic~~ **pandemics** on the global supply chain and the broader economy and capital markets, as well as the matters noted above. In addition, ~~the~~ COVID ~~- 19~~ **variants and other** ~~pandemic~~ **pandemics** may ~~continue to~~ adversely affect many of our suppliers' and customers' businesses and operations, including the ability of our suppliers to manufacture or obtain the products we sell or to meet delivery requirements and commitments, and our customers' demand for our products and services and the ability to pay for them, all of which could adversely affect our sales and results of operations. **We may not** ~~Due to the uncertainty of COVID- 19, we will continue to assess the situation, including the impact of governmental regulations or restrictions that might~~ be ~~imposed or re- imposed in response to the pandemic. If we are unable~~ -- **able** to appropriately respond to or manage the impact of these events, ~~our business~~ and **any** ~~results of operations may be adversely affected. In addition, the impact of COVID- 19 on macroeconomic conditions has adversely affected and may continue to affect the functioning of financial and capital markets, foreign currency exchange rates, commodity and energy prices, and interest rates. The long- term financial and economic impacts of the COVID- 19 pandemic may continue for a significant period and cannot be reliably quantified or estimated at this time due to the uncertainty of these future developments. Any~~ of these events could materially adversely affect our business, financial condition, results of operations, cash flows, liquidity and stock price. We are subject to various laws and regulations globally and any failure to comply could adversely affect our business. We are subject to a broad range of laws and regulations in the jurisdictions where we operate globally, including, among others, those relating to data privacy and protection, cyber security, import and export requirements, anti- bribery and corruption, product compliance, supplier regulations regarding the sources of supplies or products, **sustainability and** environmental protection, health and safety requirements, intellectual property, foreign exchange controls and cash repatriation restrictions, labor and employment, **human rights,** e- commerce, advertising and marketing, anti- competition **, artificial intelligence** and tax. Compliance with these domestic and foreign laws, regulations and requirements may be burdensome, increasing our cost of compliance and doing business. In addition, as a supplier to federal, state, and local government agencies, we must comply with certain laws and regulations relating specifically to our governmental contracts. Although we have implemented policies and procedures designed to facilitate compliance with ~~these~~ **various** laws, we cannot assure you that our employees, contractors, or agents will not violate such laws and regulations, or our policies and procedures. Any such violations could result in the imposition of fines and penalties, damage to our reputation, and, in the case of laws and regulations relating to governmental contracts, the loss of those contracts. Fluctuations in foreign currency have an effect on our results from operations. The results of certain of our foreign operations are reported in the local currency and then translated into U. S. dollars at the applicable exchange rates for inclusion in our consolidated financial statements. The exchange rates between some of these currencies and the U. S. dollar have fluctuated significantly in recent years **(particularly the Argentine Peso and the Egyptian Pound)** , and may continue to do so in the future. We may incur losses related to foreign currency fluctuations, and foreign exchange controls may prevent us from repatriating cash in countries outside the U. S. In addition, because our financial statements are stated in U. S. dollars, such fluctuations may also affect the comparability of our results between financial periods. Risks Related to Our ~~Acquisitions, Divestitures and~~ Strategic Initiatives **and Acquisitions** Expansion into new business activities, industries, product lines or geographic areas could subject the ~~company~~ **Company** to increased costs and risks and may not achieve the intended results. We have invested significantly in expanding our **digital solutions and** digitalization initiatives, including but not limited to, e-commerce capabilities ~~and~~ **, enhancing the** online customer experience **, software as a service (SaaS), internet of things (IoT) technology, electrification, automation, grid modernization, security, smart building technology and advisory services** . If our efforts to expand our digital and service capabilities are not successful, we may not realize the return on our investments as anticipated, or our operating results could be adversely affected by slower than expected sales growth or additional costs. Furthermore, engaging in or significantly expanding business activities in product sourcing, sales and services could subject the ~~company~~ **Company** to unexpected costs and risks. Such activities could subject us to increased operating costs, product liability, regulatory requirements and reputational risks. Our expansion into new and existing markets, including manufacturing related or regulated businesses, may present competitive distribution and regulatory challenges that differ from current ones. We may be less familiar with the target customers and may face different or additional risks, as well as increased or unexpected costs, compared to existing operations. Growth into new markets may also bring us into direct competition with companies with whom we have little or no past experience as competitors. To the extent we are reliant upon expansion into new geographic, industry and product markets for growth and do not meet the new challenges posed by such expansion, our future sales growth could be negatively impacted, our operating costs could increase, and our business operations and financial results could be negatively affected. **Our strategic and operational initiatives, including our digital transformation initiatives, are subject to various risks and uncertainties, and we may be unable to implement the initiatives successfully. We are engaged in a number of**

strategic and operational initiatives, including our digital transformation initiatives, designed to optimize costs and improve operational efficiency. Our ability to successfully execute these initiatives is subject to various risks and uncertainties and there can be no assurance regarding the timing of or extent to which we will realize the anticipated benefits, if at all. We may not be able to fully realize the anticipated benefits and cost savings of **mergers and acquisitions. In 2020, we completed** our merger with Anixter **and in** ~~. On June 22, 2020~~ **2022**, we completed ~~our merger with Anixter (~~ **the acquisition of Rahi Systems. We consider and may pursue** ~~the~~ **other** ~~" Merger")~~ **acquisitions on an on- going basis**. The success of ~~the~~ **these** ~~Merger~~ **and future acquisitions**, including anticipated benefits and cost savings, depends on the successful combination and integration of the companies' businesses. It is possible that the integration process **of an acquired business** could result in the loss of key employees, higher than expected costs, diversion of management attention, the disruption of either company' s ongoing legacy businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ~~combined company~~ **Company**' s ability to maintain relationships with customers, suppliers and employees or to achieve the anticipated benefits and cost savings of the ~~Merger~~ **transaction**. We have incurred, and expect to continue to incur, a number of non- recurring costs associated with ~~the Merger~~ **recent acquisitions** and **related integration activities** ~~combining the operations of the two companies~~. This includes transaction fees and expenses related to formulating and implementing integration plans, including facilities, systems consolidation and employment- related costs. We continue to assess the magnitude of these costs, and additional unanticipated costs may be incurred in the integration of the ~~two~~ **acquired** companies' businesses. Although we ~~expect~~ **anticipate** that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, should allow us to offset integration- related costs over time, this net benefit may not be achieved in the near term, or at all. If we experience difficulties with the integration process, the anticipated benefits of ~~the~~ **recent or future** ~~Merger~~ **mergers or acquisitions** may not be realized or may take longer to realize than expected. These integration matters could have an adverse effect on us for an undetermined period ~~. In addition, the actual cost savings of the Merger could be less than anticipated. Our strategic and operational initiatives are subject to various risks and uncertainties, and we may be unable to implement the initiatives successfully. We are engaged in a number of strategic and operational initiatives designed to optimize costs and improve operational efficiency. Our ability to successfully execute these initiatives is subject to various risks and uncertainties and there can be no assurance regarding the timing of or extent to which we will realize the anticipated benefits, if at all~~. Any future acquisitions that we may undertake will involve a number of inherent risks, any of which could cause us not to realize the anticipated benefits. We have expanded our operations through organic growth and selected acquisitions of businesses and assets, such as our acquisition of Rahi Systems in 2022, and may seek to do so in the future. Acquisitions involve various inherent risks, including: problems that could arise from the integration of the acquired business; uncertainties in assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates; the potential loss of key employees of an acquired business; the ability to achieve identified operating and financial synergies anticipated to result from an acquisition or other transaction; unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition or other transaction rationale; and expansion into new countries or geographic markets where we may be less familiar with operating requirements, target customers and regulatory compliance. Any one or more of these factors could increase our costs or cause us not to realize the benefits anticipated to result from the acquisition of a business or assets. Risks Related to Our Information Systems and Technology and Intellectual Property Any significant disruption or failure of our information systems could lead to interruptions in our operations, which may materially adversely affect our business operations, financial condition, and results of operations. We operate a number of facilities and we coordinate company activities, including information technology systems ~~and~~ **,** administrative services **,** and ~~the like~~ **similar systems**, through our headquarters operations. We rely on the proper functioning and availability of our information systems to successfully operate our business, including managing inventory, processing customer orders, shipping products, providing service to customers, maintaining customer and supplier information, and compiling financial results. Our operations depend on our ability to maintain existing systems and implement new technology, which includes allocating sufficient resources to ~~periodically~~ upgrade our information technology systems, and to protect our equipment and the information stored in our databases against both ~~manmade~~ **man- made** and natural disasters (including those as a result of climate change), as well as power losses, computer and telecommunications failures, technological breakdowns, unauthorized intrusions, cyber- attacks, and other events. Further, many of the products and services we provide to customers rely on information technology to transmit and store data in ~~both~~ Company **, cloud- based** and third- party systems. Even where Company- managed information systems remain fully operational, a failure by a third- party' s systems or procedures could have negative effects on our operations. Any significant or prolonged unavailability or failure of critical information systems could materially impair our ability to maintain proper levels of inventories, process orders, meet the demands of our customers and suppliers in a timely manner, and other harmful effects **on our business operations, which could negatively affect our financial results**. We **may not be able to realize the anticipated benefits and cost savings of our digital transformation initiatives or enhancing existing, and deploying new, technology, digital products and information systems in our operations. We are executing our digital transformation strategy and** seek to continually enhance ~~our~~ **existing and deploy new technology, digital products and** information systems ~~, and~~ **as a part of our technology- enablement strategy.** ~~such~~ **Such** changes could ~~potentially~~ **fail to realize anticipated benefits,** create ~~a~~ **new liability or** ~~disruption~~ --- **disrupt** ~~or failure of~~ our existing information ~~technology~~ **systems or other aspects of our operations**. Conversions to new information technology systems may result in cost overruns, delays or business interruptions. ~~Additionally, efforts~~ **Efforts** to align portions of our business on common **enterprise** platforms, systems and processes could result in unforeseen interruptions, increased costs or liability, and other negative effects. **Sales enablement initiatives that improve data analytics and automate, optimize, digitize or outsource tasks could result in unforeseen consequences, including our ability to process orders, receive and ship products, maintain inventories, collect accounts receivable and pay expenses, therefore impacting our results of**

operations. Additionally, exploring and deploying use cases for artificial intelligence, generative artificial intelligence and large language models to empower our employees and streamline our operations may introduce new risks such as biased output, inaccurate output, security vulnerabilities and increased stakeholder or regulatory scrutiny, which could impact the integrity of our business processes, expose us to litigation or fines, or erode the trust of our stakeholders. If our ~~information~~ technology systems are disrupted, become obsolete or do not adequately support our strategic, operational or compliance needs, **or if the controls placed over the use of new and existing technology prove inadequate,** it could result in a competitive disadvantage or adversely affect our business operations ~~and~~ **, reputation or** financial condition **. Our business depends on cloud- based services operated by various third- party service providers** , **and any disruption in or interference with our use of these services could have adverse effects on our business, operational results, and financial condition. We rely heavily on cloud- based services, systems and networks operated or supported by various third- party service providers to operate critical business systems, to process, transmit and store information, and to conduct our business activities and transactions with employees, customers, vendors and other third parties. Our utilization of these cloud- based services and systems will increase as we continue to implement our digital transformation initiatives. This reliance makes us vulnerable to service malfunctions, interruptions, or outages caused by technical failures, natural disasters, or cybersecurity and other security breaches. Such disruptions can adversely impact our operations as well as our ability to serve our customers, diminishing customer satisfaction and potentially damaging our business reputation. Moreover, we have limited control over these third- party providers and the need to manage multiple external service providers increases operational complexity. If any of our cloud service providers do not perform effectively, or if we fail to adequately monitor their performance (** including **their failure to comply with service- level agreements or regulatory requirements), we could incur additional expenses to remediate errors made by such providers, or could be subject to litigation, claims or regulatory investigations and actions. In addition, our third- party service providers might unilaterally discontinue or limit our access to services, increase pricing, alter service terms, or seek to terminate their contractual relationship with us, negatively affecting our operations. The failure to maintain our relationships or renew our contracts with cloud service providers on commercially favorable terms could pose serious challenges to our business. Although we could seek alternative providers, we may incur significant costs in connection with the transition or experience operational disruptions. In light of these factors, the cumulative impact of such issues, whether service disruptions, regulatory challenges, litigation or remediation costs, reputational harm, or cost escalations, could pose substantial risks to our operational efficiency and** our ability to **meet** ~~process orders, receive and ship products, maintain inventories, collect accounts receivable and pay expenses, therefore impacting~~ our **strategic objectives, thereby potentially leading to material adverse effects on our overall business performance and financial** results ~~of operations~~ . We may experience a failure in or breach of our information security systems, or those of our third- party product suppliers or service providers, as a result of cyber- attacks or information security breaches. Because we rely heavily on information technology both in serving our customers and in our enterprise infrastructure in order to achieve our objectives, we may be vulnerable to damage or intrusion from a variety of cyber- attacks, including computer viruses **, ransomware** , worms or other malicious software programs that seek to gain to access our systems and networks, or those of our third- party service providers. Additionally, third parties may fraudulently attempt to induce employees or customers into disclosing sensitive information such as user names, passwords and other information in order to gain access to our customers' data or our data, including our intellectual property and other confidential business information, or our information technology systems. Information technology security threats to our systems, networks and data have dramatically increased in recent years due **to** the proliferation of new technologies and the increased sophistication and activities of perpetrators. We have seen, and will continue to see, industry- wide vulnerabilities, which could cause widespread disruptions to our or other parties' systems. In addition, the risk of retaliatory cyber- attacks has increased as a result of geopolitical conflicts, including **the Middle East and** Russia **-** ~~'s invasion of~~ Ukraine **conflicts** . These threats and vulnerabilities pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our proprietary and confidential information. Although we actively manage information technology security risks within our control and continually seek to enhance our controls and processes designed to protect our systems, computers, networks and data, there can be no assurance that such actions will be sufficient to mitigate all potential risks. As cyber threats continue to evolve, we may be required to expend additional resources to continue to enhance our information security measures and remediate any information security vulnerabilities. Despite the precautions we take to mitigate the risks of such events, an attack on our enterprise information technology system, or those of third parties with which we do business, could result in theft or unauthorized disclosure of our proprietary or confidential information or a breach of confidential customer, supplier or employee information. Such events could impair our ability to conduct our operations or cause disruptions to our supply chain, which could have an adverse impact on revenue and harm our reputation. Additionally, such an event could expose us to regulatory sanctions or penalties, lawsuits or other legal action or cause us to incur legal liabilities and costs, which could be significant, in order to address and remediate the effects of an attack and related security concerns. The insurance coverage we maintain may be inadequate to cover claims or liabilities relating to a cybersecurity attack. In addition, the legal and regulatory environment surrounding information security and privacy in the U. S. and international jurisdictions is constantly evolving **and additional laws and regulations regarding artificial intelligence are being considered and implemented** . Violation or non- compliance with any of these laws or regulations, contractual requirements relating to data security and privacy, or our own privacy and security policies, either intentionally or unintentionally, or through the acts of intermediaries could have a material adverse effect on our brand, reputation, business, financial condition and results of operations, as well as subject us to significant fines, litigation losses, third- party damages and other liabilities. We could incur significant and unexpected costs in our efforts to successfully avoid, manage, defend and litigate intellectual property matters. We rely on certain trademarks, patents, trade secrets, copyrights, and other intellectual property, and are continuing to develop intellectual property in connection with the digital transformation of our business and operations. We cannot be certain that others have not or will not infringe upon our intellectual property **, or that in- house or third- party solutions, including the output of large language models, will not potentially infringe upon the intellectual property rights of others** . Intellectual property litigation could be costly and time consuming, and we could incur significant legal expenses pursuing these claims against others. From time to time, we may receive notices from third parties that allege intellectual property infringement. Any dispute or litigation involving intellectual property could be costly and time- consuming due to its complexity and uncertainty. Our intellectual property portfolio may not be useful in asserting a counterclaim or negotiating a license in response to a claim of infringement or misappropriation. In addition, as a result of such claims, we may lose our rights to utilize critical technology or may be required to pay substantial damages or license fees with respect to infringed rights or be required to redesign or restructure our products or services at a substantial cost, any of which could negatively impact our operating results. Risks Related to Our Industry, Markets and Business Operations Loss of key suppliers could decrease sales, profit margins and earnings. Most of our agreements with suppliers are terminable by either party on 60 days' notice or less for any reason. We currently source products from thousands of suppliers. However, our 10 largest suppliers in ~~2022~~ **2023** accounted for approximately ~~28~~ **27** % of our purchases by dollar volume for the period. The loss of, or a substantial decrease in the availability of, products from any of these suppliers, a supplier' s change in sales strategy to reduce its reliance on distribution channels, the loss of key preferred supplier agreements, or disruptions in a key supplier' s operations could have a material adverse effect on our business. Although we believe our relationships with our key suppliers are good, they could change their strategies as a result of a change in control, expansion of their direct sales force, changes in the marketplace or other factors beyond our control, including a key supplier becoming financially distressed **which could materially affect our supply chain, increase our costs or disrupt our ability to deliver products to our customers in a timely and cost- effective manner** . We have been and may continue to be adversely affected by supply chain challenges, including product shortages, delays and price increases, which could decrease sales, profit margins and earnings. Supply interruptions could arise from shortages of raw materials, effects of economic, political or financial market conditions on a supplier' s operations, labor disputes or weather conditions affecting products or shipments, transportation disruptions, natural disasters, outbreaks of disease, information system disruptions or other reasons beyond our control. ~~In 2022~~ **Since the start of the COVID- 19 pandemic** , our industry and the broader economy ~~continued to experience~~ **experienced** supply chain challenges, including shortages in raw materials and components, labor shortages and transportation constraints, leading to product delays, backlogged orders **, increased transportation cost** and longer lead times. **In 2023** ~~Russia' s invasion of Ukraine~~ , **we saw varying degrees of** ~~and the related sanctions imposed against Russia and Russian interests, have further disrupted global~~ supply ~~chains~~ - **chain improvements, with manufacturers adjusting their production footprints through diversification, reshoring, nearshoring** and ~~exacerbated existing~~ **other strategies designed at mitigating supply chain risks, alongside continued volatility in the availability of certain raw** ~~material~~ **materials , components** and ~~product~~ **products** ~~shortages, inflationary cost pressures, and logistics and capacity constraints~~ . While we continue to aggressively and proactively manage ~~these~~ supply chain ~~issues~~ **developments** , we have experienced, and may continue to experience, some delays in receiving products from our suppliers. We cannot be certain that particular products will be available to us, or available in quantities sufficient to meet customer demand. ~~Continued~~ **Any** product shortages and delays could impair our ability to make scheduled deliveries to our customers in a timely manner and cause us to be at a competitive disadvantage. ~~The product~~ **Product** shortages and delays in deliveries, along with other factors such as price inflation and higher transportation costs, ~~have~~ **could** ~~resulted~~ -- **result** in price increases from our suppliers. We may be unable to pass these price increases on to our customers, which could erode our profit margins. ~~These supply~~ **Supply** chain constraints, increased product costs and inflationary pressures could continue or escalate in the future, for example if the Russia- Ukraine **, Middle East** and other geopolitical conflicts escalate or are further prolonged, which would have an adverse impact on our business and results of operations. We conducted a climate risk assessment in 2022 aligned to the Task Force on Climate- Related Financial Disclosures (“ TCFD ”) to determine the materiality of climate- related risks to our business. The effects of global climate change could increase the frequency and intensity of natural disasters or extreme weather conditions, such as tropical storms, severe winter weather, drought, flooding, heat waves, wildfires and rising sea levels, which could cause or exacerbate supply chain interruptions. For example, some of our customers’, suppliers’ and our operations are in water- stressed regions or areas prone to flooding or wildfires, and our facilities depend on power grids that may be impacted by severe weather. With global climate change increasing the frequency and severity of such events, it is possible that we could face greater climate- related risks in the future, which could result in temporary or prolonged interruptions in operations, increase our operating costs and capital expenditures, and reduce revenue and profitability. The profitability of our business is also dependent upon the efficiency of our supply chain. An inefficient or ineffective supply chain strategy or operations could increase operational costs, decrease sales, profit margins and earnings, which could adversely affect our business. Product cost fluctuations could decrease sales, profit margins and earnings. Some of our products, such as wire and conduit, are commodity price based products and may be subject to significant price fluctuations which are beyond our control. Recently, we have experienced ~~increases~~ **fluctuations** in commodity costs, as well as in the costs of raw materials and components generally, as a result of global ~~shortages~~ **economic conditions** and other ~~macroeconomic~~ trends. ~~Continued increases~~ **Increases** in these costs could erode our profit margin and negatively impact our results of operations to the extent we are unable to successfully mitigate and offset the impact of these costs. While increases in the cost of energy or products could have adverse effects, decreases in those costs, particularly if severe, could also adversely impact us by creating deflation in selling prices, which could cause our profit margin to deteriorate. Fluctuations in energy or raw materials costs can also adversely affect our customers **. Challenges in managing working capital and inventory in response to evolving customer demands, supply chain disruptions, and market fluctuations could significantly impact our cash flow, profit margins, and overall business performance. Our ability to manage our working capital, including our inventory position, as well as efficiently**

managing our receivables and payables, is important to the successful operation of our business and resulting cash flow, and if we do not manage our working capital adequately, it can affect our cash flows, results of operations, and financial performance. Evolving customer demand patterns and supply chain disruptions may require rapid adjustments in inventory management strategies. Additionally, our business may continue to adjust the proportion of direct ship sales versus stock sales. An increase in direct ship sales could negatively impact product margins and other financial metrics, while an increase in stock sales could negatively impact inventory carrying costs and free cash flow, either of which could have a negative impact on our business and financial performance. Furthermore, fluctuations in foreign exchange rates, particularly in international markets, combined with varying interest rates, can significantly affect the cost of inventory, the value of receivables, and the cost of debt, thereby impacting our working capital efficiency, ability to fund growth initiatives and overall financial stability . A decline in project volume could adversely affect our sales and earnings. While much of our sales and earnings are generated by comparatively smaller and more frequent orders, the fulfillment of large orders for large capital projects generates significant sales and earnings. Accordingly, our results of operations can fluctuate depending on whether and when large project awards occur and the commencement and progress of work under large contracts already awarded. The awarding and timing of projects is unpredictable and depends on many factors outside of our control. Project awards often involve complex and lengthy negotiations and competitive bidding processes. These processes can be impacted by a wide range of factors including a customer' s decision to not proceed with a project or its inability to obtain necessary governmental approvals or financing, commodity prices, and overall market and economic conditions. Slow macro- economic growth rates, difficult credit market conditions for our customers, weak demand for our customers' products or other customer spending constraints can result in project delays or cancellations. In addition, some our competitors may also be more willing to take greater or unusual risks or include terms and conditions in a contract that we might not deem acceptable. We have risks associated with the sale of nonconforming products and services. Historically, we have experienced a small number of cases in which our vendors supplied us with products that did not conform to the agreed upon specifications without our knowledge. Additionally, we may inadvertently sell a product not suitable for a customer' s application. We address this risk through our quality control processes, by seeking to limit liability and our warranty in our customer contracts, and by obtaining indemnification rights from vendors. However, there can be no assurance that we will be able to include protective provisions in all of our contracts or that vendors will have the financial capability to fulfill their indemnification obligations to us. Disruptions to our logistics capability **, or our failure to effectively manage supply chain logistics during periods of disruption,** may have an adverse impact on our operations. Our global logistics services are operated through distribution centers around the world. An interruption of operations at any of our distribution centers could have a material adverse effect on the operations of branches served by the affected distribution center. Such disaster related risks and effects are not predictable with certainty and, although they typically can be mitigated, they cannot be eliminated. We seek to mitigate our exposures to disaster events in a number of ways. For example, where feasible, we design the configuration of our facilities to reduce the consequences of disasters. We also maintain insurance for our facilities against casualties, and we evaluate our risks and develop contingency plans for dealing with them. **Disruptions to our logistics capability or supply chain may have an adverse impact on ability to serve our customers, based on factors such as a lack of depth and breadth in the suppliers we do business with, failure to utilize and optimize warehouse space availability in key markets, failure to achieve network optimization and last mile solutions, and failure to improve our supply chain resiliency through technological improvements.** Although we have reviewed and analyzed a broad range of risks applicable to our business, the ~~ones~~ **risks** that ~~actually~~ **most significantly** affect us may not be those that we have concluded are most likely to occur. Furthermore, although our reviews have led to more systematic **business continuity and** contingency planning, our plans are in varying stages of development and execution, such that they may not be adequate at the time of occurrence for the magnitude of any particular disaster event that we may encounter. We also depend on transportation service providers for the delivery of products to our customers. Any significant interruption or disruption in service at one or more of our distribution centers due to severe weather or natural disasters (including as a result of climate change), information technology upgrades, operating issues, disruptions to our transportation network, public heath crises, pandemics **,** or other unanticipated events, could impair our ability to obtain or deliver inventory in a timely manner, **increase transportation costs,** cause cancellations or delays in shipments to customers or otherwise disrupt our normal business operations. ~~The COVID~~ **Our reliance on third** - ~~19 pandemic and responses~~ **party service providers for outsourced functions could negatively impact our reputation, operations or financial results. We engage third- party suppliers for various outsourced services. This approach aims** to **enhance efficiency and generate cost savings. However,** it **also increases** ~~have significantly limited or~~ **our operational complexity and** ~~reduced~~ **reduces our direct control over** ~~the~~ **these functions** ~~transportation of goods globally~~ . ~~Our~~ **Dependence on these providers subjects us to risks such as inadequate service levels, untimely support, non- compliance with legal requirements and** industry **standards,** and **potential disruptions if** ~~the~~ **these** ~~broader global economy have been impacted~~ **relationships are terminated or not renewed. These factors could lead to missed deadlines, reputational harm, or challenges in adapting to regulatory or market changes. In the event of substandard performance** by **our service providers** ~~logistical and transportation constraints~~ , ~~due~~ **or if we are unable** to **promptly replace** ~~reduced workforce, including at ports and warehouses, as well as commercial driver shortages around the~~ **them with competent alternatives,** ~~world. This has resulted in higher transportation costs and longer delivery times for~~ our ~~suppliers~~ **business, reputation,** and ~~for our products~~ **financial condition could be adversely affected. We may consider outsourcing additional functions in the future, further heightening these risks** . An increase in competition could decrease sales, profit margins, and earnings. We operate in a highly competitive industry and compete directly with global, national, regional and local providers of like products and services. Some of our existing competitors have, and new market entrants may have, greater resources than us. Competition is generally based on product line breadth, product availability, service capabilities and price. Other sources of competition are buying groups formed by smaller distributors to increase purchasing power and provide some cooperative marketing capability, as well as e- commerce companies. There may be new market entrants with non- traditional business and customer service models, resulting in increased competition and changing industry dynamics. Existing or future competitors may seek to gain or retain market share by reducing prices, and we may be required to lower our prices or may lose business, which could adversely affect our financial results. We may be subject to supplier price increases while not being able to increase prices to customers. Also, to the extent that we do not meet changing customer preferences or demands, or to the extent that one or more of our competitors becomes more successful with private label products, on- line offerings or otherwise, our ability to attract and retain customers could be materially adversely affected. Existing or future competitors also may seek to compete with us for acquisitions, which could have the effect of increasing the price and reducing the number of suitable acquisitions. These factors, in addition to competitive pressures resulting from the fragmented nature of our industry, could affect our sales, profit margins and earnings. Our continued success may depend on our ability to execute environmental, social and governance (“ ESG ”) programs as planned and may impact our reputation and operating costs. Customers, suppliers, employees, community partners, shareholders and regulatory agencies in various jurisdictions globally are increasingly requesting disclosure and action relating to ESG objectives and performance. We commit time and resources to ESG efforts, consistent with our corporate values and in ways designed to strengthen our business, including programs focused on sustainability, corporate responsibility, human rights, ethics, diversity ~~, equity~~ and inclusion. Our failure to execute our ESG programs and objectives as planned, or in accordance with the evolving expectations of various stakeholders or regulators **in the United States, Europe and globally** , could adversely affect the Company’ s reputation, business and financial performance. For example, an isolated incident of non- compliance ~~or~~ **,** underperformance **or inaccuracy in reporting** , the aggregate effect of individually insignificant incidents or the failures of suppliers in our supply chain, can erode trust and confidence in the Company and our brand and adversely affect our business and financial performance, particularly if such events result in adverse publicity, governmental investigations or litigation. Simultaneously, increased expectations and regulations around ESG reporting and performance may result in higher operating expenses, capital expenditures and costs of goods sold (including those related to deploying low- carbon technologies, expanding our electric vehicle fleet, strengthening ESG monitoring and reporting **programs, calculating and disclosing different scopes of greenhouse gas emissions in the manner and timeline expected by regulators and other stakeholders, enhancing supply chain transparency** programs, transitioning suppliers due to their ESG programs, other costs to pursue our ESG goals or supplier price increases as manufacturers and services providers accommodate their own ESG- related expenses), which could reduce our profitability and cash flow. Additionally, certain customers may set net- zero emissions targets, and we could face pressure from such customers to further reduce emissions to assist them in the achievement of such targets or risk the loss of their business, which could result in increased costs or decreased revenue and may adversely impact financial performance. Risks Related to Tax Matters Changes in tax laws or challenges to the Company' s tax positions by taxing authorities could adversely impact the Company' s results of operations and financial condition. We are subject to taxes in jurisdictions in which we do business, including but not limited to taxes imposed on our income, receipts, stockholders' equity, property, sales, purchases and payroll. As a result, the tax expense we incur can be adversely affected by changes in tax law. We cannot anticipate these changes in tax law, which can cause unexpected volatility in our results of operations. Changes in the tax law at the federal and state / provincial levels, in particular in the U. S. and Canada, **jurisdictions** which ~~has accounted~~ -- **account** for most of our income before taxes, can have a material adverse effect on our results of operations. ~~For example, Canada' s Department of Finance introduced proposals to end hybrid mismatch arrangements, effective in two phases. Canada' s Department of Finance released the first phase of these anti- hybrid rules, which went into effect during 2022. These~~ -- **The** ~~rules reduced the tax benefits from intercompany financing arrangements as disclosed in the reconciliation between the federal statutory income tax rate and the effective tax rate in Note 11, “ Income Taxes ” of our Notes to Consolidated Financial Statements. Canada' s Department of Finance is expected to release the second phase of these anti- hybrid rules in 2023, which could eliminate the remaining tax benefits from intercompany financing arrangements from the date the rules are effective. Additionally, the~~ Organization for Economic Cooperation and Development (the “ OECD ”) ~~has~~ issued proposed rules to address the tax challenges arising from the digitalization of the global economy. The so- called two- pillar solution is intended to implement rules addressing 1) nexus and profit allocation in cases where businesses profit from markets in other countries while paying little to no tax in those countries under the current physical presence- based global tax system, 2) standardized intercompany pricing for routine marketing and distribution activities, and 3) a global minimum tax as a catch- all to address residual base erosion and profit shifting. Each of the OECD’ s member states must enact domestic legislation implementing the OECD’ s proposed rules for them to become law **, which a number** ~~. The impact on the Company’ s tax obligations is unclear pending the issuance~~ of ~~more detailed rules in~~ **jurisdictions either did during** 2023 ~~. Recently, the OECD released an implementation package for~~ - **or** ~~some of these rules, and the European Union (the “ EU ”) formally adopted rules, which~~ are expected to **do** ~~become effective~~ in 2024 ~~and 2025. Other countries, including Canada, the UK, and Australia are moving forward with legislation on this topic~~ . The Company is evaluating the impact of the guidance released by the OECD **and proposed and enacted domestic legislation in relevant member states** , as well as information released by the Financial Accounting Standards Board, to determine the effect on the Company **. While a comprehensive analysis of the proposed and enacted domestic legislation and OECD proposals is still being conducted, the Company’ s preliminary conclusions are that the current proposed and enacted rules are not likely to have a material impact on the Company’ s worldwide tax expense but are likely to create significant compliance obligations** . Finally, the tax laws to which the Company is subject are inherently complex and ambiguous. Therefore, we must interpret the applicable laws and make subjective judgments about the expected outcome upon challenge by the applicable taxing authorities. As a result, the impact on our results from operations of the application of enacted tax laws to our facts and circumstances is sometimes uncertain. If a tax authority successfully challenges our interpretation and application of the tax law to our facts and circumstances, there can be no assurance that we can accurately predict the outcome and the taxes ultimately owed upon effective settlement, which may differ from the tax expense recognized in our ~~consolidated~~ **Consolidated** ~~statements~~ **Statements** of ~~income~~ **Income** and ~~comprehensive~~ **Comprehensive** ~~income~~ **Income** and accrued in our ~~consolidated~~ **Consolidated** ~~balance~~ **Balance** ~~sheets~~ **Sheets** . Additionally, if we cannot meet liquidity requirements in the U. S., we may have to repatriate funds from overseas **to meet these liabilities** , which would result in additional income taxes being incurred on the amount repatriated. Risks Related to Our Indebtedness and Capital Structure Our outstanding indebtedness requires debt service commitments that could adversely affect our ability to fulfill our obligations and could limit our growth and impose restrictions on our business, and fluctuations in interest rates could affect the cost of our indebtedness. In 2020, we incurred significant additional indebtedness to finance the merger with Anixter ~~, which increased our interest expense from historical levels~~ . As a result, a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, thereby reducing the funds available to us for other purposes. As of December 31, ~~2022~~ **2023** , excluding debt discount and debt issuance costs, we had $ 5. ~~5~~ **4** billion of consolidated indebtedness. We and our subsidiaries may also undertake additional borrowings in the future, subject to certain limitations contained in the debt instruments governing our ~~indebtedness. Over the next three years, we will be required to repay or refinance approximately $ 3. 1 billion of our currently outstanding~~ indebtedness. Our debt service obligations impact our ability to operate and grow our business. Our payments of principal and interest on our indebtedness reduce the amount of funds available to us to invest in operations, future business opportunities, acquisitions, and other potentially beneficial activities. Our debt service obligations also reduce our flexibility to adjust to changing market conditions and may increase our vulnerability to adverse economic, political, financial market and industry conditions. A portion of our indebtedness, including amounts outstanding under our accounts receivable securitization and revolving credit facilities, bears interest at variable rates. In the future, we may also incur additional indebtedness that bears interest at variable rates. In a rising interest rate environment, or one in which interest rates may be affected by market disruptions, the interest expense on our variable rate borrowings will increase. Our ability to service and refinance our indebtedness, make scheduled payments on our operating leases ~~and~~ **,** fund capital expenditures, acquisitions or other business opportunities, **repurchase shares, and pay dividends** will depend in large part on both our future performance and the availability of additional financing in the future, as well as prevailing interest rates and other market conditions and other factors beyond our control. We cannot assure you that we will be able to obtain additional financing on terms acceptable to us or at all. There can be no assurance that our business will continue to generate sufficient cash flows from operations in the future to service our debt, make necessary capital expenditures, or meet other cash needs. If ~~we do not achieve the expected benefits and cost savings from the merger with Anixter, or if~~ the financial performance of the ~~combined company~~ **Company** does not meet current expectations, then our ability to service or repay our indebtedness may be adversely impacted. If unable to do so, we may be required to refinance all or a portion of our existing debt, sell assets, or obtain additional financing. If we are unable to repay indebtedness, lenders having secured obligations could proceed against the collateral securing these obligations. Our debt agreements contain restrictive covenants that may limit our ability to operate our business. Our credit facilities and our other debt agreements ~~, including those governing the debt financings incurred in connection with the merger with Anixter,~~ contain various covenants that restrict or limit our ability to, among other things: • incur additional indebtedness or create liens on assets **;** • engage in mergers, acquisitions or consolidations ~~,~~ **;** • make loans or other investments ~~,~~ **;** • transfer, lease or dispose of assets outside the ordinary course of business ~~,~~ **;** • pay dividends, repurchase equity interests, make other payments with respect to equity interests, repay or repurchase subordinated debt ~~,~~ **;** and • engage in affiliate transactions. In addition, certain of these debt agreements contain financial covenants that may require us to maintain certain financial ratios and other requirements in certain circumstances. As a result of these covenants, our ability to respond to changes in business and economic conditions and to obtain additional financing, if needed, may be significantly restricted, and we may be prevented from engaging in transactions or taking advantage of new business opportunities that might otherwise be beneficial to us. Our ability to comply with these covenants and restrictions may be affected by economic, financial and industry conditions or regulatory changes beyond our control. Failure to comply with these covenants or restrictions could result in an event of default, under our revolving lines of credit or the indentures governing certain of our outstanding notes which, if not cured or waived, could accelerate our repayment obligations. See the ~~liquidity~~ **Liquidity and Capital Resources** section in ~~"~~ Item 7 ~~.~~ **, "** Management' s Discussion and Analysis " for further details. General Risk Factors We are subject to costs and risks associated with global laws and regulations affecting our business, as well as litigation for product liability or other matters affecting our business. The global legal and regulatory environment is complex and exposes us to compliance costs and risks, as well as litigation and other legal proceedings, which could materially affect our operations and financial results. These laws and regulations may change, sometimes significantly, as a result of political or economic events, and some changes are anticipated to occur in the **future** ~~coming year~~ . They include laws and regulations covering taxation, trade, import and export, labor and employment (including wage and hour), product safety, product labeling, occupational safety and health, data privacy, data protection, intellectual property **, artificial intelligence, and sustainability** and environmental matters (including those relating to global climate change and its impact). We are also subject to securities and exchange laws and regulations and other laws applicable to publicly- traded companies such as the Foreign Corrupt Practices Act. Furthermore, as a government contractor selling to federal, state and local government entities, we are also subject to a wide variety of additional laws and regulations. Proposed laws and regulations in these and other areas could affect the cost of our business operations. From time to time we are involved in legal proceedings, audits or investigations which may relate to, for example, product liability, labor and employment (including wage and hour), tax, escheat, import and export compliance, government contracts, worker health and safety, intellectual property misappropriation or infringement, and general commercial and securities matters. While we believe the outcome of any pending matter is unlikely to have a material adverse effect on our financial condition or liquidity, additional legal proceedings may arise in the future and the outcome of these as well as other contingencies could require us to take actions, which could adversely affect our operations, could diminish our intellectual property portfolio or could require us to pay substantial amounts of money. Even if we successfully defend against claims, we may incur significant costs that could adversely affect our results of operations, financial condition and cash flow. We must attract, retain and motivate our employees, and the failure to do so may adversely affect our business. Our success depends on hiring, retaining and motivating our employees, including executive, managerial, sales, technical, operations, marketing and support personnel. We may have difficulty locating and hiring qualified personnel. In addition, we may have difficulty retaining such personnel once hired, and key people may leave and compete against us. The loss of key personnel or our failure to attract and retain other qualified and experienced personnel could disrupt or adversely affect our business, its sales and operating results. In addition, our operating results could be adversely affected by increased costs due to increased competition for employees, higher employee turnover, **increasing levels of retirement, the possibility of a shrinking workforce in various regions globally,** which may also result in **increased employee benefit or other costs or the** loss of significant customer business, **proprietary information, or tacit knowledge, which could negatively impact** ~~or~~ **our operational efficiency, innovation capabilities, and customer relationships. Furthermore, inadequate talent management and succession planning, along with potential challenges in adapting to evolving workplace trends and expectations, could hinder our ability to respond to market changes and maintain a competitive edge, which could lead to** ~~increased~~ **decreased** ~~employee benefit costs~~ **productivity, reduced market share, and ultimately, a decline in financial performance** .