

Risk Factors Comparison 2025-01-31 to 2024-02-02 Form: 10-K

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

Merger- Related Risk Factors Failure to complete the Merger on a timely basis, or at all, would negatively impact our business and financial condition, as well as the price of our common stock. We may not be able to complete the Merger on a timely basis, or at all, **including due to the failure to receive required regulatory approvals. The closing conditions to the Merger include clearance by CFIUS. Following referral of the transaction by CFIUS to the President of the United States, on January 3, 2025, the President of the United States issued an order prohibiting the Merger and requiring the parties to abandon the Merger Agreement within thirty days. On January 10, 2025, CFIUS granted an extension of that deadline to June 18, 2025. The Company, NSC and Purchaser jointly filed a lawsuit in the United States Court of Appeals for the District of Columbia Circuit alleging that the President's order blocking the Merger was issued for purely political reasons, which are irrelevant to U. S. national security, challenging the decision by the President of the United States and the CFIUS process as violating the constitutional due process rights of the Company, NSC and Purchaser, as well as the applicable statute governing CFIUS and the Administrative Procedure Act, and as an exercise of power that exceeded the authority provided to the President of the United States under the applicable statute. There is no assurance that this lawsuit will be successful, or will ultimately permit the Merger to be consummated. The Company, NSC and Purchaser also filed a lawsuit in the U. S. District Court for the Western District of Pennsylvania against Cliffs, Cliffs' Chief Executive Officer Lourenco Goncalves, and the President of the USW, David McCall, for engaging in a coordinated series of anticompetitive and racketeering activities illegally designed to prevent any party other than Cliffs from acquiring the Company as part of an illegal campaign to monopolize critical domestic steel markets. There is no assurance that this lawsuit will be successful.** If the Merger is not completed, our ongoing business may be adversely affected as follows: (i) we may experience negative reactions from the financial markets, including negative impacts on the market price of our common stock; (ii) some of management's attention will have been directed to the Merger instead of being directed to our own operations and the pursuit of other opportunities that could have been beneficial to us; (iii) the manner in which customers, suppliers and other third parties perceive us may be negatively impacted, which in turn could affect our ability to compete for business; (iv) we may experience negative reactions from employees **and there may be further negative impact on the relationship with the leadership of the USW**; (v) we will have expended time and resources that could otherwise have been spent on our business; and (vi) we **will not obtain the benefits** ~~may be required, in certain circumstances, to pay a termination fee of~~ **NSC's commitments to the Company, including the commitments to invest at least \$ 565-2.7 million billion, as provided in** ~~of capital and to share technology to protect and grow the Company Merger Agreement.~~ In addition, **further** ~~any significant~~ delay in consummating the Merger could have an adverse effect on our operating results and adversely affect our relationships with customers and suppliers and would likely lead to a significant diversion of management and employee attention. Additionally, in approving the Merger Agreement, the Board of Directors considered a number of factors and potential benefits, including the fact that the merger consideration to be received by holders of common stock represented a significant premium over the unaffected trading price, including a premium of 142 % to the Company's unaffected closing stock price of \$ 22. 72 on August 11, 2023, the last trading day before the Company's announcement of the strategic **alternatives** review process and a premium of 40 % to the Company's closing stock price of \$ 39. 33 on December 15, 2023, the last trading day before public announcement of the Merger Agreement. If the Merger is not completed, neither the Company nor the holders of our common stock will realize this benefit of the Merger. Moreover, we would also have nevertheless incurred substantial transaction- related fees and costs and the loss of management time and resources. Expenses related to the pending Merger are significant and will adversely affect our operating results. We have incurred and expect to continue to incur significant expenses in connection with the pending Merger, including legal and investment banking fees **and fees incurred in connection with the Merger- related litigation**. We expect these costs to have an adverse effect on our operating results ~~if the Merger is not consummated, we may under certain circumstances be required to pay to Purchaser a termination fee of \$ 565 million. Our financial position and results of operations may be adversely affected if we were required to pay the termination fee.~~ We are subject to business uncertainties and contractual restrictions while the Merger is pending, which could adversely affect our business. The Merger Agreement requires us to operate in the ordinary course of business and restricts us, without the consent of Purchaser, from taking certain specified actions agreed by the parties to be outside the ordinary course of business until the pending Merger occurs or the Merger Agreement terminates. These restrictions may prevent us from pursuing otherwise attractive business opportunities and making other changes to our business before completion of the Merger or, if the Merger is not completed, termination of the Merger Agreement. In addition, matters relating to the Merger (including integration planning) will require substantial commitments of time and resources by our management, which could divert their time and attention. Litigation and union grievances and disputes could result in substantial costs **and may delay or prevent the other Merger from being completed-negative impacts on the Company**. In connection with ~~the announcement of the Merger,~~ we (along with our directors and officers) may face lawsuits, disputes and / or other actions (including union grievances or actions **), several of which have been initiated against in addition to the lawsuits jointly filed by the Company, NSC and Purchaser described above** by the United Steelworkers union under its Basic Labor Agreement with the Company). We may face additional lawsuits, disputes and / or other actions, including those brought by stockholders of the Company **or those arising from the Merger- related litigation filed by the Company and NSC**, which may seek ~~in each case, seeking to~~ **enjoin, prevent, and / or delay us from consummating the Merger or may seek damages or other relief from the Company**.

One of the conditions to the closing of the Merger is the absence of any injunction or similar order issued by any government entity in the U. S. or other specified jurisdiction or law in the U. S. or other specified jurisdiction that has the effect of prohibiting the consummation of the Merger or that makes consummation of the Merger illegal. Accordingly, if any plaintiff is successful in obtaining an injunction prohibiting the consummation of the Merger, then such injunction may prevent the Merger from becoming effective, or delay its becoming effective within the expected time frame. The ultimate resolution of any such proceedings cannot be predicted, and defending against such claims, even those without merit, could result in substantial costs (including costs in connection with the defense or settlement of stockholder litigation in connection with the Merger and costs associated with our indemnification obligations to our directors and officers), delay, and diversion of management's time and resources, which may negatively impact our financial condition and adversely affect our business and results of operations. We may also file actions to assert our rights in connection with the Merger. The announcement and pendency of the ~~proposed~~ Merger may adversely affect our business, financial condition and results of operations. Whether or not the ~~proposed~~ Merger is consummated, the ~~proposed~~ Merger may disrupt our current plans and operations, which could have an adverse effect on our business and financial results. We cannot predict how our customers, distributors, suppliers and strategic partners will view or react to the ~~proposed~~ **pendency of the Merger upon or any of the actions being taken in pursuit of consummation- consummating the Merger**. If we are unable to reassure our customers, distributors, suppliers and strategic partners to continue transacting business with us, our sales, financial condition, results of operations, cash flows and stock price may be adversely affected. In addition, uncertainty about the effect of the Merger on our employees may have an adverse effect on our business. These uncertainties may impair our ability to attract, retain and motivate key personnel until the Merger is completed and for a period of time thereafter. Employee retention may be particularly challenging during the pendency of the Merger. If key employees depart and as we face additional uncertainties relating to the Merger, our business relationships may be subject to disruption as customers, suppliers and other third parties attempt to negotiate changes in existing business relationships or consider entering into business relationships with parties other than the Company. If key employees depart or if our existing business relationships suffer, our results of operations may be adversely affected. The adverse effects of such disruptions could be further exacerbated by ~~any further~~ delay in the completion of the Merger. The Merger Agreement contains provisions that ~~could discourage a potential competing acquirer of us~~ **eliminate our ability to consider alternative transaction proposals**. The Merger Agreement contains non-solicitation provisions that, subject to limited exceptions **which applied prior to obtaining the requisite stockholder approval of the Merger**, restrict our ability to solicit, initiate, or knowingly encourage or induce competing third-party proposals (or engage in, continue or otherwise participate in negotiations or discussions regarding such third-party proposals) for the acquisition of our stock or assets. **While** Under certain limited circumstances, our Board of Directors may (i) withdraw, qualify or modify its recommendation that our stockholders adopt the Merger Agreement **remains in effect**, and / or (ii) terminate the ~~these Merger Agreement~~ **provisions would prevent us from being able to enter into consider, negotiate or accept a transaction** definitive agreement with respect to a third-party acquisition proposal. However, before doing so, our Board of Directors must abide by certain procedures described in the Merger Agreement that give Purchaser an opportunity to negotiate in good faith to modify the terms of the Merger Agreement in a manner that any such third-party acquisition proposal would not constitute a superior proposal. In some circumstances, upon termination of the Merger Agreement, we will be required to pay a termination fee to Purchaser of \$ 565 million. These provisions could discourage a potential third-party acquirer that might have an interest in acquiring all or a significant portion of us ~~from considering or proposing that acquisition~~, even if the acquirer was prepared to pay consideration with a higher per share cash or market value than the market value proposed to be received or realized in the Merger, ~~or might otherwise result in a potential third-party acquirer proposing to pay a lower price to our stockholders than they might otherwise have proposed to pay due to the added expense of the termination fee that may become payable in certain circumstances~~. If the Merger Agreement is terminated and we decide to seek another business combination, we may not be able to negotiate or consummate a transaction with another party on terms comparable to, or better than, the terms of the Merger Agreement. All of the matters described above, alone or in combination, could materially and adversely affect our business, financial condition, results of operations and stock price.

Economic and Market Risk Factors The changing global economic climate is having adverse impacts on our business, which may create new risks and exacerbate certain other risks set forth below. Changes in the global economic environment, inflation, elevated interest rates, recessions or prolonged periods of slow economic growth, and global instability and actual and threatened geopolitical conflict, could have an adverse effect on our industry and business, as well as those of our customers and suppliers. Overall economic conditions in the U. S. and globally, including in Europe, including adverse factors such as inflation, rising or sustained elevated interest rates, supply chain disruptions and geopolitical conflicts, including the impacts of the war in Ukraine, significantly impact our business. Periods of economic downturn or continued uncertainty could result in difficulty increasing or maintaining our level of sales or profitability and we may experience an adverse effect on our business, results of operations, financial condition and cash flows. Our U. S. operations are subject to economic conditions, including credit and capital market conditions, inflation, prevailing interest rates, and political factors, which if changed could negatively affect our results of operations, cash flows and liquidity. Political factors include, but are not limited to, changes to tax laws and regulations resulting in increased income tax liability, **changes in administration resulting in increased or newly imposed tariffs**, increased regulation, such as carbon emissions limitations or trading mechanisms, limitations on exports of energy and raw materials, and trade remedies. Actions taken by the U. S. government could affect our results of operations, cash flows and liquidity. USSE is subject to economic conditions and political factors associated with the EU, Slovakia and neighboring countries, and the euro currency. Changes in any of these economic conditions or political factors could negatively affect our results of operations, cash flows and liquidity. Political factors include, but are not limited to, taxation, nationalization, inflation, government instability, regional conflict, civil unrest, increased regulation and quotas, tariffs, sanctions and other market-distorting measures. **The Continued uncertainty and economic downturn in the European market throughout 2024, as**

well as the ongoing war in Ukraine has, have had a broad range of adverse impacts on global economic conditions, some many of which have had and are likely to continue to have adverse impacts on our USSE business, including increased raw material and energy costs, softer customer demand and lower steel prices, which led to the temporary idling of a portion of USSE's raw steel capability at the end of 2024 until the demand environment improves. These uncertain conditions in the European market could lead to adverse effects on the valuation of USSE's long-lived assets, which could negatively affect our results of operations through potential impairment charges. USSE also purchases a significant portion of its iron ore and coal from suppliers based in Ukraine. Additionally, we are also exposed to risks associated with the business success and creditworthiness of our suppliers and customers. If our customers or suppliers are negatively impacted by a slowdown in economic markets, we may face the reduction, delay or cancellation of customer orders, delays or interruptions of the supply of raw materials, and increased risk of insolvency and other credit related issues of customers or suppliers, which could delay payments from customers, result in increased customer defaults and cause our suppliers to delay filling, or to be unable to fill, our needs at all or on a timely or cost-effective basis. The occurrence of any of these events may adversely affect our business, results of operations, financial condition and cash flows. The steel industry, as well as the industries of our customers and suppliers upon whom we are reliant, is highly cyclical, which may have an adverse effect on our customer demand and results of operations. Steel consumption is highly cyclical and generally follows economic and industrial conditions both worldwide and in regional markets. Price fluctuations are impacted by the timing, magnitude and duration of these cycles, and are difficult to predict. This volatility makes it difficult to balance the procurement of raw materials and energy with global steel prices, our steel production and customer product demand. U. S. Steel has implemented strategic initiatives to produce more stable and consistent results, even during periods of economic and market downturns, but this may not be enough to mitigate the effect that the volatility inherent in the steel industry has on our results of operations. Additionally, our business is reliant on certain other industries that are cyclical in nature. We sell to the automotive, service center, converter, energy and appliance and construction-related industries. Some of these industries are highly sensitive to general economic conditions and may also face meaningful fluctuations in demand based on a number of factors outside of our control, including regulatory factors, supply chain disruptions, changing customer demand, economic conditions and raw material and energy costs. As a result, downturns or volatility in any of the markets we serve could adversely affect our financial position, results of operations and cash flows. U. S. Steel has been and continues to be adversely affected by unfairly traded imports and global overcapacity, which may cause downward pricing pressure, lost sales and revenue and decreased market share, production, investment, and profitability. Currently, global steel production capacity significantly exceeds global steel demand, which adversely affects U. S. and global steel prices. Global overcapacity continues to result in high levels of dumped and subsidized steel imports into the markets we serve. Domestic and international trade laws provide mechanisms to address the injury caused by such imports to domestic industries. Excessive steel imports have resulted and may continue to result in downward pricing pressure and lost sales and revenue, which adversely impacts our business, operations, financial condition and cash flows. Although U. S. Steel currently benefits from 61-69 U. S. AD and CVD or anti-subsidy duty orders and 14 EU AD / CVD orders, petitions for trade relief are not always successful or effective. When implemented, such relief is generally subject to periodic reviews and challenges, which can result in revocation of AD / CVD orders or reduction of effective duty rates. There can be no assurance that any relief will be obtained or continued in the future or that such relief will adequately combat unfairly traded imports. As of the date of this filing, pursuant to a series of Presidential Proclamations issued in accordance with Section 232 of the Trade Expansion Act of 1962, U. S. imports of certain steel products are subject to a 25 percent tariff, except imports from: (1) Argentina, Brazil, and South Korea, which are subject to restrictive quotas; (2) the European Union (EU), Japan, and UK that are melted and poured in the EU, within TRQ limits through December 2025; (3) Japan, UK, that are melted and poured in Japan within quarterly TRQ limits; (3-4) United Kingdom (UK) that are melted and poured in the UK within TRQ limits; (5) Canada and Mexico, which are not subject to tariffs or quotas, but tariffs could be re-imposed on surging product groups after consultations; (4-6) Mexico, if melted and poured in North America; (7) Ukraine, which are exempt from tariffs if melted and poured in Ukraine or the EU, until June 1, 2024-2025; and (5-8) Australia, which are not subject to tariffs, quotas, or an anti-surge mechanism. The Section 232 national security action on steel imports currently provides U. S. Steel and other domestic steel producers critical relief from imports. With no scheduled end date, the future coverage and duration of the Section 232 action is not known. Further, the U. S. government may negotiate alternatives to the Section 232 tariffs for certain countries, similar to TRQ agreements with the EU, Japan, and the UK. USTR's review of additional imports tariffs of 7.5 to 25 percent on certain U. S. imports from China, including certain raw materials used in steel production, semi-finished and finished steel products, and downstream steel-intensive products, pursuant to Section 301 of the Trade Act of 1974 could change the coverage and levels of such tariffs. In September 2024, USTR revised certain Section 301 tariffs on U. S. imports from China, including increasing tariffs on steel from 7.5 to 25 percent; batteries from 7.5 to 25 percent; solar cells / modules from 25 to 50 percent; and electric vehicles from 25 to 100 percent. In February 2019, the EC implemented a definitive safeguard on global steel imports in the form of TRQs. The TRQs, which impose 25 percent tariffs on steel imports that exceed the TRQ limit, are currently effective through June 2024-2026. All of the above factors present a degree of uncertainty to our financial and operational performance, our customers, and overall economic conditions, all of which could impact steel demand and our performance. Faced with significant import competition and overcapacity in various markets, we will continue to evaluate potential strategic and organizational opportunities, which may include exiting lines of business and the sale of certain assets, temporary shutdowns or closures of facilities. Shortages of skilled labor, increased labor costs or our failure to attract and retain other highly qualified personnel in the future could disrupt our operations and adversely affect our financial results. We depend on skilled labor for the manufacture of our products. Some of our facilities are located in areas where demand for skilled labor often exceeds supply. Shortages of some types of skilled labor, such as electricians and qualified maintenance technicians, could restrict our ability to maintain or increase production rates, lead to production inefficiencies and

increase our labor costs. Our ~~shift to the Best for All strategy~~ **strategic will investments** also require a set of job skills that is different from our prior needs. Our continued success **executing on our strategy, and constructing and commercializing** depends on the active participation of our key employees **and ability to attract employees with different skills**. We have recently observed an overall tightening and increasingly competitive labor market. The competitive nature of the labor markets in which we operate, the cyclical nature of the steel industry and our resulting needs for skilled employees increase our risk of not being able to recruit, train and retain the employees we require at efficient costs and on reasonable terms, and could lead to increased costs, such as increased overtime to meet demand and increased compensation to attract and retain employees. In addition, many companies, including U. S. Steel, have had employee layoffs as a result of reduced business activities during industry downturns. The loss of our key people or our inability to attract new key employees could adversely affect our operations. Additionally, layoffs or other adverse actions could result in an adverse relationship with our workforce or third-party labor providers. If we are unable to recruit, train and retain adequate numbers of qualified employees and third-party labor providers on a timely basis or at a reasonable cost or on reasonable terms, our business and results of operations could be adversely affected. Additionally, an overall labor shortage, lack of skilled labor, increased turnover, labor strikes or labor inflation as a result of general macroeconomic factors that affect our customers or suppliers could have a material adverse impact on the ~~company~~ **Company**'s operations, results of operations, liquidity or cash flows. Strategic Risk Factors ~~Our~~ **Commercialization of our strategic** investments in new technologies and products may not be fully successful. Execution of our Best for All ® strategy depends, in part, on the ~~success~~ **successful commercialization** of a number of investments we have made ~~and plan to make~~ in new facilities, technologies and products and successfully transitioning our footprint to a lower-cost, carbon and capital intensive model. Our Best for All ® strategy is centered around expanding our competitive advantages in low-cost iron ore, mini mill steelmaking, and best-in-class finishing capabilities. These competitive advantages are built on a foundation of research, innovation and deep customer relationships. We ~~are expanding~~ **have expanded** our low-cost iron ore competitive advantage by investing in ways to translate the advantage to feed our growing EAF footprint. This includes investments in a pig iron caster at the Gary Works facility, ~~which began production~~ in the fourth quarter of 2022, and DR-grade pellet capabilities in Keetac, Minnesota, completed in December 2023. We ~~are expanding~~ **have expanded** our mini mill steelmaking capabilities through the construction of a second mini mill facility in Osceola, Arkansas, **which produced its first coil in October 2024**. We ~~are also expanding~~ **expanded** our best-in-class finishing capabilities through investments in a non-grain oriented electrical steel line and galvanizing construction line at Big River Steel. In executing our strategy, we aim to enhance our earnings profile, deliver long-term cash flow through industry cycles and reduce our cost, capital, and carbon intensity. By offering the product capabilities, including the more sustainable steels (~~steels made with lower greenhouse gas emissions~~) our customers are increasingly demanding, we believe that we can achieve more competitive positioning in strategic, high-margin end markets, and deliver high-quality, sustainable, value-added products and innovative solutions. **Successful commercialization** Construction and commissioning of our strategic projects **investments and execution of our strategy** are subject to changing market conditions and demand for our ~~completed new projects~~ **products, capability** delays, inflation and cost ~~overruns~~ **performance**, work stoppages, labor shortages, engineering issues, weather interferences, supply chain delays, ~~changes required by governmental authorities, delays or the inability to acquire required permits or licenses, changes in the ability to finance the projects or disruption of existing operations, any of which could have an~~ **and customer adoption of** adverse impact on our operational and financial results. Furthermore, new **technologies. New** product development or modification is costly, may be restricted by regulatory requirements, involves significant research, development, time, expense and human capital and may not necessarily result in the successful commercialization of new products, customer adoption of new technologies or products or new technologies may not perform as intended or expected. Unsuccessful **commercialization and** execution of these strategic **projects investments**, underperformance of any of these assets ~~or~~, failure of new products to gain market acceptance, **delays or inability to achieve customer qualification standards, or limited or reduced demand in the marketplace** could adversely affect our business, results of operations and financial condition and may limit the benefits of our stockholder value creation strategy. From time to time, we engage in acquisitions, divestitures and joint ventures and may encounter difficulties in integrating and separating these businesses and therefore we may not realize the anticipated benefits. As we pursue our Best for All ® strategy, we may seek growth opportunities through strategic acquisitions as well as evaluate our portfolio for potential divestitures to optimize our business footprint and portfolio. The success of these transactions will depend on our ability to integrate or separate, as applicable, assets and personnel in these transactions and to cooperate with our strategic partners. We may encounter difficulties in integrating acquisitions with our operations as well as separating divested businesses, and in managing strategic investments. Furthermore, we may not realize the degree, or timing, of benefits we anticipate when we first enter into a transaction. Additionally, we seek opportunities to monetize non-core and excess iron assets, including through real estate sales, third party agreements and option agreements. These opportunities may not materialize or generate the financial benefits expected. For example, Stelco Inc. **(Stelco), a subsidiary of Cliffs**, holds an option (Option) to acquire an undivided 25 percent interest in a to-be-formed entity that will own the Company's current iron ore mine located in Mt. Iron, Minnesota. There is a possibility that Stelco may not exercise its Option in the anticipated timeframe or at all. If the proposed joint venture with Stelco is not successful, fails to provide the benefits we expect, or is not created at all, we may in the future have more iron ore than we need to support the business. Additionally, the existence of the Option may deter future potential opportunities to monetize the iron ore assets. Any of the foregoing could adversely affect our business and results of operations. Operational and Commercial Risk Factors Our operational footprint, unplanned equipment outages and other unforeseen disruptions may adversely impact our results of operations or result in idle facility costs or impairment charges. U. S. Steel has adjusted its operating configuration to advance its Best for All ® strategy, in response to market conditions, including global economic volatility, declining steel prices, oil and gas industry disruption, global overcapacity and unfairly traded imports, and to optimize capability and cost performance, by idling and restarting production at certain facilities. Due to

our existing operational footprint, the Company may not be able to respond in an efficient manner to fully realize the benefits from changing market conditions that are favorable to integrated steel producers or most efficiently mitigate the negative impacts of such changes. Our decisions concerning which facilities to operate and at what levels are made based upon execution of our Best for All  strategy, market conditions, our customers' orders for products as well as the capabilities and cost performance of our locations. We may concentrate production operations at several plant locations and not operate others, and as a result we may incur idle facility costs or impairment charges. Our steel production depends on the operation of critical structures and pieces of equipment, such as blast furnaces, electric arc furnaces, steel shops, casters, hot strip mills and various structures and operations, including information technology systems, that support them, as well as finishing lines at our facilities and certain of our joint ventures. While we invested in operational and reliability enhancements to our assets through the asset revitalization program, launched in 2017, and continue to implement initiatives focused on proactive maintenance of key machinery and equipment at our production facilities, we may experience prolonged periods of reduced production and increased maintenance and repair costs due to equipment failures at our facilities or those of our key suppliers. It is also possible that operations may be disrupted due to other unforeseen circumstances such as power outages, explosions, fires, floods, earthquakes, pandemics, terrorism, accidents, severe weather conditions, changes in U. S., European Union and other foreign tariffs, free trade agreements, trade regulations, laws and policies. We are also exposed to similar risks involving major customers and suppliers such as force majeure events of raw materials suppliers that have occurred and may occur in the future. Availability of raw materials and delivery of products to customers could be affected by logistical disruptions, such as shortages of barges, ocean vessels, rail cars or trucks or unavailability of rail lines or of the locks on the Great Lakes or other bodies of water. To the extent that lost production could not be compensated for at unaffected facilities and depending on the length of the outage, our sales and our unit production costs could be adversely affected. We are subject to outbreaks of infectious disease, such as risks related to the global COVID- 19 pandemic, which had adverse impacts on economic and market conditions and our business. Public health crises, including COVID- 19, have created and may create significant volatility, uncertainty and economic disruption in the regions in which we operate. The physical impacts of climate change may also have a material adverse effect on our results of operations. Climate change may be associated with increased occurrence of extreme weather conditions, which could include, among other things, increased risk of flooding, extreme cold or potential heat stress at facilities and other natural disasters that may lead our customers to curtail or shut down production or to supply chain and operational disruptions. We face increased competition within our industry and from alternative materials and risks concerning innovation, new technologies, products and increasing customer demand for lower- carbon products. As a result of increasingly stringent regulatory requirements and increased market and technological changes driven by broader trends such as decarbonization and electrification efforts in response to climate change, designers, engineers and industrial manufacturers, especially those in the automotive industry, are increasing their use of lighter weight, less carbon intense and alternative materials, such as aluminum, composites, plastics and carbon fiber. Use of such materials could reduce the demand for our steel products or steel products generally, which may reduce our profitability and cash flow. Additionally, the trend toward light weighting in the automotive industry, which requires lighter gauges of steel at higher strengths, could result in lower steel volumes required by that industry over time. Additionally, technologies such as direct iron reduction, oxygen- coal injection and experimental technologies such as molten oxide electrolysis and hydrogen flash smelting may be more cost effective than our current production methods. However, we may not have sufficient capital to invest in such technologies and may incur difficulties adapting and fully integrating these technologies into our existing operations. We may also encounter production restrictions, or not realize the cost benefit from such capital intensive technology adaptations to our current production processes. Finally, we may face increased competition due to the rapid development and rising use of digital, artificial intelligence (AI) and machine learning technologies. Failure to early adopt and incorporate such technologies to improve productivity, yields, manufacturing technology or support functional teams may put us at a long- term competitive disadvantage. Limited availability, or volatility in prices of raw materials, scrap and energy may constrain operating levels and reduce profit margins. U. S. Steel and other steel producers have periodically faced problems obtaining sufficient raw materials and energy in a timely manner due to delays, defaults, severe weather conditions, or force majeure events, shortages or transportation problems (such as shortages of barges, ore vessels, rail cars or trucks, or disruption of rail lines, waterways, or natural gas transmission lines), resulting in production curtailments. As a result, we may be exposed to risks concerning pricing and availability of raw materials and energy resources from third parties as well as logistics constraints moving our own raw materials and scrap to our plants. USSE purchases substantially all of its iron ore and coking coal requirements from outside sources. Any curtailments or escalated costs may further reduce profit margins. U. S. Steel has agreed, and may continue to agree, to purchase raw materials and energy at prices that have been, and may be, above future market prices or in greater volumes than required in the future. Additionally, any future decreases in iron ore, scrap, natural gas, electricity and oil prices may place downward pressure on steel prices. If steel prices decline, our profit margins on indexed contracts and spot business could be reduced. A failure of our information technology infrastructure and cybersecurity threats may adversely affect our business operations. Despite efforts to protect confidential business information, personally identifiable information (PII), and the control systems of manufacturing plants, U. S. Steel systems and those of our joint ventures and third- party service providers have been and may be subject to cyberattacks or system breaches. System breaches can lead to theft, unauthorized disclosure, modification or destruction of proprietary business data, PII, or other sensitive information, to defective products, production downtime and damage to production assets, and the inaccessibility of key systems, with a resulting impact to our reputation, competitiveness and operations. We have experienced cybersecurity attacks that have resulted in unauthorized persons gaining access to our information technology systems and networks, and we could in the future experience similar attacks. To date, no cybersecurity attack has had a material impact on our financial condition, results of operations or liquidity. While the Company continually works to safeguard our systems and mitigate potential risks, there can be no assurance that such actions will be sufficient to prevent cyberattacks or security breaches or

mitigate all potential risks to our systems, networks and data, particularly with the recent proliferation and sophistication of cyberattacks and cyber intrusions around the world. The **number of threats and events has increased substantially every year, which is expected to continue, particularly as the use of artificial intelligence makes these attempts look more legitimate.** The potential consequences of a material cybersecurity attack include reputational damage, investigations and / or adverse proceedings with government regulators or enforcement agencies, litigation with third parties, disruption to our systems, including production capabilities, unauthorized release of confidential, personally identifiable or otherwise protected information, corruption of data, diminution in the value of our investment in research, development and engineering and increased cybersecurity protection and remediation costs, which in turn could adversely affect our competitiveness, results of operations and financial condition. The amount of insurance coverage we maintain may be inadequate to cover claims or liabilities resulting from a cybersecurity attack. We depend on third parties for transportation services and increases in costs or the availability of transportation may adversely affect our business and operations. Our business depends on the transportation of a large number of products, both domestically and internationally. We rely primarily on third parties, including the ~~recently~~ divested Transtar business, for transportation of the products we manufacture as well as delivery of our raw materials. Any increase in the cost of the transportation of our raw materials or products, as a result of increases in fuel or labor costs, higher demand for logistics services, consolidation in the transportation industry or otherwise, may adversely affect our results of operations as we may not be able to pass such cost increases on to our customers. Our transportation service providers may face disruptions due to weather conditions or events, strikes, labor shortages or other constraints. If any of these providers were to fail to deliver raw materials to us or deliver our products in a timely manner, we may be unable to manufacture and deliver our products in response to customer demand. In addition, if any of these third parties were to cease operations or cease doing business with us, we may be unable to replace them at a reasonable cost. Such failure of a third- party transportation provider could harm our reputation, negatively affect our customer relationships and have a material adverse effect on our financial position and results of operations. Our 2022 Labor Agreements with the USW contain provisions that may impact certain business activities. Our 2022 Labor Agreements with the USW contain provisions that grant the USW a limited right to bid on the Company' s sale of a facility (or sale of a controlling interest in an entity owning a facility) covered by the 2022 Labor Agreements, excluding public equity offerings and / or the transfer of assets between U. S. Steel and its wholly owned subsidiaries. The 2022 Labor Agreements also require a minimum level of capital expenditures (subject to approval of the Board of Directors) to maintain the competitive status of the covered facilities, and place certain limited restrictions on our ability to replace product produced at a covered facility with product produced at other than Company facilities or affiliates or U. S. or Canadian facilities with employee protections similar to the protections found in the 2022 Labor Agreements when the Company is operating covered facilities below capacity. The provisions in the 2022 Labor Agreements, as well as current or future proposed labor legislation or regulations, could unfavorably impact certain business activities including pricing, operating costs, margins and / or our competitiveness in the marketplace. Financial Risk Factors Our business and execution of our strategy require substantial expenditures for capital investments, debt service obligations, operating leases and maintenance that we may be unable to fund, which may require other actions to satisfy our obligations under our debt. We have approximately \$ 4. 1 billion of long- term debt (see Note 17 to the Consolidated Financial Statements). If our cash flows and capital resources are insufficient to fund our planned capital expenditures or debt service obligations, we may face substantial liquidity problems and may be forced to reduce or delay investments and capital expenditures, terminate strategic projects, or to dispose of material assets or operations or issue additional debt or equity. We may not be able to take such actions, if necessary, on commercially reasonable terms or at all. The Credit Facility Agreement, the documents governing the USSK Credit Facility, the documents governing the Big River Steel ABL (Asset Based Loan) Facility and Big River Steel notes, and the indentures governing our existing senior unsecured notes may restrict our ability to dispose of assets and may also restrict our ability to raise debt or equity capital to be used to repay other debt when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results ~~or of~~ operations and may place us at a competitive disadvantage with competitors who may have less indebtedness and other obligations or greater access to financing. In addition, the availability under our Credit Facility Agreement and Big River ABL Facility may be reduced if we have insufficient collateral, or if we do not meet a fixed charge coverage ratio test. Availability under the USSK Credit Agreement could be limited if USSK does not meet certain financial covenants. Our ability to service or refinance our debt or fund investments and capital expenditures required to maintain or expand our business operations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control, such as supply and demand conditions, inflation, prevailing interest rates, supply chain disruptions and the impacts of the war in Ukraine. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to satisfy our liquidity needs. In addition, the availability under certain of our debt instruments may be limited if we do not meet certain financial covenants. Furthermore, the agreements governing the BRS (Big River Steel) ABL Facility and other outstanding indebtedness of Big River Steel LLC and its subsidiaries limit their ability, subject to certain exceptions, to pay dividends or distributions or make other restricted payments, such that we may not be able to access the cash generated by these subsidiaries to fund our other expenditures. If we cannot make scheduled payments on our debt, we will be in default and holders of our senior unsecured notes could declare all outstanding principal and interest to be due and payable, the lenders under the Sixth Amended and Restated Credit Agreement, the USSK Credit Facility and the Export Credit Agreement could terminate their commitments to loan money, accelerate full repayment of any or all amounts outstanding (which may result in the cross acceleration of certain of our other debt obligations) and the lenders could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation. All of these events would

materially and adversely affect our financial position and results of operations. Furthermore, ratings agencies could downgrade our ratings either due to factors specific to our business, a prolonged cyclical downturn in the steel industry, macroeconomic trends such as global or regional recessions and trends in credit and capital markets more generally. Ratings agencies also may lower, suspend or withdraw ratings on the outstanding securities of U. S. Steel or Big River Steel. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market prices of such securities. Any decline in our operating results or downgrades in our credit ratings may make raising capital or entering into any business transaction more difficult, lead to reductions in the availability of credit or increased cost of credit, adversely affect the terms of future borrowings, may limit our ability to take advantage of potential business opportunities, may have an adverse effect on the terms under which we purchase goods and services, and lead to reductions in the availability of credit. We have significant retiree health care, retiree life insurance and pension plan costs, which may negatively affect our results of operations and cash flows. We maintain retiree health care and life insurance and defined benefit pension plans covering many of our domestic employees and former employees upon their retirement. Some of these benefit plans are not fully funded, and thus will require cash funding in future years. Minimum contributions to domestic qualified pension plans (other than contributions to the Steelworkers Pension Trust (SPT) described below) are regulated under the Employee Retirement Income Security Act of 1974 (ERISA) and the Pension Protection Act of 2006 (PPA). The level of cash funding for our defined benefit pension plans in future years depends upon various factors, including voluntary contributions that we may make, future pension plan asset performance, actual interest rates under the law, the impact of business acquisitions or divestitures, union negotiated benefit changes and future government regulations, many of which are not within our control. In addition, assets held by the trusts for our pension plan and our trust for retiree health care and life insurance benefits are subject to the risks, uncertainties and variability of the financial markets. Future funding requirements could also be materially affected by differences between expected and actual returns on plan assets, actuarial data and assumptions relating to plan participants, the discount rate used to measure the pension obligations and changes to regulatory funding requirements. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 18 to the Consolidated Financial Statements for a discussion of assumptions and further information associated with these benefit plans. U. S. Steel contributes to a domestic multiemployer defined benefit pension plan, the SPT, for USW- represented employees formerly employed by National Steel and represented employees hired after May 2003. We have legal requirements for future funding of this plan should the SPT become significantly underfunded or we decide to withdraw from the plan. Either of these scenarios may negatively impact our future cash flows. The 2022 Labor Agreements increased the contribution rate for most steelworker employees. Collectively bargained company contributions to the plan could increase further as a result of future changes agreed to by the Company and the USW. The accounting treatment of goodwill, equity method investments and other long- lived assets could result in future asset impairments, which would reduce our earnings. We periodically test our goodwill, equity method investments and other long- lived assets to determine whether their estimated fair value is less than their value recorded on our balance sheet. The results of this testing for potential impairment may be adversely affected by uncertain market conditions for the global steel industry and general economic conditions. If we determine that the fair value of any of these assets is less than the value recorded on our balance sheet, and, in the case of equity method investments the decline is other than temporary, we would likely incur a non- cash impairment loss that would negatively impact our results of operations. We have incurred asset impairment charges in recent years, including during the year ended December 31, 2023-2024, and there can be no assurances that continued market dynamics or other factors may not result in future impairment charges. We are subject to foreign currency risks, which may negatively impact our profitability and cash flows. The financial condition and results of operations of USSE are reported in euros and then translated into U. S. dollars at the applicable exchange rate for inclusion in our financial statements. The appreciation of the U. S. dollar against the euro negatively affects our Consolidated Results of Operations. International cash requirements have been and in the future may be funded by intercompany loans, which may create intercompany monetary assets and liabilities in currencies other than the functional currencies of the entities involved, which can have a non- cash impact on income when they are remeasured at the end of each period. Procurement of equipment of announced strategic projects may be denominated in foreign currencies, which could adversely affect the costs of these projects. In addition, foreign producers, including foreign producers of subsidized or unfairly traded steel with foreign currency denominated costs may gain additional competitive advantages or target our home markets if the U. S. dollar or euro exchange rates strengthen relative to those producers' currencies. Volatility in the markets and exchange rates for foreign currencies and contracts in foreign currencies could have a significant impact on our reported financial results and condition. Financial regulatory frameworks introduced by U. S. and EU regulators may limit our financial flexibility or increase our costs. We use swaps, forward contracts and similar agreements to mitigate our exposure to volatility, which entails a variety of risks. The Commodity Future Trading Commission's Dodd Frank and the EU's European Market Infrastructure Regulation and other government agencies' regulatory frameworks can limit the Company's ability to hedge interest rate, foreign exchange (FX), or commodity pricing exposures, which could expose us to increased economic risk. These frameworks may introduce additional compliance costs or liquidity requirements. Some counterparties may cease hedging as a result of increased regulatory cost burdens, which in turn may reduce U. S. Steel's ability to hedge its interest rate, FX or commodity exposures. We are a party to various legal proceedings, the resolution of which could negatively affect our profitability and cash flows in a particular period. We are involved at any given time in various litigation matters, including administrative and regulatory proceedings, governmental investigations, environmental matters and commercial disputes. Our profitability and cash flows in a particular period could be negatively affected by an adverse ruling or settlement in any legal proceeding or investigation. While we believe that we have taken appropriate actions to mitigate and effectively manage these risks, due to the nature of our operations, these risks will continue to exist and additional legal proceedings or investigations may arise from time to time. Additionally, we may be subject to product liability claims that may have an adverse effect on our financial position, results of operations and cash flows. Events such as well failures, line pipe leaks, blowouts,

bursts, fires and product recalls could result in claims that our products or services were defective and caused death, personal injury, property damage or environmental pollution. The insurance we maintain may not be adequate, available to protect us in the event of a claim, or its coverage may be limited, canceled or otherwise terminated, or the amount of our insurance may be less than the related impact on our enterprise value after a loss. We establish reserves based on our assessment of contingencies, including contingencies for claims asserted against us in connection with litigation, arbitrations and environmental issues. Adverse developments in litigation, arbitrations, environmental issues or other legal proceedings may affect our assessment and estimates of the loss contingency recorded as a reserve and require us to make payments in excess of our reserves, which could negatively affect our operations, financial results and cash flows. See “Item 3. Legal Proceedings” and Note 26 to the Consolidated Financial Statements for further details. Regulatory Risk Factors Compliance with existing and new environmental regulations, environmental permitting and approval requirements may result in delays or other adverse impacts on planned projects, our results of operations and cash flows. Steel producers in the U. S., along with their customers and suppliers, are subject to numerous federal, state and local laws and regulations relating to the protection of the environment. These laws and regulations concern the generation, storage, transportation, treatment, disposal, release, emission or discharge of pollutants, contaminants, petroleum, and hazardous substances into the environment, the reporting of such matters, and the general protection of public health and safety, natural resources, wildlife and the environment. Steel producers in the EU are subject to similar laws. These laws and regulations continue to evolve and are becoming increasingly stringent. For example, the U. S. EPA has proposed to lower the NAAQS for fine particulate matter (PM_{2.5}), which would result in stringent and costly requirements to control emissions from existing operations and restrictions on new projects. The ultimate impact of complying with such laws and regulations is not always clearly known or determinable because regulations under some of these laws have not yet been promulgated, and the subject of ongoing litigation or are undergoing revision, and new versions or interpretations of existing laws may take effect. Additionally, compliance with certain of these laws and regulations, such as the CAA and state and local requirements governing air emissions, could result in substantially increased capital requirements and operating costs and could require changes to the equipment or facilities we operate. Compliance with current or future laws and regulations could entail substantial costs and could have a negative impact on our results of operations and cash flows. The amount and timing of environmental expenditures is difficult to predict. In addition, the Company must obtain, maintain and comply with numerous permits, leases, approvals, consents and certificates from various governmental authorities in connection with the construction and operation of new production facilities or modifications to existing facilities. In connection with such activities, the Company may need to make significant capital and operating expenditures to detect, repair and / or control air emissions, to control water discharges or to perform certain corrective actions to meet the conditions of the permits issued pursuant to applicable environmental laws and regulations. There can be no assurance that future approvals, licenses and permits will be granted or that we will be able to maintain and renew the approvals, licenses and permits we currently hold. Failure to do so could have a material adverse effect on our results of operations and cash flows. Furthermore, compliance with environmental permitting and approval requirements may be costly and time consuming and could result in delays or other adverse impacts on planned projects, our results of operations and cash flows. Failure to comply with legal requirements, including permits, leases, approvals, consents and certificates, may result in administrative, civil and criminal penalties, and revocation of permits and our authority to conduct business or construct certain facilities, substantial fines or sanctions, or citizens suits or enforcement actions (including orders limiting our operations or requiring corrective measures), among other consequences. We have significant environmental remediation costs that negatively affect our results of operations and cash flows. Various environmental laws impose liability on a current or former owner or operator of real property for investigation or cleanup of hazardous substances or petroleum products at, on, under or migrating from our currently or formerly owned or leased real property. Some of U. S. Steel’s current and former facilities were in operation before such environmental regulations were in place. Hazardous materials associated with those facilities have been and may continue to be encountered at current or former operating sites or delivered to sites operated by third parties. In some cases, liability may be imposed without regard to contribution or to whether we knew of, or caused, the release of hazardous substances. Liability under these laws may be joint and several, meaning that we could be required to bear 100 % of the liability even if other parties are also liable. U. S. Steel is involved in numerous remediation projects at currently operating facilities, facilities that have been closed or sold to unrelated parties and other sites where material generated by U. S. Steel was deposited. In addition, there are numerous other former operating or disposal sites that could become subject to remediation, which may negatively affect our results of operations and cash flows. Contamination at our current properties could result in limitations on or interruptions to our operations and liens in favor of the government for costs the government incurs in cleaning up contamination. In addition, we may be liable for the costs of investigating or remediating contamination at off-site waste facilities where we have arranged for the disposal, or treatment of hazardous substances, without regard to whether we complied with environmental laws in doing so. Reducing greenhouse gas (GHG) emissions from steelmaking operations to meet corporate targets or comply with new regulations as well as stakeholder expectations and mitigate potential physical impacts of climate change could significantly increase costs to manufacture future materials or reduce the amount of materials being manufactured. Iron and steel producers around the world are facing mounting pressure to reduce greenhouse gas emissions from operations. The majority of greenhouse gas emissions from the production of iron and steel are caused by the combustion of fossil fuels, the use of electrical energy, and the use of coal, lime, and iron ore as feedstock. The two main production processes are the integrated route of blast furnace ironmaking in combination with basic oxygen furnace steelmaking (BOF) and the alternative route of electric arc furnace steelmaking. Both routes generate greenhouse gas emissions with the latter process, involving the electric arc melting of a majority of steel scrap, generating less than half that of the traditional integrated steelmaking process. Federal, state and local governmental agencies within the United States may introduce regulatory changes in response to the potential impacts of climate change, including the introduction of carbon emissions limitations or trading mechanisms, and changes in U. S. administration may result in new

or significantly different regulations than those currently impacting or likely to impact the Company. Any such regulation regarding climate change and GHG emissions could impose significant costs on our operations and on the operations of our customers and suppliers, including increased energy, capital equipment, emissions controls, environmental monitoring and reporting and other costs in order to comply with current or future laws or regulations concerning climate change and GHG emissions. Any adopted future climate change and GHG regulations could negatively impact our ability, and that of our customers and suppliers, to compete with companies situated in areas not subject to or not complying with such limitations. Inconsistency of regulations may also change the attractiveness of the locations of some of the Company's assets and investments. In addition, changes in certain environmental regulations, including those that may impose output limitations or higher costs associated with climate change or greenhouse gas emissions, could substantially increase the cost of manufacturing and raw materials to us and other steel producers. For additional details, see "Part I – Item 1, Business – New and Emerging Environmental Regulations – United States and European Greenhouse Gas Emissions Regulations" above. Additionally, the European Union has established aggressive CO2 reduction targets of 40 percent by 2030, against a 1990 baseline, and full carbon neutrality by 2050. As part of the European Green Deal the Commission proposed in September 2020 to raise the 2030 reduction target to at least 55 percent compared to 1990. The new target has since been endorsed by the European Parliament. An emission trading system (ETS) was established to encourage compliance with set emissions reduction targets. These aggressive targets require drastic measures within the steel industry to comply. The transition to EAF technology, as well as incremental gains in energy reduction, use of renewable energy, hydrogen-based steelmaking and continued asset and process improvements are expected to reduce our GHG footprint. However, the development of breakthrough technologies is likely required to continue the path of low to no carbon footprint in the steel industry. Implementation of new technologies will most likely require significant amounts of capital and an abundant source of low-cost hydrogen and / or green power, most likely leading to an increase in the cost of future steelmaking. In addition, the cost of emission allowances is forecast to increase, along with the number of allowances decreasing in the next several years. The price of CO2 emission allowances was ~~77~~ **71** euro per metric ton as of December 31, ~~2023~~ **2024**, and forecasts call for potential prices exceeding 100 euro per metric ton in future years. Environmental, social and governance matters may impact our business and reputation. In addition to the changing rules and regulations related to environmental, social and governance (ESG) matters imposed by governmental and self-regulatory organizations such as the SEC and the New York Stock Exchange, a variety of third-party organizations and institutional investors **and customers** evaluate the performance of companies on ESG topics, and the results of these assessments are widely publicized. These changing rules, regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting such regulations and expectations. Reduced access to or increased cost of capital may occur as financial institutions and investors increase expectations related to ESG matters. Developing and acting on initiatives within the scope of ESG, and collecting, measuring and reporting ESG-related information and metrics can be costly, difficult and time consuming and is subject to evolving reporting standards. We may also communicate certain initiatives and goals, regarding environmental matters, diversity, social investments and other ESG-related matters, in our SEC filings or in other public disclosures. These initiatives and goals within the scope of ESG could be difficult and expensive to implement, the technologies needed to implement them may not be cost effective and may not advance at a sufficient pace, and we could be criticized for the accuracy, adequacy or completeness of the disclosure. Furthermore, statements about our ESG-related initiatives and goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve and assumptions that are subject to change in the future. In addition, we could be criticized for the scope or nature of such initiatives or goals, or for any revisions to these goals. If our ESG-related data, processes and reporting are incomplete or inaccurate, or if we fail to achieve progress with respect to our goals, including our previously announced commitments to reduce greenhouse gas emissions, within the scope of ESG on a timely basis, or at all, our reputation, business, financial performance and growth could be adversely affected. **In addition, in recent years "anti-ESG" sentiment has gained momentum across the U. S., with several states and Congress having proposed or enacted "anti-ESG" policies, legislation, or initiatives or issued related legal opinions, and the President having recently issued an executive order opposing diversity equity and inclusion ("DEI") initiatives in the private sector. Such anti-ESG and anti-DEI-related policies, legislation, initiatives, litigation, legal opinions, and scrutiny could result in U. S. Steel facing additional compliance obligations, becoming the subject of investigations and enforcement actions, or sustaining reputational harm.**

New and changing data privacy laws and cross-border transfer requirements could have a negative impact on our business and operations. Our business depends on the processing and transfer of data between our affiliated entities, to and from our business partners, and with third-party service providers, and of our employees, which may be subject to data privacy laws and / or cross-border transfer restrictions. In North America and Europe, new legislation and changes to the requirements or applicability of existing laws, as well as evolving standards and judicial and regulatory interpretations of such laws, may impact U. S. Steel's ability to effectively process and transfer data both within the United States and across borders in support of our business operations and / or keep pace with specific requirements regarding processing and safeguarding personal information. While U. S. Steel takes steps to comply with these legal requirements, non-compliance could lead to possible administrative, civil, or criminal liability, as well as reputational harm to the Company and its employees. The costs of compliance with privacy laws and the potential for fines and penalties in the event of a breach may have a negative impact on our business and operations.