CLIFFS

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June 16, 2022

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Submitted via email: rule-comments@sec.gov

Re: File No. S7-10-22; Release Nos. 33-11042, 34-94478: *The Enhancement and Standardization of Climate-Related Disclosures for Investors*

Dear Ms. Countryman:

Cleveland-Cliffs Inc. ("Cleveland-Cliffs" or "Cliffs") appreciates the opportunity to provide comments to the U.S. Securities and Exchange Commission ("SEC") on File No. S7-10-22, the SEC's proposed rule to enhance and standardize climate-related disclosures by public companies.[1]

Cleveland-Cliffs Background

Founded in 1847, Cleveland-Cliffs has historically been recognized as the largest and oldest independent iron ore mining company in the United States, headquartered in Cleveland, Ohio. Following our transformative year in 2020 with the acquisitions of AK Steel and ArcelorMittal USA, Cliffs is now the largest flat-rolled steel producer in North America, and by far the largest supplier of highly-specified steel to the automotive industry in North America. Additionally, in late 2021, Cliffs entered the prime scrap business with the acquisition of Ferrous Processing and Trading Company, one of the largest processors and distributors of prime ferrous scrap in the United States. Today, Cliffs is vertically integrated from mined raw materials, direct reduced iron and ferrous scrap to iron and steelmaking and downstream finishing, stamping, tooling and tubing of steel parts and components. This vertical integration represents a sustainable business model that provides for supply chain transparency, an important component of the SEC's proposed rule.

Cleveland-Cliffs' Climate Commitments and Existing Reporting Obligations

Cleveland-Cliffs is committed to environmental stewardship, further reducing our greenhouse gas ("GHG") emissions profile and serving as a leader of responsible manufacturing in the United States. In January 2021, we publicly announced an aggressive goal to reduce our combined Scope 1 and 2 emissions 25% by 2030 from 2017 levels, company-wide, and we will

[1] *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, 87 Fed. Reg. 21334 (11 April 2022). Release Nos. 33-11042, 33-94478; *available at* https://www.govinfo.gov/content/pkg/FR-2022-04-11/pdf/2022-06342.pdf.

report progress on this goal over the next eight years. Cliffs currently anticipates achieving this target in advance of 2030.

To the extent that climate-related information is financially material to a company's performance or gives investors insight into financially material risks that its business faces, companies like Cliffs already have an obligation to provide appropriate climate-related disclosures to the market. Pursuant to this obligation, Cliffs provides insight into our climate-related risks in our annual report on Form 10-K[2]. Cliffs is subject to existing U.S. Environmental Protection Agency ("U.S. EPA") GHG regulations and determines and reports Scope 1 carbon dioxide equivalent ("CO_2e") emissions in accordance with those requirements.

Cliffs also publishes an annual voluntary sustainability report[3] detailing the efforts toward Cliffs' GHG emissions reduction goal, enhancing energy efficiency and mitigating the impact that climate change has on our operations. In addition, Cliffs responds to the CDP (formerly the Carbon Disclosure Project) Climate Change and Water Security questionnaires ("CDP") at the request of our customers and regularly engages with customers, suppliers and investors to share sustainability-related data and information, outside of formal information-sharing platforms. CDP scores the Climate Change questionnaire in the areas of Leadership, Management, Awareness and Disclosure relative to climate change risks, opportunities and impacts. Nevertheless, we recognize the importance of climate-related disclosures, and we appreciate the fact that the SEC is considering whether additional disclosure requirements are warranted to ensure that investors have access to decision-useful information.

Executive Summary

Cleveland-Cliffs supports the SEC's mission of protecting investors, maintaining fair and efficient capital markets and facilitating capital formation. That said, Cliffs has serious concerns about certain aspects of the SEC's climate disclosure framework as currently proposed and believes that certain elements of the SEC's proposal are untenable for companies to implement and, in fact, undermine the SEC's stated goal. The proposed rule institutes a wide-ranging mandate for public companies to report an extensive amount of information, much of which may not be material to their operations or financial performance. In seeking to enhance climate-related disclosures, the SEC has proposed a "one size fits all" rule that over-weights the impact of climate change on public companies, proposing required disclosure far beyond that required of other equal or greater risks that companies manage. As a result, the proposed rule has the potential to cause investor confusion as to the relative risk of climate-related factors and the relative importance of climate-related information.

It would seem appropriate to require companies to align with pre-existing frameworks investors are familiar with, such as the Task Force on Climate-related Financial Disclosures (TCFD) and CDP, rather than developing new guidance or frameworks for alignment. A direct reference to these frameworks would be ideal, so that as frameworks are updated the SEC does not have to consider adopting updates to the final rule going forward. Additionally, the current proposed rule would require companies to share information that could be considered business confidential

[2] See Cleveland-Cliffs' Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on February 11, 2022.

[3] See Cleveland-Cliffs' 2021 Sustainability Report available at www.clevelandcliffs.com/sustainability.

information (i.e. transition plans, carbon pricing, technological developments or prospective strategic transactions), which should not be required to be disclosed in SEC filings.

The proposed rule underestimates the feasibility of compliance with the proposed requirements. While Cliffs has already been taking steps to enhance its understanding and transparent reporting of climate-related information for some time, the data collection, tracking, analysis, and assurance mandates that would be required by the proposed rule are still evolving. The uncertainty and potential unreliability of the data and processes needed to comply with certain of the proposed requirements, including the required financial statement impact metrics and downstream Scope 3 GHG emissions reporting, will make it extremely difficult for public companies to provide accurate, useful and non-misleading disclosures to their investors. As a result, investors will not be able to easily assess climate impacts among companies, even those that are in the same sector.

The compliance difficulties associated with the rule are exacerbated by its extraordinarily short implementation period. Compliance with virtually all the proposed disclosure requirements would be required beginning in fiscal year 2023 if the SEC promulgates a final rule on the expedited timeline described in the proposed action. The filing timing of the required disclosures will have a similarly burdensome effect, as they will be due early each year as part of a company's Form 10-K rather than as a standalone report later in the year as is current practice. The timing pressures on companies working to adjust to, and then comply with, the proposed rule, in combination with the uncertainty and difficulty associated with the underlying data collection and analysis, will make compliance with the proposed rule extremely difficult for companies and could result in less-reliable information for investors. Additionally, requiring these climate-related disclosures in the Form 10-K would likely delay the timeliness of a company's financial reporting data being released as it historically has been. Finally, elements of the proposed rule could potentially discourage companies from taking aggressive climate action by exposing them to increased regulatory, legal and reputational risks from setting emissions reduction targets.

However, if the SEC were to make some specific and targeted changes to:

a) narrow the scope of the proposed rule;
b) provide additional time for companies to respond to the most complex aspects of the proposed rule and tackle those one-by-one;
c) define significant terms so companies are responding in the same manner;
d) reinforce the importance of financially material disclosures;
e) acknowledge the evolving nature of climate reporting; and
f) ensure sufficient time for companies to meet their compliance obligations,

then the SEC could still achieve its stated goal of enhancing and standardizing climate disclosures for the benefit of investors within the appropriate confines of its statutory role.

The following are suggested clarifications to the proposed rule that would enable the SEC to finalize a climate disclosure framework that supports manufacturers' efforts to combat climate change and to provide decision-useful information to their investors to enable them to make informed judgments about the impact of climate-related risks on current and potential investments.

Scope of GHG Emissions Reporting with Consideration of Sector-Specific Factors
For some sectors (such as iron and steel), it is necessary to report Scope 1, Scope 2 and sector-specific upstream Scope 3 emissions to allow for a more comprehensive representation of a company's emissions profile and to help investors compare companies within a sector.

If companies are required to report GHG emissions to the SEC, the emissions data should be reported on both an absolute and an intensity basis to provide comparable data across a specific sector. For this reason, we also believe the SEC should establish sector-specific requirements for reporting emissions, including Scope 3. In the case of the iron and steel sector, this value must include Scope 3 emissions from purchased iron metallics such as pig iron, direct reduced iron/hot briquetted iron ("DRI/HBI," i.e. upstream Scope 3 emissions) – including emissions associated with the transportation of these iron metallics – as they are crucial to the carbon footprint of all iron and steel-producing companies.

Sector-Specific Scope Reporting Requirements
The SEC's proposed rule addresses climate-related disclosures without consideration of their effect on specific industries and prescribes a "one size fits all" approach to the disclosure requirements (generally inconsistent with other frameworks that include industry-specific disclosure standards). For the reasons stated below, we believe that metallic iron production emissions should be required to be reported (as Scope 1 or Scope 3 emissions) for the iron and steel sector in the proposed rule.

The SEC's proposed rule provides a highly subjective interpretation of the circumstances in which Scope 3 emissions, including metallic iron production emissions, might be material, offering that Scope 3 emissions are material where they represent a significant risk, are subject to significant regulatory focus or, consistent with general concepts of materiality, if there is a substantial likelihood that a reasonable investor would consider them important. Disclosure of Scope 3 emissions should not be required based solely on the fact that a company has a Scope 3 emissions reduction goal. Nor should the SEC mandate that companies report estimates for all Scope 3 sources and categories, as this would be unnecessary, overly burdensome and potentially confuse interested parties as to which emissions sources are the most relevant and important to the company. Rather, **Scope 3 categories or sources of emissions within those Scope 3 categories should be required to be reported for certain industries if they are critical to assessing the total carbon footprint and associated risks of an industry and companies within that industry (for example, the iron and steel industry) – especially if Scope 3 emissions are equal to or greater than a company's Scope 1 emissions.**

These industry-specific data points would assist investors' review of information that is consistent and comparable between competitors. The iron and steel sector produces a wide variety of grades of steel and steel products. The most critical contribution to CO_2e emissions intensity of a steel product is from the production of metallic iron, including pig iron from a blast furnace or DRI/HBI from a direct reduction shaft furnace. In addition to ferrous scrap, steel companies in the U.S. and around the world produce or purchase these metallic iron feedstocks necessary to produce many grades of steel. The CO_2e emissions from metallic iron production are due to the chemical reactions and energy requirements needed to convert iron ore into usable metallic iron. Depending on the steel grade produced, these metallic iron feedstocks can often contribute the majority of the CO_2e intensity of the final steel product and can be the largest contributor of upstream Scope 3 emissions. Generally speaking, the more quality intense a flat-rolled steel product is, for example, the more metallic iron is required in the production process, which generates higher CO_2e intensity. This source of emissions will only become more important as steel demand outpaces prime ferrous scrap supply.

Whether metallic iron production emissions are considered Scope 1 or Scope 3, many steel companies already include metallic iron production CO_2e emissions in their CO_2e footprint in public documents such as sustainability reports and CDP responses. The majority of Cleveland-Cliffs' Scope 1 emissions are from the production of our high purity iron and DRI/HBI needed for the steel products we produce. Our integrated iron and steelmaking facilities, which do not need to purchase imported pig iron, had an average Scope 1 and 2 intensity of 1.67 metric tons CO_2e/metric ton of crude steel in 2021. Our electric arc furnaces' metallic iron feedstocks are also internally produced, resulting in the associated iron production emissions being reported under Cliffs' company-wide Scope 1.

Other companies producing steel in an electric arc furnace by purchasing third-party and/or imported pig iron and DRI/HBI have a different business and operational model and may report a Scope 1 and 2 intensity much lower due in part to outsourcing the intensive metallic iron production as well as manufacturing varied steel products with less discerning specifications. For comparison, one competitor's domestic steel mill recently reported that Scope 3 emissions from imported iron were over 800,000 metric tons of CO_2e. These imported iron Scope 3 emissions alone were more than double their Scope 1 emissions reported to U.S. EPA. These Scope 3 emissions should be required to be reported for the iron and steel sector in the proposed rule. Failing to include the emissions from this critical Scope 3 source could obscure the impacts and risks of a company and result in misleading and unreliable benchmarking between companies in the iron and steel sector.

Furthermore, as metallic iron feedstocks are one of the most important elements of steel making, it would not be overly burdensome to require iron and steel sector companies to report their upstream Scope 3 emissions for purchased pig iron and/or DRI/HBI. The emissions from metallic iron production and its transportation, whether produced or purchased, is important and relevant to iron and steel companies' carbon footprint. **As such, the SEC should mandate that all companies in the iron and steel sector report their upstream Scope 3 emissions associated with purchased third-party pig iron and/or DRI/HBI.**

Additionally, any other optional Scope 3 emissions disclosures should focus on emissions in a company's upstream input supply chain and not its downstream customers, as it can control what goes into its products and processes and could more reliably gather that information. It is extremely difficult, if not impossible, to know exactly what will become of a steel product after it is sold. For example, steel companies can sell products to steel service centers who then distribute the steel to a myriad of customers and end users. Or, companies can sell steel to fabricators who further finish the product and sell to additional customers down the value chain. In iron and steelmaking, for instance, we are able to account for all the raw materials that are used to manufacture iron and steel. As we process and finish the product, we are likewise able to account for the associated emissions from those processes, which would represent the majority of the emissions attributable to making iron and steel. It is important that in sectors like iron and steel, upstream Scope 3 raw material inputs like iron metallics are captured in any emissions reporting requirements in order to ensure a fair comparison of the different companies and steelmaking methods. While other sectors might be able to account for downstream Scope 3 emissions more easily, it is nearly impossible to do so in the steel industry.

Cliffs strongly believes **upstream Scope 3 emissions associated with purchased third-party pig iron or DRI/HBI must be disclosed**. However, if the SEC decides to exclude such Scope 3 reporting requirements from the final rule, Cliffs anticipates finding it necessary to describe, in a narrative fashion, the misleading comparisons that this outcome would generate. Otherwise, stakeholders, including investors, could wrongly be led to believe that steel produced using purchased third-party pig iron and/or DRI/HBI does not have GHG emissions attributable to the production of those metallics.

Companies should be required to report carbon credits, carbon offsets and renewable energy certificates ("RECs") separately from disclosed Scope 1, 2 and 3 CO_2e emissions
Carbon credits and carbon offsets should not be used to obscure the amount of emissions a company is responsible for emitting into the atmosphere. This is particularly important in a "difficult-to-decarbonize" sector like the iron and steel industry, as it could mislead investors on the actual reductions achieved or the carbon intensity of companies' products.

There are many dubious claims around these mechanisms should a company utilize credits or offsets as part of their climate strategy, and the SEC should require that they be quantified and disclosed separately from disclosed CO_2e emissions. Additionally, the SEC should require:

a) narrative descriptions of the credits and offsets;
b) details of how the decarbonization capability of the credit or offset was calculated; and
c) the quantity claimed and/or purchased during the reporting year.

Further, the SEC should require companies to identify if previous disclosure's credits or offsets were miscalculated or negated by subsequent events, such as a wildfire eliminating a company's forest of carbon offsets.

The SEC should also require that RECs be disclosed separately from emissions or offset subtotals and include a description of the RECs – identifying if they are from clean power purchase agreements or unbundled or voluntary-market RECs.

GHG Emissions Filings
The SEC's proposed rules present significant timing challenges for companies to meet their disclosure deadlines. The timeline for implementation for such a broad-ranging proposal will likely result in financial information and other information currently required in a Form 10-K being significantly delayed to investors. Accordingly, an alternative to avoid this result could be to include SEC-required climate change disclosures in a separate form with a customized and appropriate filing deadline (compare to, for example, Conflict Minerals reporting timing) later in the year than the Form 10-K.

U.S. EPA, the federal agency with primary regulatory authority over GHG emissions, requires certain large stationary sources to determine their annual Scope 1 GHG emissions by March 31st for the prior calendar year. The regulations were promulgated in October 2009. In response to public comments, U.S. EPA noted that the reporting deadline of March 31st was "…also consistent with the reporting deadline implemented in 2005 for reporting GHG emissions under the EU Emissions Trading System…"

The GHG data to be reported under the SEC's proposed rule (including stationary Scope 1 emissions sources below the U.S. EPA reporting threshold; mobile source Scope 1 emissions; Scope 2 emissions; and potentially Scope 3 emissions) would be more expansive than GHG emissions reported under U.S. EPA regulations. CDP's annual voluntary disclosure for companies requires an annual submission of GHG emissions data and other climate-related information that aligns with TCFD recommendations. The CDP's voluntary response deadline is typically the end of July. The amount of resources to prepare, assure and file a climate-related report is extensive. As noted, select Scope 1 emissions data is required to be reported to U.S. EPA by March 31st, and remaining Scope 1, Scope 2 and available Scope 3 estimates are reported to CDP by the end of July. Therefore, by late July to early August, companies are currently prepared to or should have the necessary information and data available to report should the SEC move forward with a proposed rule.

Cliffs already aggregates and reports our Scope 1 and 2 emissions in our annual sustainability report and provides select Scope 3 emissions estimates in our CDP submittal. **The SEC should consider the separate, non-financial climate-related filing date be similar to the timing of a widely recognized voluntary disclosure framework like CDP with a filing date of late July.** A late July/early August filing date would make reporting more feasible for companies and, since CDP does not release companies' responses and scores until December, provide relevant climate-related information to investors and interested parties earlier than current disclosures. Given that CDP is a global voluntary disclosure framework with companies responding to the same deadline, a late July/early August filing date would accommodate both domestic and foreign companies, negating the need for separate reporting provisions for foreign companies.

Additionally, we do not support a one-year lag time for emissions reporting. A one-year lag time on emissions data and information would not be helpful, as some of the most important information the SEC is requesting is disclosed in some fashion before the end of the year.

Finally, a standalone climate-related filing could make it easier for investors and other interested parties to locate a company's relevant GHG emissions data and climate-related information in a single report.

Guidance for Flexibility

Many regulatory requirements provide some flexibility in the way that companies address compliance issues, including in the environmental arena. The SEC's requests for comments include sections of the proposed rule where the SEC is asking whether flexibility should be an option for those sections. The difficulty with flexibility **in this setting** is that if the intent is to allow investors to understand how climate risks are affecting the future of a company and to compare companies when making investment decisions, then they must be able to compare "apples-to-apples." Too much flexibility in the rules will necessitate that investors spend significant time discerning what was included and excluded in each company's disclosures and how companies' disclosures are alike and different. **We encourage the SEC to provide sufficient guidance so that flexibility does not lead to lack of comparability of data.**

Content of Disclosures and the Need to Define Significant Terms

There is a lack of clarity in significant terms such as "material impact" and "short, medium and long term," which must be defined for consistency and sufficient comparability between companies. Calculations need to be clearly defined and examples would be most helpful to ensure consistency between periods and between various companies.

Types of risks and definitions of risks should be limited to facilitate a company's disclosure of the most important risks facing that particular company. Over-delineation of required risk disclosures could lead to more subjective and less useful disclosures across companies. If a company deems a risk financially material (climate or otherwise), it will already be disclosed (as previously stated). Moreover, 'opportunities' related to climate change should not be required to be disclosed in SEC filings. They are likely to be optimistic, overestimated projections at best and could fluctuate significantly depending on various factors, such as technology advancement and adoption.

ESG Expertise for Certifications

ESG expertise appears to be generally available to fulfill governance requirements. Board and executive oversight of climate-related risks is likely already disclosed in many locations, such as a sustainability report; CDP Climate Change response; TCFD report; in a Board Committee Charter on a corporate website; or in a Proxy Statement. Disclosure of this type of information should stay in these places and can be referenced in the Form 10-K, if necessary. However, it is uncertain whether the expertise exists for attestation purposes. The SEC is seeking comments on whether the rule should "require a registrant to obtain a GHG emissions attestation report that is provided by a GHG emissions attestation provider".

As the SEC knows, many times certain expertise is needed to comply with regulatory requirements, such as the use of Professional Engineers in the environmental arena or Certified Public Accountants in the financial world. Obtaining these credentials takes time, experience and other certification requirements. **We request that the SEC provide a clear definition of the qualifications required to provide GHG emissions attestation, recognizing that there is likely insufficient expertise in the field to attest filings under the aggressive timeline of 2023 outlined in the proposed rule.**

Consolidated Climate Statement

The SEC raises the concept of disclosing financial statement metrics in a new statement, which it refers to as a Consolidated Climate Statement. Given that guidance on how to prepare such a statement and examples of such statements do not exist, it would be difficult to see how companies could comply with such a requirement and how consistent application for comparability by users would be accomplished. Even if a company could develop such a statement, it is uncertain as to how users would apply this information to make informed decisions as investors. If the SEC believes such an approach would be useful to investors, it should further develop the concept, provide detailed examples and allow a sufficient implementation period before it is a requirement. **We encourage the SEC not to adopt a proposal to require a Consolidated Climate Statement without these aforementioned considerations.**

Audited Financial Statement Footnotes

The proposal would require companies to include climate-related financial statement metrics in a note to the audited financial statements. Quantifying such impacts will not be a matter of simply identifying payments to certain vendors or flagging the debits and credits for certain transactions. Determining the financial impacts of transition activities will be challenging, subject to much judgment and difficult to audit.

For example, we may have an objective of selling to more “green customers”, such as selling more steel for the construction of wind turbines rather than oil rigs. We would have to estimate the number of tons of steel we did not sell to oil rig manufacturers, the price we would have sold it at and the cost to manufacture. We would need to estimate how much of the sales of steel to wind turbine manufacturers was incremental because of our transition activities and not from continuing sales to customers from before we established the objective.

Another example would be a capital project to improve the insulation in some of our furnaces. Such a project could reduce natural gas consumption, lowering the amount of carbon we emit. However, it would also result in the faster heating of our steel, resulting in higher productivity, increasing throughput and lowering other costs, such as labor, associated with the manufacturing of our products. We would need to make a judgment as to how much of the initial capital and associated depreciation was related to the transition activity and not something else.

Even the task of determining what represents a transition activity, let alone determining the financial impacts, will require substantial judgment. The application of this judgment will likely result in a lack of comparability across companies and could lead companies to “cherry pick” those activities that put it in a favorable light.

There may be some activities for which it is relatively straightforward to identify the impacts, such as the cost to remediate hazardous waste at a closed mill site or the cost to install pollution control equipment, but these items would likely already be disclosed if they are material. The incremental disclosures in the proposal would be more akin to financial analysis or pro forma adjustments than reporting what occurred historically. Such analysis belongs outside of Item 8 of the Form 10-K and not included within the auditor’s report. **We encourage the SEC to remove the requirement to include climate-related financial statement metrics in the audited financial statement footnotes.**

Regulation S-X

Even if climate-related financial metrics were not included as part of the audited financial statements, the proposed rule would amend Regulation S-X to require public companies to analyze the impact of climate-related risks, weather events, and transition activities on each line item of their consolidated financial statements. If the aggregate impact of these risks, events, and activities exceeds 1% of the value of a given line item, companies would be required to provide a note in their financial statements describing the disaggregated quantitative impacts, both positive and negative, of climate-related events and climate-related transition activities. Separately, companies would be required to provide similar analysis and disclosure with respect to aggregate amounts of expenditure expensed and capitalized costs incurred. The concept of materiality is one that is well established and with extensive interpretative guidance provided by case law and SEC guidance. This proposal departs from existing concepts of materiality and establishes new thresholds inconsistent with the existing framework, which has the potential to cloud understanding and create confusion among interested parties.

As part of a company's consolidated financial statements, these disclosures would be subject to the traditional financial audit as well as the external audit of a company's internal controls over financial reporting. The quantitative financial impact metrics and expenditure metrics would be accompanied by contextual information describing, for example, specific climate-related events and activities and any methodological choices a company made in preparing the required quantitative disclosures.

The breadth of the Regulation S-X amendments would require companies to count every single financial impact that could plausibly be attributable to climate risks, weather events or transition activities and then to aggregate these impacts to determine if they meet the proposed 1% threshold—for *each* line item in the consolidated financial statements. The extreme burden of tracking quantitative climate impacts, with no *de minimis* exception for minor events or immaterial impacts, would impose colossal cost and resource burdens on all public companies. This rule is inconsistent with the SEC's own guidance on materiality contained in Staff Accounting Bulletin ("SAB") No. 99. SAB No. 99 expresses the view that companies should not rely exclusively on quantitative measures to determine materiality. In reaching the conclusion that strict formulas are not appropriate, it referenced existing practices and accounting literature. SAB No. 99 observed that "The FASB has long emphasized that materiality cannot be reduced to a numerical formula," and that "The FASB rejected a formulaic approach to discharging 'the onerous duty of making materiality decisions' in favor of an approach that takes into account all of the relevant considerations."

<u>The proposed amendments to Regulation S-X would impose incredibly burdensome requirements on all public companies. We encourage the SEC to remove this costly and complex provision from any final rule. For additional context related to this comment, please see the comment letter filed by the National Association of Manufacturers.</u>

Regulation S-K and Treatment of Competitively Sensitive Information

If the SEC is determined to require companies to analyze the impact of climate-related risks on their financial statements, the appropriate home for those amendments would be Regulation S-K, not Regulation S-X. In fact, the proposed Item 1502(d) of Regulation S-K would already require a company to provide "a narrative discussion of whether and how any of its identified climate-related risks…have affected or are reasonably likely to affect [its] consolidated financial statements."[4] This requirement would allow a narrative description rather than a quantitative analysis and would be more closely linked to the climate-related risks a company has

[4] Proposed Rule, *supra* note 1, at 21354.

determined to be material to its operations. The proposed Item 1502(d) requirement is sufficient to enable investors to understand the impact of climate change on companies' financial statements and operations. We believe this proposed disclosure approach should be based on the TCFD framework, with which many manufacturers are already familiar.

While largely supportive of the SEC's efforts to enhance the disclosure of companies' climate-related risks, we do have certain concerns with the proposed approach. Most notably, the proposed risk descriptions are unnecessarily prescriptive. While we support identifying climate-related risks as either physical risks or transition risks, the additional information required about these risks once they are disclosed appears unnecessarily extensive and overwhelming – for companies, investors and other key stakeholders. For example, disclosing a physical risk would require a company to identify at the ZIP-code level the exact location of any operations that might be subject to that risk. While some information about the location of a risk may provide useful information to investors, there is little practical utility for granular ZIP-code-level data. The same goes for the proposed rule's specific requirements for water-related risks, which would obligate companies to disclose the square footage of their facilities located in a flood hazard area and the share of their assets located in high water stress regions. As noted before, these types of granular details required by the proposed rule would ultimately require companies to invest significant resources to compile and report immaterial information that would not help investors and other key stakeholders understand these risks or facilitate more informed decisions.

<u>We encourage the SEC to reconsider the more prescriptive provisions of its proposed climate risk disclosure framework.</u> Companies can and should provide thorough narrative disclosures about identified material physical and transition risks, but there is simply no need for the level of prescriptive granular detail envisaged by the proposed rule. The SEC should encourage companies to provide sufficient information to inform investors about a given risk, but the SEC should not attempt to dictate the exact disclosures that companies make. For additional context related to this comment, please see the comment letter filed by the National Association of Manufacturers.

Compliance Dates

The compliance date of Fiscal Year 2023 ("FY2023") is very aggressive for such a complex disclosure requirement, and the climate change proposal tries to cover too much in a single proposed rule. As noted earlier, a better approach would be to break the proposed regulation into components that could be implemented over time. If all years presented in the financial statements will be required to be disclosed within the FY2023 Form 10-K as referenced in question 114, it will be a tall task to compile 2022 and 2021 information along with the current year 2023. Instead, companies should be given the opportunity to put in place the necessary processes for accurately and systematically gathering, compiling and reporting required information. Consistency in reporting is a critical element to a successful proposal for investors and other stakeholders to meaningfully compare information among investment opportunities**.**

<u>We encourage the SEC to extend the compliance dates of each of the rule's provisions by two years. As noted earlier in the comment letter, providing Scope 3 emissions from purchased metallic iron feedstocks is not burdensome and can be completed with the</u>

initial filing; however we encourage the SEC to provide an additional third year of runway for more complicated quantitative reporting requirements (i.e. financial statement metrics and expanded Scope 3 emissions sources). For additional context related to this comment, please see the comment letter filed by the National Association of Manufacturers.

Conclusion

These and other targeted changes would significantly mitigate anticipated compliance challenges and reduce investor confusion while still preserving the spirit of the proposed rule. Cleveland-Cliffs appreciates the SEC carefully considering our comments and encourages the SEC to incorporate these needed amendments into any final rule, and we look forward to working with the SEC to ensure that its climate disclosures framework benefits companies and investors alike.

Sincerely,

Traci L. Forrester
Executive Vice President, Environmental & Sustainability
Cleveland-Cliffs Inc.