

# KING & SPALDING

## CONFIDENTIAL

### MEMORANDUM

TO: Reuters Sustainability Project

FROM: Cal Smith, Elizabeth Morgan and Rob Leclerc

DATE: June 16, 2021

RE: Reuters Sustainability Scenario – Brighton Tractor Supply Company

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For a public company like Brighton Tractor Supply Company (“BTSC”), “how sustainable is your business?” has become a common question from investors, customers, employees and other key stakeholders. One of the challenges of answering this question lays in the fact that sustainability means different things to different constituencies. As BTSC refines its sustainability strategy and story, understanding the priorities of key stakeholders will be an essential piece of the puzzle. Set forth below are three tasks we would recommend to help BTSC get started in prioritizing its environmental, social and governance issues. All three of these suggestions fall within an overarching theme of making a meaningful and demonstrable commitment to sustainability through a long-term lens across multiple stakeholder constituencies.

#### **1. Commit to the Chief Sustainability Officer Role**

*“...BTSC is now considering having one of its vice presidents co-designated as BTSC’s Chief Sustainability Officer...”*

The role of the Chief Sustainability Officer should be a fully empowered role, with internal and external heft. Co-designating a current vice president as the Chief Sustainability Officer may work as an interim measure depending on that individual’s skills, but a meaningful commitment to sustainability will demand a full-time role, filled by a qualified internal or external candidate with relevant experience. Because “sustainability” is such a broad and evolving area, a Chief Sustainability Officer with relevant experience can bring valuable insight and focus to the team, and can play an important role in interacting with key stakeholders. As part of the exercise of defining the role and responsibilities of the Chief Sustainability Officer, BTSC and its Board of Directors should consider appropriate reporting lines and oversight

(including considering, at the Board level, whether that responsibility sits with a committee or the full Board of Directors), and should ensure that the Chief Sustainability Officer is an integral part of other key internal workstreams.

## **2. Prioritize Remedying the Hazardous Waste Issues**

*“...BTSC also has hazardous waste legal issues resulting from improper storage and disposal of used batteries returned to its rental and service business...”*

If BTSC continues to improperly store or dispose of the used batteries, or if the legal issues remain unresolved, commitments to sustainability will ring hollow. BTSC should focus on developing an operational strategy that does not involve improper storage and disposal of used batteries, and prioritize resolving the legal issues in a manner that works for the business as well as key stakeholders. If possible, focus on addressing the legal issues in a practical, non-combative manner (with litigation against the government as a last resort), tied to the going-forward business plan for proper disposal and storage. Developing a plan for transparent communication to stakeholders regarding how the issues are resolved – e.g., in SEC filings and corporate sustainability reports – will be a key part of this action item. At the end of the day, BTSC is a public company facing private and governmental litigation risks, and all disclosures around sustainability issues and strategies should be viewed with those considerations in mind.

## **3. Diligence the Supply Chain for Red and Yellow Flags**

*“...Its supply chains are multifaceted and international...”*

BTSC should perform a risk assessment of its supply chains, with the goal of identifying and understanding the nature and location of material E&S supply chain risks. This mapping exercise should be broader than standard anti-corruption diligence, and also different than an M&A diligence exercise – it should include exploration of human rights, labor and working conditions issues, as well as community health and safety and pollution prevention. Once the risks are understood and mapped, BTSC should develop an action plan that focuses on mitigating material E&S supply chain risks. This exercise will require a nuanced analysis of balancing business needs and realities with BTSC’s sustainability commitments.

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I hope these recommendations are helpful. Please feel free to contact us with any questions or if you would like to discuss any of the points raised in this memorandum further.