



Brighton Tractor Supply Company (“BTSC”)—Response to ESG Request

We have received the request of BTSC for assistance in responding to the environmental, social, and/or governance (“ESG”) issues it is now confronting. There are a number of tactics that can be adopted to confront the changing environment, as both investors and government regulators increasingly focus on ESG issues. The key, of course, is to preserve and maximize the value of the company while navigating these challenges.

While there are a number of internal administrative measures that could be adopted—such as the proposed designation of a BTSC vice-president as a Chief Sustainability Officer—the three key measures proposed below will focus on concrete steps that can be taken to avoid liability and minimize risk, rather than minor maneuvers that can be critiqued as mere “window dressing.” That said, many of these substantive initiatives can be implemented at reasonable cost to BTSC, and some may even improve its revenue and financial posture.

- ***Implement a Robust Regime of ESG Disclosures***

The SEC has recently announced that it will soon be promulgating regulations concerning ESG disclosures, particularly ones focused on the risks associated with climate change. Although the ultimate form these new SEC disclosure rules will take is not yet known (though it may be soon), BTSC can reasonably anticipate the general thrust of these new disclosure rules and begin collecting the relevant data to properly respond. BTSC can also consider implementing certain other ESG disclosures as an interim step, to prepare for the SEC ESG disclosures—we would advise BTSC to evaluate and consider using certain regulatory measures that have been proposed by the SEC’s counterparts in the EU and UK.

Additionally, as a complement to these disclosures, we would also recommend articulating and promulgating an ESG policy on behalf of BTSC.

- ***Analyze Potential Legal Regimes BTSC Is Subject to and Assess Potential Liability***

We have been informed that BTSC not only conducts business “across the country,” but that “[i]ts supply chains are . . . international.” BTSC may therefore be subject to a number of regulatory frameworks and legal regimes that can impose varying—and potentially conflicting—burdens, and thus liability, on its operations. Not only must BTSC contend with local, state, and federal regulatory regimes in the United States, but it is also possible that the international operations of its supply chain could draw it within the framework of international or foreign rules and regulations, particularly

concerning environmental concerns such as climate change (e.g., Scope 3 emissions in its supply chain).

BTSC should conduct a targeted, careful analysis of its current operations in order to identify each legal regime it is potentially subject to, and assess the extent of potential liability (to the extent possible). Armed with this knowledge, BTSC can then investigate whether it can potentially restructure its operations and/or supply chain in order to avoid jurisdictions that would impose inordinate liability or risk on its activities.

- ***Adopting Resiliency Measures in the Conduct of BTSC's Business***

We have been informed that BTSC's key commercial counterparties are "industrial farm and factory operations" in the United States. These types of business—particularly farms—are especially vulnerable to the environmental pressure of climate change. To give but one example of how agriculture around the world is beginning to adapt to the changing climate, the wine-growers of Bordeaux recently allowed six new grape varietals, which were designed for different (warmer) climates, to be incorporated into the classic Bordeaux blend. Other farming enterprises are beginning to similarly adapt to the pressures of climate change.

The relevance for BTSC is straightforward: industrial farms which have failed to implement measures to respond to the pressures of climate change present a far more significant credit risk than agricultural operations that exercised more foresight. As such, BTSC should begin assessing which of its commercial counterparties should be assessed a higher charge (e.g., when extending credit to finance purchases), to properly reflect the increased risk of doing business with such an entity.

Similarly, factories that have not adopted resiliency measures to address the risk of climate change—e.g., situating factories in a flood plain, failing to take into account and prepare for more significant and damaging storms—also present a greater credit risk, which should be factored into BTSC's commercial dealings.

We believe the adoption of the measures outlined above will enable BTSC to respond to the ESG pressures it is currently facing, and also help situate BTSC in an advantageous position with respect to its peers.

We are available to discuss the proposed measures at your convenience.