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RE: Reuters’ ESG Project - Brighton Tractor Supply Company (“BTSC”) Sustainability Recommendations

We are pleased to participate in *Reuters’* Environmental, Social and Governance (“ESG”) Project. Set forth below is a high level summary of three key recommendations we would make to the fictional BTSC Board of Directors, as it begins to prioritize and incorporate ESG issues into its business, operations, and future business plans. We would welcome the opportunity to discuss these recommendations with you further.

**1. Compliance with applicable law**

- a. First and foremost, BTSC’s initial focus should be on coming into compliance with legal requirements regarding hazardous waste storage and disposal. This may involve the retention of a third party environmental consultant (in addition to environmental counsel) to assess its compliance issues and advise the company on a corrective strategy.
- b. BTSC also may consider engaging an environmental consultant, and counsel, to conduct an audit of its environmental compliance more broadly. This is important because non-compliance identified during such an audit generally can be reported to federal and state regulatory agencies, and corrected, under self-disclosure programs that provide significantly reduced penalties or no penalties at all.

**2. Establish firm goals/ethos re ESG**

- a. The Board and executive team should consider establishing a framework of firm-wide goals and a mission statement or ethos regarding ESG. This can, and should, include goals and positions on:
  - i. environmental matters, such as carbon emissions, water usage, waste and recycling;
  - ii. social issues, such as diversity and inclusion, and labor workforce matters; and
  - iii. governance issues, such as board diversity and independence, and company policies and procedures.
- b. In order to demonstrate the importance of ESG to the Company and establish an ESG-sensitive culture within the company, the Board should consider establishing an ESG subcommittee of the Board to spearhead these efforts. Such a subcommittee would interact with management on a more frequent basis than the routine (we assume quarterly) board meetings – perhaps monthly.

- c. The appointment of a Chief Sustainability Officer should be part of this process. We think the appointment of VP-level CSO makes good sense, as the CSO should have a seat at the executive table. However, we would advise that BTSC consider appointing a VP-level CSO who would be dedicated solely to driving the firm's ESG measures, and not splitting time with other obligations. This dedication could occur over time as the VP transitions out of his/her current role (assuming the position is filled by someone currently at the firm).
- d. BTSC should engage a third-party consultant / firm to conduct a market survey of its primary competitors in order to benchmark its actions against its peer companies. BTSC should use the information produced during this survey to establish its goals and where it wants to position itself in the market (i.e., does BTSC want to become the market-leader on ESG matters or does BTSC want to be in the middle of the pack on ESG matters).
- e. It will be important for DTSC leadership to focus on what is achievable, and not establish unrealistic goals or objectives. An ESG program should set aggressive, but achievable, goals.
- f. To the extent that carbon emissions are a relevant component of the firm's ESG goals, the firm should explore opportunities to engage partners in beneficial carbon offset projects – both as a means to offset its carbon emissions and to bolster its image as a leader in the space.

### **3. Develop written policies and procedures to implement goals and drive change**

- a. Once goals have been established, the CSO should lead a firm-wide effort to engage employees at all levels and develop specific, written policies and procedures to support the firm's ESG goals and objectives.
- b. BTSC should ensure that appropriate guidance and training programs are developed to help drive change throughout the organization.
- c. Compliance with the policies and procedures, training requirements, and progress towards goals should be regularly monitored and tracked.
- d. One policy/procedure should address supply chain providers, and we recommend that BTSC conduct a survey of existing supply chain providers to understand the extent to which those suppliers positions on ESG matters align with the firm's positions. For significant suppliers, an ESG audit requirement may be appropriate.
  - i. We further recommend that BTSC consider including provisions in supplier RFPs to establish minimum ESG standards for new suppliers.
- e. The CSO should be charged with compiling regular reports with respect to progress towards the firm's ESG goals.