



To:
Board of Directors
Brighton Tractor Supply Company

From:
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Dear Brighton Tractor Supply Company:

We have developed a three-pronged ESG strategy for Brighton Tractor Supply Company (BTSC). To get its ESG affairs in order, BTSC should gather and analyze information regarding all aspects of its business, internal *and* external, upstream *and* downstream, and ensure that, going forward, it has the processes and policies in place to meet internal goals and external standards, whether voluntary or compulsory. BTSC can accomplish this through auditing its operations, its board, and its advertising and media strategy.

1. Operational Audit

a. Internal – BTSC should examine its current operations, particularly the business line intersecting with battery storage and disposal, and develop a strategy both to bring itself into compliance with federal, state, and local regulations, and to systematize future compliance for all its business lines. Because EPA’s elevation of [environmental justice as a strategic enforcement priority](#) may expose a particular vulnerability for BTSC, the company should also pay particular attention to whether any of its facilities, especially those dealing with hazardous waste, are located in traditionally underserved communities. Tools like EPA’s [EJSCREEN](#) can assist in this regard. In order to further mitigate its compliance and enforcement risk, BTSC should then evaluate its relationships with those communities, including the extent to which community members are employed by or in leadership positions with the company, and consider developing community advisory boards to regularize and structure future dialogue. BTSC can then assess internal structures and reporting lines in order to properly align environmental justice, compliance, and ESG considerations; and ensure that this suite of issues is handled at the appropriately high levels of the company.

b. Upstream – BTSC must know where its materials are coming from, who is making them, and how the employees are treated. To the extent BTSC’s operations require minerals that can be sourced in conflict-ridden areas, BTSC should look for other sources and, where possible, recycle existing stocks. Similarly, if an audit reveals that any of BTSC’s suppliers are using forced labor, BTSC must work with the supplier to ameliorate those practices or look elsewhere for sourcing. BTSC should also consider using supply-chain software to automate this tracking going forward.

c. **Downstream** – While BTSC may not have ultimate control regarding how its products are used, it can control how it markets its products and instructs consumers as to their use. With industrial farm and factory operations in its portfolio, BTSC should also evaluate the ESG performance of its corporate customers, and ensure that, to the extent possible, it exerts any influence it has to improve their performance. Part of the review of its corporate customers should include how those customers are affecting smaller, local businesses in the area—are small entities being pushed out of business? Additionally, are BTSC’s products available to those smaller businesses? If not, could BTSC create a value-priced product to reach more customers?

d. **Climate** – BTSC should evaluate its [Scope 1, 2, and 3 emissions](#) to the degree possible and identify first the low-hanging fruit to improve its performance. It should analyze the cost and feasibility of transitioning to a more diversified energy portfolio, and investigate areas where it can minimize water usage and waste. BTSC should also evaluate the financial risks posed to the company by climate change, *e.g.*, whether it has factories in areas vulnerable to sea-level rise, whether its customers’ farms may convert to other land uses due to changing rainfall patterns, etc.

2. **Board Audit**

As BTSC considers how to answer questions from investors and customers regarding the company’s “sustainability,” it should also take a hard look at its board, its composition, and its policies. Is the board diverse and inclusive? If not, are there plans to seek out diverse candidates? What kinds of policies does the board have regarding executive compensation (if any) – is it considering tying compensation to ESG performance? With regard to elevating a VP to a “Chief Sustainability Officer,” in particular, the board should first be clear about what, specifically, that officer’s remit is, and how the position will be evaluated. Additionally, as the board develops ESG policies, it should ensure that its D&O coverage adequately covers the risks and exposures that can accompany ESG initiatives.

3. **Advertising & Media Audit**

Unfortunately, all this work could be undermined in one fell swoop with a negative social media attack or a deceptive-advertising suit. BTSC should be in regular contact with its media counsel regarding how it messages any negative exposures and promotes its proactive ESG initiatives. One thing is certain: BTSC should *not* over-promise. Also integral to BTSC’s ESG strategy will be a PR team that is constantly monitoring social media channels for comments, videos, and hashtags that could have the potential to go viral and give the public the wrong impression. In this regard, BTSC needs to be cautious regarding not only external forces, but also internal actors, including disgruntled employees and, especially, board members who may be inclined to be too forthcoming with details that could raise an eyebrow with regulators.

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In summary, while these audits and resulting policy and procedure changes may increase near-term costs for BTSC, they will likely provide long-term value and, indeed, save costs in the long-run from enforcement and citizen-suit avoidance.

Respectfully submitted,

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