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6TH ANNUAL STUDENT CONVENTION

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2022 SEC Proposed ESG Disclosure Rules

Corporate Accountability Following Climate-Related CAFO Disasters

Once in effect, the SEC's new ESG rules could be used to bring investor lawsuits against public companies that omit or misreport material environmental disclosures.

- Part 1: ESG basics, greenwashing, proposed disclosures
- Part 2: CAFO climate disaster emissions and pollution reporting
- Part 3: Using nondisclosure as a cause of action

What is ESG? Leading Issues for Sustainable & Impact Investing

ENVIRONMENTAL

- Climate Change
- *This could include GHGs emitted from CAFOs during climate disasters*

SOCIAL

- Labor and Equal Employment
- Human Rights

GOVERNANCE

- Corporate Political Activity
- Executive Pay
- Independent Board Chair

Why Care About Erroneous ESG Claims?

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They create a false *Greenium*:

- Greenwashing occurs when a company promotes its environmental concerns as an advertising gimmick.
- Companies can do this by making misleading statements or omissions about their ESG metrics.
- Material reporting misstatements impact investors seeking financial returns based on ESG reporting factors.

Our dedication to sustainability

At **Big Ag**, we love the environment. All of our animals are super happy. We’re feeding the world!

LEARN MORE

In March 2022 the SEC proposed the

Enhancement and Standardization of Climate-Related Disclosures for Investors

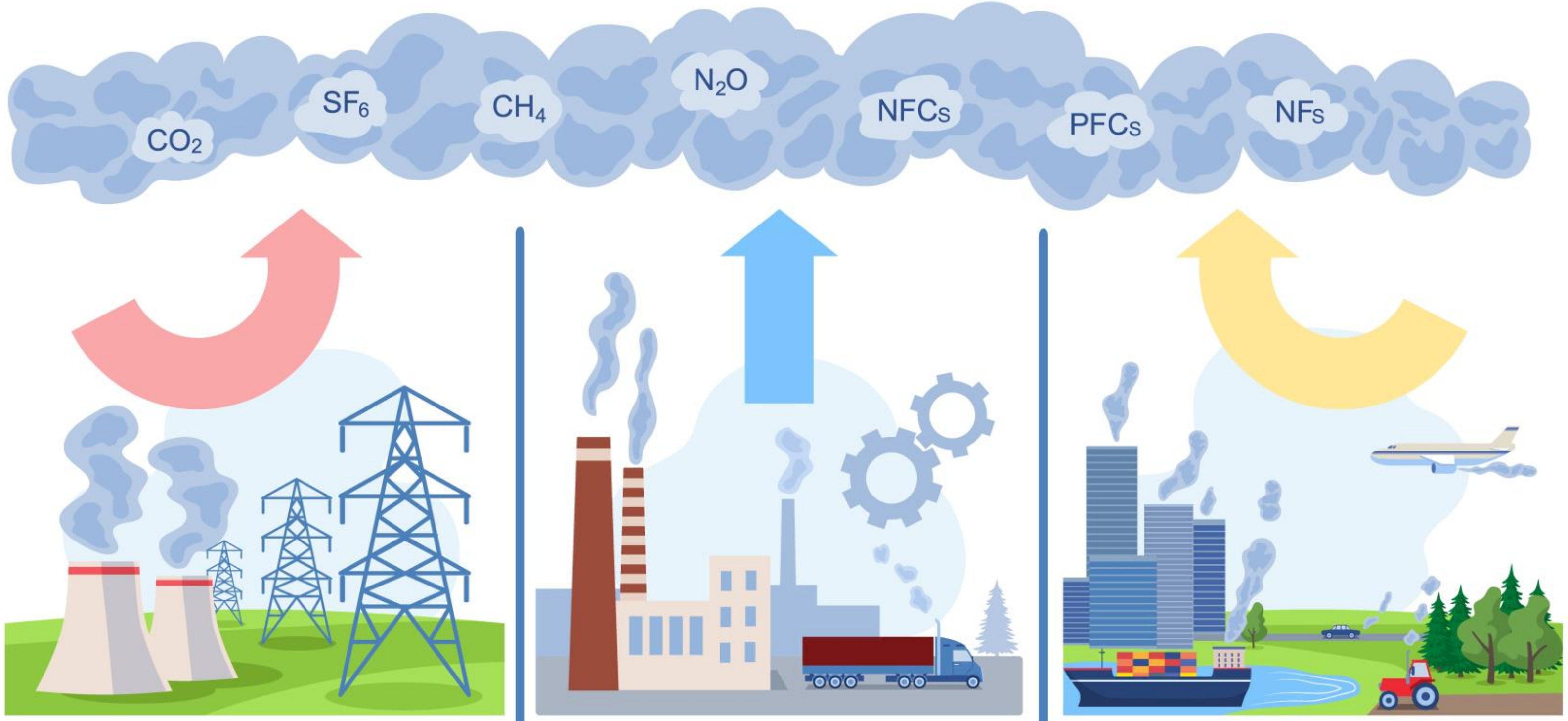
- SEC ESG standards will create consistent reporting, increasing accountability
- Comment period has closed
- Anticipated Final Rule issuance in December 2022

GHG Reporting Will Be Required

GHG Protocol measurement and reporting standards for gasses

- **carbon dioxide**
- **methane**
- **nitrous oxide**
- **hydrofluorocarbons**
- **perfluorocarbons**
- **sulfur hexafluoride**
- **nitrogen trifluoride**

SCOPES OF EMISSIONS



SCOPE 2
INDIRECT
EMISSIONS FROM ENERGY / UTILITIES

SCOPE 1
DIRECT
EMISSIONS FROM SOURCES (ON SITE)

SCOPE 3
INDIRECT
EMISSIONS OF THE CHAIN SUPPLY OR SERVICE

But this ESG stuff is so complicated, doesn't Big Ag protect animals during climate disasters?

Livestock Indemnification Program 7 C.F.R. § 1416

Climate Disaster GHG emission accountability

Who is responsible for fugitive emissions?

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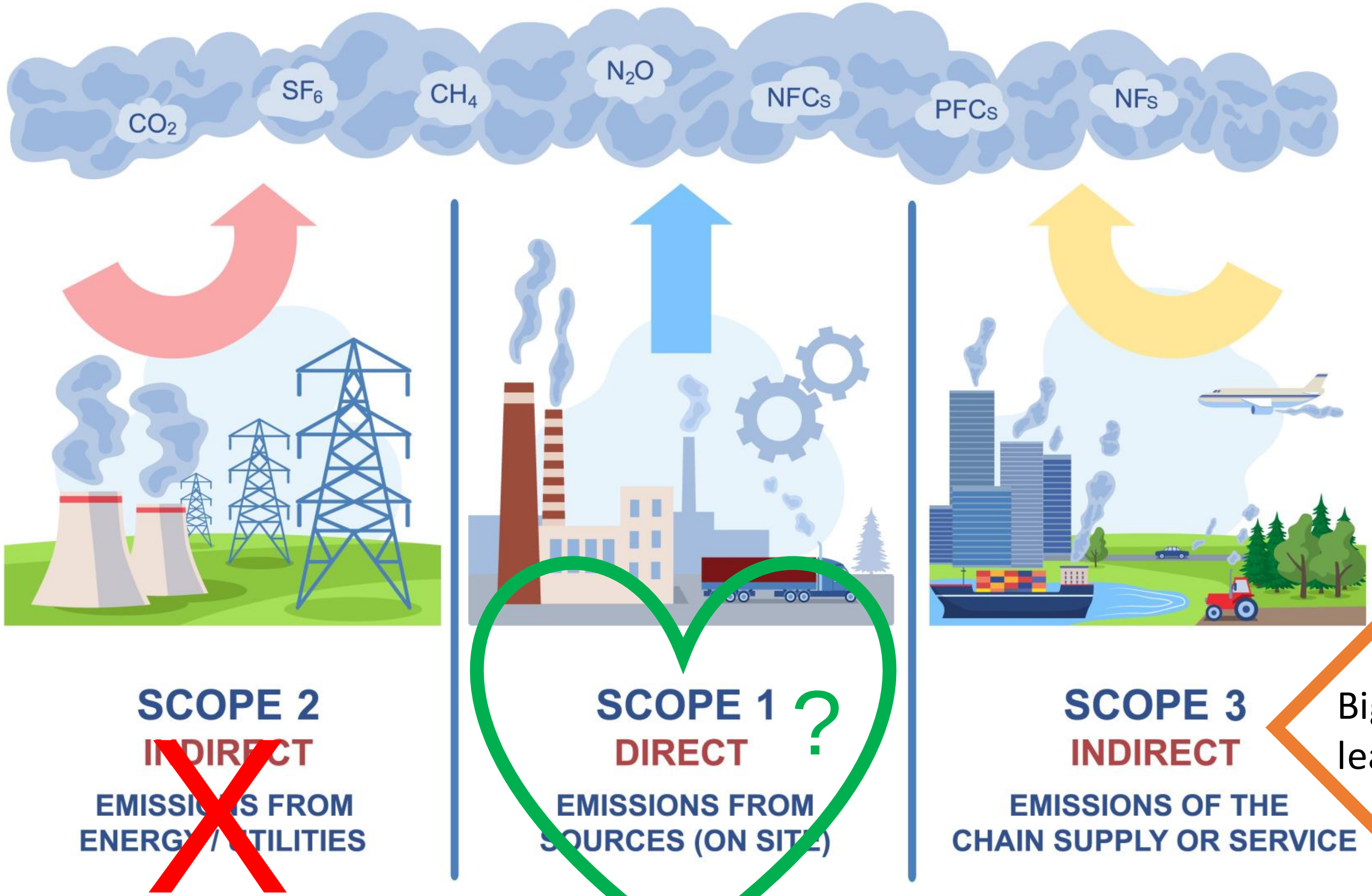
CAFO Animals are raised by contracted Growers

- Contracts create an imbalance of power between the integrator and grower
- Grower responsibility for waste (manure and dead animals)

What Scope are fugitive emissions following a climate disaster?



Big Ag will claim least responsibility

Vertical Integration

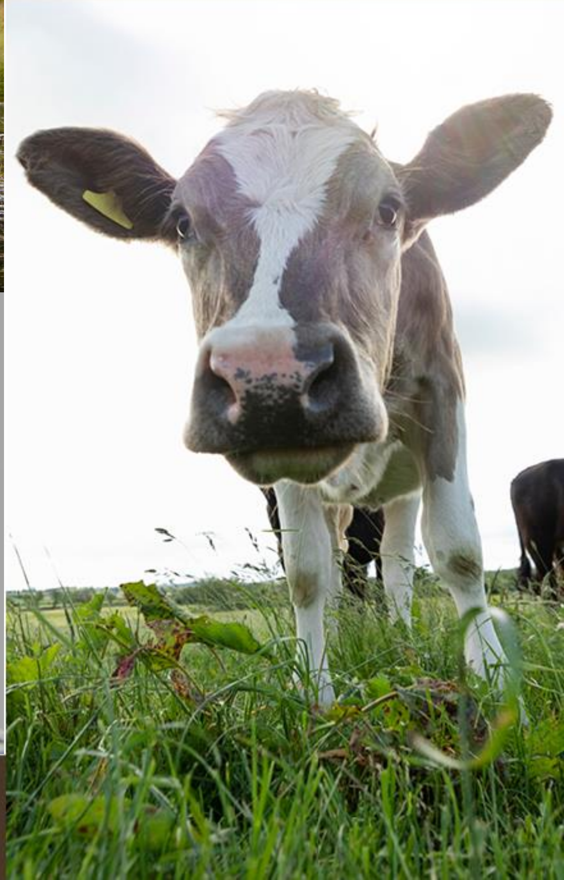
BIG AG

1. Big Ag provides animals, feed, site protocols
2. Baby animals sent to **Contracted Growers**
3. Big Ag transports market weight animals to slaughter
4. Big Ag owned Slaughter facilities

Big Ag must report CAFO climate-related risk

Under the proposed SEC ESG rules, a climate-related risk is defined as:

> ***the actual or potential negative impacts of climate-related conditions and events on a registrant’s consolidated financial statements, business operations, or value chains, as a whole.***



Strategic impact litigation

- Big Ag dictates CAFO grower contracts
- Big Ag controls the entire value chain
- Climate disaster fugitive emissions should be Scope 1
- This information should be reported for ESG investors
- If material information is omitted or misrepresented, investors have a cause of action

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THANK YOU!

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