

# **Brown-Forman Corporation, AGM 2020**

## **2020-07-30**

### **Presentation**

**George Brown**

[Presentation]

Good morning. I'm Garvin Brown, Chairman of the Board of Brown-Forman Corporation, and I'm joining you today with comments that I've prerecorded from the Brown-Forman office in London. Welcome to our first virtual annual stockholders meeting.

To set the stage for you, Lawson Whiting, our CEO, and I have prerecorded remarks that will bookend the actual live meeting. That live meeting will be run by Matt Hamel, our General Counsel and Secretary of the Board, who will be on in just a few minutes. Lawson will also be live with Leanne Cunningham, our Shareholder Relations Officer, for any Q&A that may come up at the end of the meeting. Of course, I wish that Lawson and I had just finished walking through the different rooms at our corporate offices, where shareholders gather to watch the meeting like we did last year. I also wish that there was a brand fair where I could bump into you all after the meeting. I might have even bumped into my 19-year-old son, who is interning at the company in Louisville this summer, along with a bunch of his cousins from the sixth generation.

But look, as I said in our annual report, we knew that 2020 would have some milestones: the 50th anniversary of Finlandia Vodka; the 150th anniversary of not only Herradura tequila but also our founding brand, Old Forester Kentucky Straight Bourbon Whiskey; and, thus, of our company, Brown-Forman Corporation, founded in 1870 by a great, great, great grandfather to many who will be watching these remarks, George Garvin Brown.

But none of us could have foreseen that 2020 would also bring a global health pandemic

and grievous deaths in the black community in Louisville, Kentucky and in the United States, reminding us of the racism and inequalities that continue to persist in society.

So I want to be sure to recognize those in our community who have been on the front lines of these crises before I go any further: the first responders, who have helped blunt the impact of COVID-19; and community leaders, who are dedicated to fighting racism and injustice. Without their courage, there is no doubt that the collateral impact of the health crisis would have been that much greater and that the likelihood for positive societal change would not be as great.

Specifically at Brown-Forman, I want to be sure to thank 2 groups of employees. It's been our colleagues at our production facilities, our mills, cooperages, distilleries, bottling lines and warehouses, who were and have been vital to the stability of our business, especially during those early weeks of the pandemic. And it's been members of our BUILD ERG, an employee resource group whose acronym stands for Blacks United in Leadership Development, who have helped bolster our company's awareness of the black experience and, thus, are helping us make greater progress towards greater diversity and inclusion.

Look, next to these larger social issues, it almost seems trite to mention any sort of conventional corporate metric. But before we go to the formal part of the meeting, I do want to highlight some comments that I made in our annual report. I do think that there is a time and a place for a Board to report back to its shareholders with some basic metrics that you would expect us to use as a compass on our journey, in particular, if that journey had lasted 150 years as it has for Brown-Forman and for so many of its shareholders.

As a reminder, we went public in 1933. In that year, we had a share price of \$15.75 and had brands alongside Old Forester that I had actually never heard of before I studied the IPO memorandum this winter and spring during the lockdown. At the end of the fiscal year on April 30, 2020, our share price was \$62.20. Or if you were to adjust for the 14

share splits between 1947 and 2018, our share price would be \$210,000.

In addition to that, of course, we started paying cash dividends at the end of World War II in 1945, a tradition that has continued unbroken for 75 years. We also paid out 19 share dividends between 1957 and 1977. Alongside those dividends, we've had 12 share buy-back programs, including 3 Dutch auctions between 1988 and 2003. We've redeemed 4 separate classes of preferred shares between 1945 and 1999, and we paid out 4 special cash dividends between 2008 and 2018. Coupled with the growth in underlying equity value, it is fair to say that Brown-Forman has been a resilient and reliable investment for those who have entered the public equity markets, in particular, for those who have been there since 1933.

If you look at our materials that we've put together to celebrate our 150th year, we almost unwittingly make it look easy. Sure, I guess, we've been lucky from time to time, and we've been fortunate to find ourselves in a compelling industry. And we have grown up in the world's largest and most dynamic economy. But there were dozens of companies, like ours, when we started, and that's not the case today, which is a reminder that there is nothing inevitable about a company's ability to survive, to thrive and to remain independent for 150 years. In our case, the company has made very deliberate and sometimes difficult choices about brands, people and governance. And when those decisions are held together with good judgment, the result is what we call culture. Please make no mistake. The balance and weight of our cultural ballast has been and will be the key to our success and our ability to navigate rough seas. It's our culture that has fueled 15 decades of leadership at Brown-Forman. And that fuels leaders like Lawson Whiting, his team and all our teams in offices around the world, in offices like this one in London.

I'm going to move to the more formal part of today and tee up the live meeting that Matt will run. The first item of business will be the election of directors. The following 13 direc-

tors are up for election to serve for the coming year: Patrick Bousquet-Chavanne, former Group President of Estée Lauder Company (sic) [ Estée Lauder Companies ] and retired CEO of Emaar Malls; Campbell P. Brown, Senior Vice President, President and Managing Director of Old Forester, Brown-Forman Corporation; Stuart R. Brown, Managing Partner, Typha Partners, LLC; John D. Cook, Director Emeritus, McKinsey & Company; Marshall B. Farrer, Senior Vice President, President Europe, Brown-Forman Corporation effective August 1, 2020; Laura L. Frazier, owner and Chairman, Bittners, LLC; Kathleen M. Gutmann, Chief Sales and Solutions Officer, United Parcel Service, Inc.; Augusta Brown Holland, Founding Partner, Haystack Partners LLC; Michael J. Roney, retired Chief Executive Officer, Bunzl plc; Tracy L. Skeans, Chief Transformation and People Officer, Yum! Brands, Inc.; Michael A. Todman, retired Vice Chairman, Whirlpool Corporation; Lawson E. Whiting, President and CEO, Brown-Forman Corporation; and I'm Garvin Brown, and I'm also standing for reelection.

The second item of business will be to vote on a nonbinding advisory basis to approve the compensation of our named executive officers per our normal pattern of say-on-pay votes. Now I'll hand over to Matt to conduct the live meeting.

### **Matthew Hamel**

Thank you, Garvin. I'm happy to be joining everybody this morning from Brown-Forman's corporate head office in Louisville, Kentucky. I'd like the call to order the formal business portion of the Brown-Forman Corporation 2020 Annual Meeting of Stockholders. You'll find today's meeting agenda on the meeting website.

We have 2 items of business on the agenda for today. The first is to elect the directors for the coming year, and the second is to seek your approval of a nonbinding advisory resolution to approve our executive compensation. The Board of Directors has determined that today's meeting will be held solely by remote communication. Class A stockholders

who appeared on our records as of the close of business on June 15, 2020, are entitled to vote at today's meeting.

On June 30, 2020, we mailed a notice of this meeting together with a proxy statement, a proxy card and a copy of the company's integrated annual report, which included our Form 10-K for fiscal 2020, to each holder of record of Class A and Class B common stock at the close of business on June 15, 2020. To establish a quorum to conduct business at today's meeting, we must have an attendance by means of remote communication or by proxy, at least the majority of the outstanding shares of our Class A common stock. I can report that at today's meeting, approximately 89% of our shares of Class A common stock are present online or represented by proxy. We, therefore, have a quorum to conduct business.

The following people were sworn in earlier as elector – as electoral inspectors for this meeting: Jaileah Huddleston, Jeff Caffee and Stephanie Tso. As Garvin indicated, at this meeting, the first item of business is the election of directors. The second item of business is to vote on a nonbinding advisory basis to approve the compensation of our named executive officers.

We will now open the polls for voting on the 2 items of business for today's meeting. If you completed and returned your proxy card, you've already voted and don't need to do anything further. If you did not send in a proxy card or you did but would like to change your vote, you may vote online now using the Vote Here button. Please remember that if you have already voted by proxy, it is not necessary to vote again. I will now pause to give an opportunity for those wishing to vote to do so.

[Voting]

**Matthew Hamel**

Since everyone has had the opportunity to vote, we will now close the polls. The inspectors have delivered their preliminary report with preliminary results. For the election of directors, only holders of Class A common stock are permitted to vote, and a nominee will be elected if he or she receives a majority of the votes cast.

For Proposal 1, election of directors, each of the 13 director-nominees has received at least 97% of the Class A votes cast. Therefore, each nominee is duly elected to be a director of this corporation. For the approval of the nonbinding advisory vote on executive compensation, only holders of Class A common stock are permitted to vote, and approval requires the affirmative vote of the majority of the shares of Class A common stock present online or represented by proxy and entitled to vote.

For Proposal 2, a nonbinding advisory resolution to approve our executive compensation, I am pleased to report that 98% of the shares of Class A common stock present online or represented by proxy voted in favor of the resolution. Therefore, Proposal 2 is approved.

We will issue a press release announcing the final voting results later today and file a Form 8-K with the Securities and Exchange Commission within the next 4 business days.

This concludes the formal business portion of our meeting. Accordingly, I declare the formal portion of the 2020 Annual Meeting of Stockholders adjourned.

Now I'd like to turn it over to Lawson for his remarks.

### **Lawson Whiting**

Thank you, Garvin and Matt. Greetings to our shareholders listening in to our first-ever all-virtual annual shareholders meeting. As you can probably tell, I'm standing in the Old Forester distillery. While there are no tourists able to come inside, at least I can smell the aromas of bourbon barrels aging away again. It's a milestone meeting in what has turned into a milestone year in more ways than we ever envisioned.

Of course, 2020 marks Brown-Forman's 150th anniversary. So when we first started planning this meeting, we imagined a week full of events hosting the company George Garvin Brown founded in 1870 and the many people who helped it grow and thrive throughout the years. Instead, we find ourselves in a world navigating a global pandemic and, most recently, a worldwide movement against racial injustice.

So today, I find myself doing less celebrating and much more reflecting. And as I reflect back on the past year, in anticipation of this meeting, I found myself coming back to words that we've said repeatedly throughout the past few months: "using our values as our guide." Let me repeat that: "using our values as our guide." Our values, integrity, respect, trust, teamwork and excellence have withstood the test of time and have been inside the DNA of Brown-Forman for much of the last 150 years. They've guided this company through turbulent times before, and they've been our bedrock throughout the challenges of 2020. We've lasted 150 years because we use our values as our true north in both challenging times and in more prosperous times. They help us ensure we're on the right path and doing the right thing for the right reasons, making decisions that honor our past and our founder, George Garvin Brown, while also building our future. So just as our values have guided our decisions and actions, I thought it was equally fitting that they guide my remarks today.

It begins with integrity, which we define as "always striving to do the right thing." Integrity has also been a source of inspiration in the last year, particularly during the pandemic. As a company, this year has both challenged us and inspired us. It's not been easy, and there's still much work to be done. But when you're trying to do the right thing for employees, for shareholders, for our community and our world, it takes some of the ambiguity out of the equation. We believe that part of our success lies in our desire to do the right thing for our people, those who belong to this family we call Brown-Forman.

We built our strategy and our brands with a long-term perspective. We honor our commitments and work collaboratively, creatively and effectively toward a brighter future. When a company survive for 150 years, it has had to do - it has had to adapt to many challenges in the past. We've been through a global pandemic before. We've also seen depressions in world wars. We've even survived prohibition. We've navigated unprecedented, uncertain and sometimes uncomfortable waters. And still, we celebrate 150 years because our values got our words and our actions, and we act with integrity in all that we do.

"To have and to act with integrity requires respect", another core Brown-Forman value. Respect can take more forms: respect for ourselves and each other; for those who have come before us and generations ahead of us; even respect for our product that requires responsibility or the natural world that necessitates a focus on environmental sustainability. We respect all people and their inherent rights and values individuals as contributors to our society and within Brown-Forman as colleagues on our global team.

So before I get into the so-called business section of the day and the type of information you're used to hearing in our annual meetings, I want to acknowledge those that are hurting in our world, particularly those that do not feel respected for who they are or because of the color of their skin. I speak on behalf of Brown-Forman in saying that we stand in solidarity with you and all those working toward a more just and equitable future. We unequivocally condemn racism, hate and discrimination in any form and acknowledge that we have an active role to play in building a better future for everyone. We realize that it's no longer acceptable to talk about our values and actions only inside Brown-Forman. We must have a stronger voice in the community dialogue and contribute more in support of racial equity.

That's why I'm pleased today to announce that Brown-Forman will be making a \$20 mil-

lion gift to the Brown-Forman Foundation. This gift will be used by the Brown-Forman Foundation to further education and community building, particularly for our West Louisville neighbors, the majority of whom are black and have experienced the effects of racism and injustice over generations. This investment in our founding community is an important and necessary step in our commitment to be better and do better as individuals, leaders and teams, including our role as a leader in the Louisville community and our West Louisville home. At Brown-Forman, our values got our actions, and we respect all people.

As we turn our focus to our business and the business results from the past year, we continue to see the presence of our values in action here, too. Two of them, trust and teamwork, are evident in the way we've responded to the challenges of this year. They set expectations of how we treat each other, how we do business, how we work together, and they, too, are the reasons why we've been able to manage through a year with significant turmoil. We've long held the belief that no one of us is as smart as all of us, and Brown-Forman is at its best when we work together as a team. It takes our collective efforts and our individual talents to drive success in a year that also included significant industry challenges such as continued tariffs on American whiskey, high costs of agave and wood, the closure of the on-trade worldwide and severe reductions in global travel. While our underlying net sales fell off sharply in Q4 due to the coronavirus, our full year sales were essentially in line with the prior year.

Furthermore, when we look at total shareholder returns over both the short and long term, you'll see that Brown-Forman continues to be an excellent investment. And in light of all the headwinds I've mentioned, Brown-Forman continues to have a strong balance sheet, solid cash flows and ample liquidity. So we will continue to invest in our business and expect to continue to pay regular dividends as we've done for the last 75 consecutive years.

The strength of our portfolio gives me continued optimism about the future of Brown-Forman. This fiscal year, we continue to diversify our portfolio with the purchase of Fords Gin. And very recently, we announced we'll be selling Canadian Mist in early times. This is important in that it is in alignment with our strategic priorities to increase focus on our super premium portfolio. We're celebrating not only the 150th anniversary of our founding brand, Old Forester, we're also celebrating the 150th anniversary of Casa Herradura and Herradura tequila. Collectively, our full-strength 100% agave portfolio of Herradura, el Jimador and Antiguo crossed over the 2 million case milestone this fiscal year. Woodford Reserve, a brand we founded in 1996, crossed 1 million cases worldwide. Pre-pandemic saw in calendar 2019 Jack Daniel's Tennessee Whiskey grew volume for the 28th consecutive year. And we expanded the Jack Daniel's family, launching Jack Daniel's Tennessee Apple, which helped Jack Daniel's flavors reach 2.5 million cases. These results were possible due to the agility and commitment of our teams in addressing these challenges while still accompanying – accomplishing significant milestones. With our values as our guide, we put our trust in our people, and their teamwork makes our success possible year after year.

And finally, we have one value remaining: excellence. Internally, we define excellence using the words of Jack Daniel, "every day we make it, we make it the best we can." When we use excellence to guide our actions, it means that we put our best into everything we do even when it's not easy. The last few months have certainly not been easy. Yet our 150th anniversary reminds us that, ultimately, Brown-Forman is a resilient company in a resilient industry where premium spirits remains one of the best businesses to be in. With some of the most resilient brands, we have a portfolio of iconic, lasting brands, and we have the right strategy in place to drive the next generation of growth. And we are a resilient team. Brown-Forman is fortunate to have long-term focused shareholders and talented and dedicated employees, who have adapted brilliantly and collectively to the changing environment.

I'm fully confident that Brown-Forman will navigate the challenges of today and realize the opportunities ahead with the same fortitude and resolve that's helped us reach this defining moment in our company's history. I remind you once again that Brown-Forman's values guide our actions, and we move forward with excellence as our ongoing destination.

150 years ago, George Garvin Brown created Old Forester, the first bottled bourbon, and made a quality pledge that there was nothing better in the market. I stand before you today to reiterate that with our values guiding all that we do, we continue to be better, do better and get better, and I firmly believe that there's still nothing better in the market than Brown-Forman.

Thank you, and take care.

### **Leanne Cunningham**

Welcome to the Q&A session. I am Leanne Cunningham, Shareholder Relations Officer, and I am joined by Lawson Whiting, our President and CEO. I would like to report that we see no questions to be answered at this time.

With this, we will conclude the Q&A session. This will also conclude our annual meeting of stockholders. We would like to thank each of you for your participation in today's meeting. If you would like more information, please visit our Investor Relations website or reach out to any member of our Investor Relations team.

Thank you for your continued commitment and investment in Brown-Forman.

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