

AGM 2019

2019-07-16

Presentation

Operator

Good morning. I'd like to now turn the meeting over to Bill Newlands, President and Chief Executive Officer of Constellation Brands. Mr. Newlands, please go ahead.

William Newlands

Thank you and good morning, everyone, and welcome to Constellation Brands' 2019 Annual Meeting of Stockholders. I'm Bill Newlands, President and Chief Executive Officer of Constellation Brands. Thank you for joining us today.

The purpose of this meeting is to vote on several matters pertinent to our business in our new fiscal year, including the election of our Board of Director nominees, the ratification of our independent public accounting firm and an advisory vote on the compensation of our named executive officers. We are excited to be hosting another virtual annual meeting of stockholders this year.

Conducting a virtual meeting allows us to be more efficient and inclusive and permit a greater number of stockholders to access us from any location in the world. Stockholders attending today's annual meeting are doing so via the web portal.

Our discussion during this meeting will focus specifically on the previously stated matters to be voted on. If you are interested in accessing any of our recent investor presentations, please visit the Investors section of our company website at cbrands.com.

During this meeting, stockholders may submit a question using the Ask a Question feature on the meeting website.

It is now shortly after 11:00 a.m. Eastern Daylight Time on July 16, and this meeting is officially called to order.

I would like to introduce Brian Bennett, Vice President and Associate General Counsel for Constellation Brands, who will conduct the business portion of the meeting. Brian?

Brian Bennett

Thank you, Bill. I will begin by introducing Constellation Brands' executive officers present at this meeting in addition to you: Robert Sands, Executive Chairman of the Board; Richard Sands, Executive Vice Chairman of the Board; David Klein, Executive Vice President and Chief Financial Officer; and Jim Bourdeau, Executive Vice President, General Counsel and Secretary.

Next I will introduce the current members of Constellation Brands' Board of Directors who are in attendance and up for reelection at today's meeting. In alphabetical order, Jennifer M. Daniels, Chief Legal Officer and Secretary of Colgate-Palmolive Company; Jerry Fowden, Executive Chairman of the Board of Cott Corporation; Ernesto M. Hernández, President and Managing Director of General Motors of Mexico; Susan Somersille Johnson, Chief Marketing Officer of SunTrust Banks; James A. Locke III, Senior Counsel to the law firm of Nixon Peabody; Daniel J. McCarthy, President and Chief Executive Officer of Frontier Communications Corporation; William A. Newlands, President and Chief Executive Officer of Constellation Brands; Robert Sands, Executive Chairman of the Board of Constellation Brands; Richard Sands, Executive Vice Chairman of the Board of Constellation Brands; and Judy A. Schmeling, former President of Cornerstone Brands and former Chief Operating Officer of HSN, Inc.

We are also joined here today by Allan Colaco and Mike Draves, partners of KPMG, our independent registered public accountant. They will be available during the question-and-answer session to respond to appropriate questions.

And finally, the company has appointed Broadridge Financial Services to act as Inspector of Election. [Jean Capela] from Broadridge is with us today and has taken the oath of Inspector of Election before today's meeting.

The necessary legal preparations for this meeting have been completed as follows: the notice of annual meeting, proxy statement, Class A and Class B proxy cards and the 2019 annual report have been distributed to all stockholders entitled to receive these materials. I have in my possession the signed affidavit of distribution of the notice of the annual meeting, proxy materials and annual report to these stockholders.

I have been informed by the inspector that we have a quorum and therefore, we may proceed with the business of this meeting. Please note that during this meeting we may make forward-looking statements that are subject to risks and uncertainties. Actual results may differ materially as a result of various risk factors, including those described in Constellation's filings with the SEC.

I will now present the matters to be voted upon. As Bill indicated, stockholders may now submit questions on the proposals through the web portal. We will answer appropriate questions prior to the polls closing. In the event that a submitted question is answered by our proxy statement or our annual report, including questions related to corporate governance and executive and director compensation matters, please note that it is our practice not to address such questions at this meeting, but instead to refer you to those proxy materials.

First, our stockholders are being asked to elect directors for the ensuing year. The Board being elected at this meeting will consist of 10 directors, and this number is in compliance with the bylaws of the company.

The Board of Directors has nominated a slate consisting of the following 10 nominees to

serve for the ensuing year and until their respective successors are elected and qualified. The nominees are as follows: Jennifer M. Daniels, a director since 2018; Jerry Fowden, a director since 2010; Ernesto M. Hernández, a director since 2014; Susan Somersille Johnson, a director since 2017; James A. Locke III, a director since 1983; Daniel J. McCarthy, a director since 2015; William A. Newlands, a director since 2019; Richard Sands, the company's Vice Chairman of the Board and a director since 1982; Robert Sands, the company's Chairman of the Board and a director since 1990; and Judy A. Schmeling, a director since 2013.

Mr. Fowden, Mr. Hernández and Ms. Johnson have been designated as the nominees to be elected by the Class A stockholders voting as a separate class, and the remaining 7 director nominees are to be elected by the Class A and Class B stockholders, voting together as a single class. The Board's slate of nominees for director is now formally placed before the meeting.

Second, stockholders are being asked to ratify the selection of KPMG LLP as the company's independent registered public accounting firm for the fiscal year ending February 29, 2020.

Third, stockholders are being asked to approve by an advisory vote the compensation of the company's named executive officers as disclosed in the proxy statement. These proposals are now placed before the meeting.

As indicated in the proxy statement, the Board of Directors has recommended that stockholders vote for the election of each director nominee, for the ratification of the selection of KPMG and for the approval by an advisory vote of the compensation of the company's named executive officers.

It is now 11:07 a.m. Eastern Time on July 16, 2019, and the polls are now open. Any

stockholder who has not yet voted or wishes to change their vote may do so by clicking on the voting button on the web portal and following the instructions there. Stockholders who have mailed proxy cards or submitted their proxies via telephone or Internet and do not want to change their vote, do not need to take any further action.

We will now mute the broadcast and provide an additional minute for stockholders to submit questions through the web portal.

[Voting]

Brian Bennett

Thank you for your questions. Many of them have been previously answered through information provided on the company's website within our investor presentations or on our quarterly sales and earnings conference calls. Please feel free to visit the Our Story and Investor sections of cbrands.com for more information. I'll now turn the meeting back over to Bill Newlands to answer the remaining questions.

Question and Answer

William Newlands

Thank you, Brian. Let's start with the diversity question. The questions we received were specifically related to steps we are taking to enhance the level of female representation in leadership roles at Constellation. I will focus my comments primarily in this area.

First and foremost, Constellation Brands has a strong commitment to diversity and inclusion within our company, within our industry and within our communities. And while we admittedly still have more work to do, I'm pleased with the progress we're making. Earlier this year, we created the new role of Chief Diversity Officer and established a dedicated diversity and inclusion team to help enhance our efforts.

Over the past 2 years, we've increased female representation on our Board of Directors and women now occupy approximately 1/3 of our Board seats. We also launched our internal Women's Leadership Development Program, which supports the advancement of women into leadership positions within our company. In the last 5 years, we have doubled the number of women in senior roles at Constellation.

Last year, we launched our focus on Female Founders program in which the company committed to invest \$100 million over the next 10 years in female-founded or female-led start-ups in the beverage alcohol space. Constellation Brands also serves as the lead sponsor of Women of the Vine & Spirits, an organization dedicated to empowering and advancing women in the beverage alcohol industry. And we also partner with organizations such as Dress for Success, which seeks to empower women in our local communities to achieve economic independence by providing a network of support, professional attire and developmental tools needed to help women thrive in work and life.

The next set of questions asked about our plans to deal with potential tariffs on Mexican products coming into the U.S. if they were enacted. There are a number of actions we could potentially take to help mitigate any adverse impact on our business in the short term if such tariffs were to be implemented. This includes building product inventory in advance into the United States, assessing potential pricing actions and making potential adjustments to our cost inputs to name just a few. We're pleased that the administration has suspended any such plans. And while we are confident the threat of such tariffs is behind us, we stand ready to take any actions necessary to sustain the momentum we built in our beer business.

And the next set of questions asked about steps we're taking to operate our business sustainably. We are absolutely committed to serving as good stewards of the environment by ensuring that our facilities operate sustainably and by putting measures in place to

help safeguard precious natural resources. We have 3 primary areas of focus. The first is water stewardship. We work to ensure the efficient use of water at all our facilities. For instance, over the past 3 years, our facility in Nava, Mexico has reduced the intensity of water consumed in our brewery production process by 15%.

In addition, this facility has an on water, wastewater treatment operation that allows us to reuse 35% of water used as part of our brewery production process. In addition to ensuring the efficient use of water at our facilities, we also support a number of organizations focused on water preservation such as American Whitewater, which conserves and restores whitewater resources. Surfrider Foundation, which helps protect the ocean, waves and beaches. And the Coastal Conservation Association, which helps conserve marine resources and coastal environments.

Constellation Brands also serves as a signatory of the Business Alliance for Water and Climate, which brings together private sector companies to collaborate in solving water-related issues and implementing strategies that will reduce water-related risks, including company's operational impacts on water throughout the value chain.

Our second focus is energy efficiency. We continuously monitor our carbon footprint and have worked to effectively reduce emissions per liter of product produced. We have the largest solar footprint in the U.S. wine industry with approximately 17,000 solar panels spanning 4 wineries, which generated 5.5 million kilowatts of solar energy this past fiscal year.

And our final area of focus is waste reduction. Across the company, we engaged in a variety of activities to reduce waste, including composting, recycling and diverting materials. For instance, our Ruffino winery in Italy and our Nava Brewery in Mexico, respectively, diverted 92% and 99% of waste produced at these facilities last fiscal year.

The next set of questions related to our investments in the cannabis space. We are very bullish about our investment in Canopy Growth and the long-term potential of the emerging cannabis industry. As the global leader in total cannabis sales, Canopy has deep bench strength within its management ranks and is well positioned to win markets and form factors that matter, while paving a clear path to profitability. We are especially energized about the expansion of the recreational market in Canada anticipated later this year and the significant growth opportunities of the CBD market in the U.S. Recently, Canopy Growth and Acreage Holdings entered into an agreement that we strongly support, that grants Canopy the right to acquire Acreage and enter the U.S. cannabis market once federally permissible. Acreage is the largest vertically integrated multistate owner of cannabis licenses and assets in the U.S. The Canopy-Acreage transaction provides a path for Canopy to have a leading position in the U.S. upon federal cannabis reform, which has significant momentum and may happen sooner than originally anticipated.

I want to thank those who have sent in questions and for those who asked them today for allowing me the opportunity to share the progress we've made and the plans we have in place for the areas discussed.

Now I'd like to turn it back over to you, Brian.

Brian Bennett

Thank you, Bill. Seeing that everyone has had the opportunity to ask questions and vote, I now declare the polls for the 2019 Constellation Brands' Annual Stockholder Meeting closed at 11:16 a.m. Eastern Time on July 16, 2019. It is now in order to report on the preliminary results of the voting.

The inspector of elections has informed me that based on the voting results, all director nominees have been elected, the selection of KPMG LLP to serve as the company's independent registered public accounting firm has been ratified and the resolution approving

the compensation of our named executive officers has been adopted. The final voting results will be available in a Form 8-K, which will be filed with the Securities and Exchange Commission before the end of this week. As there is no further business to come before this meeting, I declare the meeting to be adjourned.

Thank you very much for your participation in the Constellation Brands' 2019 Annual Meeting of Stockholders.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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