UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended April 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission File Number 001-00123

BROWN-FORMAN CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**61-0143150**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
850 Dixie Highway **Louisville, Kentucky**	**40210**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(502) 585-1100**
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock (voting), $0.15 par value	BFA	New York Stock Exchange
Class B Common Stock (nonvoting), $0.15 par value	BFB	New York Stock Exchange
1.200% Notes due 2026	BF26	New York Stock Exchange
2.600% Notes due 2028	BF28	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act by the registered public accounting firm that prepared or issued its audit report. ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value, as of the last business day of the most recently completed second fiscal quarter, of the voting and nonvoting equity held by nonaffiliates of the registrant was approximately $22,100,000,000.

The number of shares outstanding for each of the registrant's classes of Common Stock on May 31, 2020, was:

Class A Common Stock (voting), $0.15 par value	169,039,764
Class B Common Stock (nonvoting), $0.15 par value	309,196,858

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of Registrant for use in connection with the Annual Meeting of Stockholders to be held July 30, 2020, are incorporated by reference into Part III of this report.

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Forward-Looking Statement Information. Certain matters discussed in this report, including the information presented in Part II under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," contain statements, estimates, and projections that are "forward-looking statements" as defined under U.S. federal securities laws. Words such as "aim," "anticipate," "aspire," "believe," "can," "continue," "could," "envision," "estimate," "expect," "expectation," "intend," "may," "might," "plan," "potential," "project," "pursue," "see," "seek," "should," "will," "would," and similar words indicate forward-looking statements, which speak only as of the date we make them. Except as required by law, we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. By their nature, forward-looking statements involve risks, uncertainties, and other factors (many beyond our control) that could cause our actual results to differ materially from our historical experience or from our current expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part I under "Item 1A. Risk Factors" and those described from time to time in our future reports filed with the Securities and Exchange Commission, including:

- Impact of health epidemics and pandemics, including the COVID-19 pandemic, and the resulting negative economic impact and related governmental actions
- Risks associated with being a U.S.-based company with global operations, including commercial, political, and financial risks; local labor policies and conditions; protectionist trade policies, or economic or trade sanctions, including additional retaliatory tariffs on American spirits and the effectiveness of our actions to mitigate the negative impact on our margins, sales, and distributors; compliance with local trade practices and other regulations; terrorism; and health pandemics
- Failure to comply with anti-corruption laws, trade sanctions and restrictions, or similar laws or regulations
- Fluctuations in foreign currency exchange rates, particularly a stronger U.S. dollar
- Changes in laws, regulatory measures, or governmental policies – especially those that affect the production, importation, marketing, labeling, pricing, distribution, sale, or consumption of our beverage alcohol products
- Tax rate changes (including excise, sales, VAT, tariffs, duties, corporate, individual income, dividends, or capital gains) or changes in related reserves, changes in tax rules or accounting standards, and the unpredictability and suddenness with which they can occur
- Unfavorable global or regional economic conditions, particularly related to the COVID-19 pandemic, and related economic slowdowns or recessions, low consumer confidence, high unemployment, weak credit or capital markets, budget deficits, burdensome government debt, austerity measures, higher interest rates, higher taxes, political instability, higher inflation, deflation, lower returns on pension assets, or lower discount rates for pension obligations
- Dependence upon the continued growth of the Jack Daniel's family of brands
- Changes in consumer preferences, consumption, or purchase patterns – particularly away from larger producers in favor of small distilleries or local producers, or away from brown spirits, our premium products, or spirits generally, and our ability to anticipate or react to them; legalization of marijuana use on a more widespread basis; shifts in consumer purchase practices from traditional to e-commerce retailers; bar, restaurant, travel, or other on-premise declines; shifts in demographic or health and wellness trends; or unfavorable consumer reaction to new products, line extensions, package changes, product reformulations, or other product innovation
- Decline in the social acceptability of beverage alcohol in significant markets
- Production facility, aging warehouse, or supply chain disruption
- Imprecision in supply/demand forecasting
- Higher costs, lower quality, or unavailability of energy, water, raw materials, product ingredients, labor, or finished goods
- Significant additional labeling or warning requirements or limitations on availability of our beverage alcohol products
- Competitors' and retailers' consolidation or other competitive activities, such as pricing actions (including price reductions, promotions, discounting, couponing, or free goods), marketing, category expansion, product introductions, or entry or expansion in our geographic markets or distribution networks
- Route-to-consumer changes that affect the timing of our sales, temporarily disrupt the marketing or sale of our products, or result in higher fixed costs
- Inventory fluctuations in our products by distributors, wholesalers, or retailers
- Risks associated with acquisitions, dispositions, business partnerships, or investments – such as acquisition integration, termination difficulties or costs, or impairment in recorded value
- Counterfeiting and inadequate protection of our intellectual property rights
- Product recalls or other product liability claims, product tampering, contamination, or quality issues
- Significant legal disputes and proceedings, or government investigations
- Cyber breach or failure or corruption of key information technology systems, or failure to comply with personal data protection laws
- Negative publicity related to our company, products, brands, marketing, executive leadership, employees, board of directors, family stockholders, operations, business performance, or prospects
- Failure to attract or retain key executive or employee talent
- Our status as a family "controlled company" under New York Stock Exchange rules, and our dual-class share structure

Use of Non-GAAP Financial Information. Certain matters discussed in this report, including the information presented in Part II under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," include measures that are not measures of financial performance under U.S. generally accepted accounting principles (GAAP). These non-GAAP measures should not be considered in isolation or as a substitute for any measure derived in accordance with GAAP, and also may be inconsistent with similarly titled measures presented by other companies. In Part II under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," we present the reasons we use these measures under the heading "Non-GAAP Financial Measures," and we reconcile these measures to the most closely comparable GAAP measures under the heading "Results of Operations – Year-Over-Year Comparisons."

PART I

Item 1. *Business*

Overview

Brown-Forman Corporation (the "Company," "Brown-Forman," "we," "us," or "our" below) was incorporated under the laws of the State of Delaware in 1933, successor to a business founded in 1870 as a partnership and later incorporated under the laws of the Commonwealth of Kentucky in 1901. We primarily manufacture, distill, bottle, import, export, market, and sell a wide variety of alcoholic beverages under recognized brands. We employ approximately 4,800 people (excluding individuals that work on a part-time or temporary basis) on six continents, including approximately 1,200 people in Louisville, Kentucky, USA, home of our world headquarters. We are the largest American-owned spirits and wine company with global reach. We are a "controlled company" under New York Stock Exchange rules because the Brown family owns more than 50% of our voting stock. Taking into account ownership of shares of our non-voting stock, the Brown family also controls more than 50% of the economic ownership in Brown-Forman.

For a discussion of recent developments, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Executive Summary."

Brands

Beginning in 1870 with Old Forester Kentucky Straight Bourbon Whisky – our founding brand – and spanning the generations since, we have built a portfolio of more than 40 spirit, ready-to-drink (RTD) cocktail, and wine brands that includes some of the best-known and most loved trademarks in our industry. The most important brand in our portfolio is Jack Daniel's Tennessee Whiskey, which was ranked in the 2019 Interbrand "Best Global Brands" as the most valuable global spirits brand in the world and the third most valuable beverage alcohol brand. Jack Daniel's Tennessee Whiskey is the largest American whiskey brand in the world and the fourth-largest premium spirits brand of any kind, according to Impact Databank's "Top 100 Premium Spirits Brands Worldwide" list. Among the top five premium spirits brands on the list, Jack Daniel's Tennessee Whiskey was the only one to grow volume in each of the past five calendar years. Our other leading global brands on the Worldwide Impact list are Finlandia, which is the tenth-largest-selling vodka; Jack Daniel's Tennessee Honey, which is the second-largest-selling flavored whiskey; and el Jimador, which is the fifth-largest-selling tequila. Woodford Reserve and Old Forester were once again selected for the Impact "Hot Brand,"[1] list marking seven and two consecutive years on the list, respectively.

Principal Brands

Jack Daniel's Tennessee Whiskey	Korbel California Brandy[5]
Jack Daniel's RTDs[2]	el Jimador Tequilas
Jack Daniel's Tennessee Honey	el Jimador New Mix RTDs
Gentleman Jack Rare Tennessee Whiskey	Herradura Tequilas[6]
Jack Daniel's Tennessee Fire	Sonoma-Cutrer California Wines
Jack Daniel's Single Barrel Collection[3]	Canadian Mist Canadian Whisky[7]
Jack Daniel's Tennessee Rye	GlenDronach Single Malt Scotch Whisky
Jack Daniel's Sinatra Select	BenRiach Single Malt Scotch Whisky
Jack Daniel's No. 27 Gold Tennessee Whiskey	Glenglassaugh Single Malt Scotch Whisky
Jack Daniel's Winter Jack	Old Forester Kentucky Straight Bourbon Whisky
Jack Daniel's Bottled-in-Bond	Old Forester Whiskey Row Series
Jack Daniel's Tennessee Apple[4]	Old Forester Kentucky Straight Rye Whisky
Woodford Reserve Kentucky Bourbon	Chambord Liqueur
Woodford Reserve Double Oaked	Early Times Kentucky Whisky and Bourbon[7]
Woodford Reserve Kentucky Rye Whiskey	Pepe Lopez Tequila
Woodford Reserve Kentucky Straight Malt Whiskey	Antiguo Tequila
Woodford Reserve Kentucky Straight Wheat Whiskey[4]	Slane Irish Whiskey
Finlandia Vodkas	Coopers' Craft Kentucky Bourbon
Korbel California Champagnes[5]	Fords Gin[8]

[1]Impact Databank, March 2020.

[2]Jack Daniel's RTDs includes Jack Daniel's & Cola, Jack Daniel's & Diet Cola, Jack & Ginger, Jack Daniel's Country Cocktails, Gentleman Jack & Cola, Jack Daniel's Double Jack, Jack Daniel's American Serve, Jack Daniel's Tennessee Honey RTD, Jack Daniel's Berry, Jack Daniel's Cider, and Jack Daniel's Lynchburg Lemonade.

[3]The Jack Daniel's Single Barrel Collection includes Jack Daniel's Single Barrel Select, Jack Daniel's Single Barrel Barrel Proof, Jack Daniel's Single Barrel Rye, and Jack Daniel's Single Barrel 100 Proof.

[4]New brands launched in fiscal 2020.

[5]Korbel is not an owned brand. We sell Korbel products under contract in the United States and other select markets.

[6]Herradura Tequilas comprise all expressions of Herradura including Herradura Ultra.

[7]Entered into an agreement on June 12, 2020 to sell these brands to Sazerac Company

[8]Acquired in fiscal 2020.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Fiscal 2020 Brand Highlights" for brand performance details.

Our vision in marketing is to be the best brand-builder in the industry. We build our brands by investing in platforms that we believe create enduring connections with our consumers. These platforms cover a wide spectrum of activities, including media advertising (TV, radio, print, outdoor, and, increasingly, digital and social), consumer and trade promotions, sponsorships, and visitors' center programs at our distilleries and our winery. We expect to grow our sales and profits by consistently delivering creative, responsible marketing programs that drive brand recognition, brand trial, brand loyalty – and, ultimately, consumer demand around the world.

Markets

We sell our products in over 170 countries around the world. The United States, our most important market, accounted for 50% of our net sales in fiscal 2020 and the other 50% were outside of the United States. The following represents the percentage of total net sales for our largest markets for the most recent three fiscal years below:

Percentage of Total Net Sales by Geographic Area

	Year ended April 30		
	2018	2019	2020
United States	**47%**	**47%**	**50%**
United Kingdom	**6%**	**6%**	**5%**
Germany	**5%**	**5%**	**5%**
Australia	**5%**	**5%**	**5%**
Mexico	**5%**	**5%**	**5%**
Other	**32%**	**32%**	**30%**
TOTAL	**100%**	**100%**	**100%**

Note: Totals may differ due to rounding

For details about net sales in our largest markets, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Fiscal 2020 Market Highlights." For details about our reportable segment and for additional geographic information about net sales and long-lived assets, see Note 17 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data." For details on risks related to our global operations, see "Item 1A. Risk Factors."

Distribution Network and Customers

Our distribution network, or our "route to consumer" (RTC), varies depending on (a) the laws and regulatory framework for trade in beverage alcohol by market, (b) our assessment of a market's long-term attractiveness and competitive dynamics, (c) the relative profitability of distribution options available to us, (d) the structure of the retail and wholesale trade in a market, and (e) our portfolio's development stage in a market. As these factors change, we evaluate our RTC strategy and, from time to time, adapt our model.

In the United States, which generally prohibits spirits and wine manufacturers from selling their products directly to consumers, we sell our brands either to distributors or to state governments (in states that directly control alcohol sales) that then sell to retail customers and consumers.

Outside the United States, we use a variety of RTC models, which can be grouped into three categories: owned distribution, partner, and government-controlled markets. We own and operate distribution companies in Australia, Brazil, Czechia, France, Germany, Korea, Mexico, Poland, Spain, and Turkey. Effective May 1, 2020, we launched our own distribution companies in Thailand and the United Kingdom. In these owned-distribution markets, and in a large portion of the Travel Retail channel, we sell our products directly to retailers or wholesalers. In many other markets, including Russia, Japan, Italy, and South Africa, we rely on third parties to distribute our brands, generally under fixed-term distribution contracts. In Canada, we sell our products to provincial governments.

We believe that our customer relationships are good and our exposure to concentrations of credit risk is limited due to the diverse geographic areas covered by our operations and our thorough evaluation of each customer. In 2020, our two largest customers were Republic National Distributing Company and Breakthru Beverage Group, which accounted for approximately 18% and 13% of consolidated net sales, respectively. Although the loss of any large customer for an extended period of time would negatively impact our net sales and operating income, we do not anticipate this happening due to consumer demand for our products and our relationships with our customers. Collectively, these two customers distribute our brands across most of the United States. No other customer accounted for 10% or more of our consolidated net sales in 2020.

Seasonality

Holiday buying makes the fourth calendar quarter the peak season for our business. Approximately 30% of our net sales for fiscal 2018, fiscal 2019, and fiscal 2020 were in the fourth calendar quarter of each year.

Competition

Trade information indicates that we are one of the largest global suppliers of premium spirits. According to International Wine & Spirit Research (IWSR), for calendar year 2019, the ten largest global spirits companies controlled just over 20% of the total spirits sold around the world (on a volume basis). While we believe that the overall market environment offers considerable growth opportunities for us, our industry is, and will remain, highly competitive. We compete against many global, regional, and local brands in a variety of categories of beverage alcohol, but our brands compete primarily in the industry's premium-and-higher price points. Our competitors include major global spirits and wine companies, such as Bacardi Limited, Becle S.A.B. de C.V., Beam Suntory Inc., Davide Campari-Milano S.p.A., Diageo PLC, LVMH Moët Hennessy Louis Vuitton SE, Pernod Ricard SA, and Rémy Cointreau. In addition, particularly in the United States, we compete with national companies and craft spirit brands, many of which entered the market in the last few years.

Brand recognition, brand provenance, quality of product and packaging, availability, flavor profile, and price affect consumers' choices among competing brands in our industry. Other factors also influence consumers, including advertising, promotions, merchandising at the point of sale, expert or celebrity endorsement, social media and word of mouth, and the timing and relevance of new product introductions. Although some competitors have substantially greater resources than we do, we believe that our competitive position is strong, particularly as it relates to brand awareness, quality, availability, and relevance of new product introductions.

Ingredients and Other Supplies

The principal raw materials used in manufacturing and packaging our distilled spirits, liqueurs, RTD products, and wines are shown in the table below.

Principal Raw Materials

Distilled Spirits	Liqueurs	RTD Products	Wines	Packaging
Agave	Flavorings	Flavorings	Grapes	Aluminum cans
Barley	Neutral spirits	Malt	Wood	Cartons
Corn	Sugar	Neutral spirits		Closures
Malted barley	Water	Sugar		Glass bottles
Rye	Whiskey	Tequila		Labels
Sugar	Wine	Water		PET[1] bottles
Water		Whiskey		
Wood				

[1]Polyethylene terephthalate (PET) is a polymer used in non-glass containers.

Currently, none of these raw materials are in short supply, but shortages could occur. From time to time, our agricultural ingredients (agave, barley, corn, grapes, malted barley, rye, and wood) could be adversely affected by weather and other forces out of our control that might constrain supply or reduce our inventory below desired levels for optimum production.

Whiskeys, certain tequilas, and certain other distilled spirits must be aged. Because we must schedule production years in advance to meet projected future demand, our inventories of these products may be larger in relation to sales and total assets than in many other businesses.

For details on risks related to the unavailability of raw materials and the inherent uncertainty in forecasting supply and demand, see "Item 1A. Risk Factors."

Intellectual Property

Our intellectual property includes trademarks, copyrights, proprietary packaging and trade dress, proprietary manufacturing technologies, know-how, and patents. Our intellectual property, especially our trademarks, is essential to our business. We register our trademarks broadly around the world, focusing primarily on where we sell or expect to sell our products. We protect our intellectual property rights vigorously but fairly. We have licensed some of our trademarks to third parties for use with services or on products other than alcoholic beverages, which enhances the awareness and protection of our brands.

For details on risks related to the protection of our intellectual property, see "Item 1A. Risk Factors." For details on our most important brands, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Fiscal 2020 Brand Highlights."

Regulatory Environment

Federal, state, local, and foreign authorities regulate how we produce, store, transport, distribute, market, and sell our products. Some countries and local jurisdictions prohibit or restrict the marketing or sale of distilled spirits in whole or in part.

In the United States, at the federal level, the Alcohol and Tobacco Tax and Trade Bureau of the U.S. Department of the Treasury regulates the spirits and wine industry with respect to the production, blending, bottling, labeling, advertising, sales, and transportation of beverage alcohol. Similar regulatory regimes exist at the state level and in most non-U.S. jurisdictions where we sell our products. In addition, beverage alcohol products are subject to customs duties, excise taxes, or sales taxes in many countries, including taxation at the federal, state, and local level in the United States.

Many countries set their own distilling and maturation requirements; for example, under U.S. federal and state regulations, bourbon and Tennessee whiskeys must be aged in new charred oak barrels; we typically age our whiskeys three to six years. Canadian whisky must be manufactured in Canada in compliance with Canadian laws. Mexican authorities regulate the production and bottling of tequilas; they mandate minimum aging periods for *extra anejo* (three years), *anejo* (one year), and *reposado* (two months). Irish whiskey must be matured at least three years in a wood cask, such as oak, on the island of Ireland. Scotch whisky must be matured in oak casks for at least three years in Scotland. We comply with all of the above laws and regulations.

Our operations are subject to various environmental protection statutes and regulations, and our policy is to comply with them.

Integrated Strategy





For 150 years, Brown-Forman and the Brown family have been committed to driving sustainable growth and preserving Brown-Forman as a thriving, family-controlled, independent company. The image on the left illustrates our purpose, "Enriching Life," and our ambition, "Nothing Better in the Market," surrounded by the values that have guided us for decades: integrity, respect, trust, teamwork, and excellence. In addition to these guiding principles, our success is dependent on our strategic priorities, as illustrated in the image on the right: the quality of our brands within our portfolio, our geographic diversification, the caliber of our people, and the investments we make to grow our business. Moreover, an integrated lens recognizes that many aspects of our company contribute to creating value for our shareholders over the long term, including our commitment to sustainability, responsibility, diversity and inclusion, and supporting and working to solve the health, education, and social inequities, particularly the racial divide, in the communities where we live and work.

In the face of unprecedented business conditions caused by the COVID-19 pandemic, it is important we look to our values and long-term strategy to guide us, while leveraging our agility to quickly adapt to changing business conditions. We have faced and overcome formidable challenges over the span of a century and a half: two world wars, United States Prohibition, the Great Depression, recessions, and now the COVID-19 pandemic. Navigating unpredictable economies, weather, market whims, and many more variables have simply been part of the long-term nature of our business. While the way we work has changed and our business has been affected, we continue to prioritize the health, safety, and well-being of our employees and communities and advance our brands and business despite these challenges.

For the second consecutive year, we are integrating our Corporate Responsibility and Annual Reports not only to provide a more holistic view of Brown-Forman, but also to reflect who we are and our culture. Our integrated report combines our responsibility and sustainability information alongside financial data to provide a more comprehensive view of our business results.

Portfolio

We seek to build brands responsibly and create shareholder value by delivering strong and sustainable growth, solid margins, and high returns on invested capital. Given our expectation to continue to grow in size and scale, we are focusing on building brands that can be meaningful for our company and our consumers over the longer term. One of our priorities is to grow our premium spirits portfolio organically and through innovation. Opportunistically and thoughtfully, we also consider acquisitions and partnerships that will enhance our portfolio and our capacity to deliver meaningful growth, attractive margins, and acceptable returns.

It is important to us that we pursue brand growth while actively promoting a positive drinking culture to enhance consumer experiences with our brands. We balance this work while holding steady to our commitment to market our products responsibly. Regulation of our industry is not new, and external pressure from the World Health Organization and other health bodies has grown over time. We uphold high standards of self-regulation by adhering to industry guidelines on responsible marketing and advertising. We work both independently and with industry organizations to promote alcohol responsibility, such as the

International Alliance for Responsible Drinking, the Foundation for Advancing Alcohol Responsibility (responsibility.org) in the United States, The Portman Group in the United Kingdom, DrinkWise in Australia, and FISAC in Mexico.

The Jack Daniel's family of brands, led by Jack Daniel's Tennessee Whiskey (JDTW), is our most valuable asset – the engine of our overall financial performance and the foundation of our leadership position in the American whiskey category.[1] We strive to strengthen the brand's leadership, and will always work to keep JDTW relevant to consumers worldwide, while pursuing the abundant opportunities to grow the Jack Daniel's family of brands across markets, premium and above price points, channels, and consumer groups. Product innovation continues to contribute meaningfully to our performance. Different Jack Daniel's expressions bring new consumers to the franchise, including Honey (2011), Fire (2015), Rye (2018), and our most recent launch, Jack Daniel's Tennessee Apple (2020), which individually and collectively add great value to the Company and our consumers.

In addition to the leadership of our Jack Daniel's family of brands, we expect strong growth around the world from our other whiskey brands, particularly Woodford Reserve and Old Forester. Woodford Reserve is the leading super-premium American whiskey globally[1], surpassing one million nine-liter cases during fiscal 2020, and is poised for continued growth as interest in bourbon increases around the world. Old Forester has continued its return to prominence in the United States and in select international markets through its unparalleled taste and quality. Innovation has had a role in premiumizing both of these brands, including the success of high-end expressions, such as Woodford Double Oaked and the Old Forester Whiskey Row Series.

Outside of our American whiskey brands, our portfolio is well positioned in other high-growth categories with meaningful premium brands and a focus on accelerating our super-premium portfolio. Our tequila portfolio is led by two brands steeped in Mexican heritage, Herradura and el Jimador. Despite cyclical cost pressures resulting from the unprecedented cost of agave, we remain pleased with the growth of our tequila business in Mexico and the United States over the past decade and the long-term growth prospects of this business globally. GlenDronach, BenRiach, Glenglassaugh, and Slane are well positioned in the categories of Scotch and Irish whiskey and are expected to become meaningful contributors over the longer term. Lastly, we believe our newest acquisition in the summer of 2019, Fords Gin, provides superior access to the fast-growing premium gin category, particularly in the United States, and we look to grow this brand in key gin markets globally.

Part of building all of our brands and engaging our employees is through education, including resources and training on alcohol responsibility – what it means, how to be a good host/hostess, respecting the choice not to drink, preventing drunk/drink driving, and providing support for those in recovery. Our internal campaign, Pause, launched in the summer of 2019, seeks to elevate responsibility, raise awareness, and inspire more action from our employees. Our Chambord liqueur brand, through a partnership with the nonprofit group Alteristic, offers training to bartenders and employees on bystander intervention to help prevent sexual assault.

Geography

The United States remains our largest market, and its continued growth is important to our long-term success. We expect to foster this growth by emphasizing fast-growing spirits categories, continued product and packaging innovation, and brand building within growing consumer segments, including increasing emphasis on inclusive marketing.

Outside the United States, we continue to increase our competitiveness through improved routes to consumer, with the most recent example being the establishment of our owned distribution organizations in the United Kingdom and Thailand in May 2020. The more direct connection with customers and consumers enabled through owned distribution in markets such as Australia, France, Germany, and now the United Kingdom and Thailand is an important part of our strategic growth. In addition, we expect increasing significant contributions to our long-term future growth from emerging markets including Brazil, China, India, Mexico, Poland, Russia, and Southeast Asia.

People

As we work to increase our brands' relevance and appeal to diverse consumer groups around the world, we believe a diversity of experiences and mindsets within our own workforce is essential. In the summer of 2019, we unveiled *Many Spirits, One Brown-Forman*, our Diversity & Inclusion (D&I) 2030 Strategy aimed at creating a foundation from which to build a more diverse workforce and inclusive culture. Brown-Forman's vision for D&I is to create an environment where leveraging diversity and inclusion occurs naturally, giving us a sustainable marketplace advantage. We have set gender and race ambitions to have at least 40 percent female senior leaders globally and 25 percent people of color in the United States by 2030. We anticipate expanding this work to other elements of diversity in the future. For the tenth year in a row, we earned a perfect score in the Corporate

[1]IWSR, 2019 data.

Equality Index[1], a national benchmarking survey and report on corporate policies and practices related to LGBTQ workplace equality administered by the Human Rights Campaign Foundation.

While we have had a long-standing commitment to cultivate a diverse and inclusive culture, we know we must be better and do better to bring about sustainable change for our Black colleagues and communities. Racism is a global problem, and there are no easy, quick, or simple solutions for the systemic challenges we face as a society. We are hopeful that recent times will be a catalyst for greater awareness, conversations, and positive actions, specifically those that explore how we live our value of respect, how we identify and eliminate bias in ourselves, and how we continue to create an inclusive environment and relationships that foster allyship. Our company leaders have re-committed to a renewed emphasis on allyship, encouraging discussions about race, allyship, and personal D&I journeys. We have publicly committed to specific actions and to making progress as individuals and a global organization, within our industry and local community, and through the influence of our brand and corporate voice[2].

One of the main drivers of an inclusive culture is the continued growth and leadership of our Employee Resource Groups (ERGs), including our ninth and newest group, EAST (Embracing Asian Societies and Traditions), established in the summer of 2019. We believe ERGs are instrumental in enriching our company's culture, and our employees experience this by supporting development and engagement of our diverse workforce, driving cultural awareness and competency across the organization, and enabling authentic engagement with our consumers. Our ERGs also create safe spaces for our employees of specific characteristics and their allies to connect with, support, and advocate for one another.

We know that this strong employee culture and our commitment to the communities where we live and work also helps foster a sense of engagement among our employees. In fact, our Employee Engagement and Enablement survey results from the fall of 2019 reaffirmed what we have long known – our employees are highly engaged, highly enabled, and highly committed to our core values of integrity, respect, trust, teamwork, and excellence. In addition to this internal affirmation, we have received numerous external accolades, including being named a "Great Place to Work" in Brazil, France, Mexico, and Spain.

Investment

One thing we have learned over a century and a half is that long-term success requires investment and a mindset of sustainability. We understand the need to invest in our brands, production facilities, distillery homeplace and visitor centers, and aging inventory. We also understand the importance of investing in our people, communities, and the environment. We recognize that climate change is a business issue with risks and opportunities. As such, we are committed to actions that will ensure the long-term health of both the planet and our business. One example of our long-term focus is our investment in renewable energy. Our wind power project, which became operational in April 2020, provides a renewable energy source that we expect will offset more than 90% of our electricity usage in the United States. This will enable us to fully achieve our greenhouse gas target, established in 2013, of cutting our absolute greenhouse gas emissions by 15% by 2023, from a 2012 baseline. In order to manage water risk, we have completed Source Vulnerability Assessments to evaluate watersheds we operate in that are considered at-risk or business critical. Following the assessments, we have begun to develop programs to address the risk. We continue to make progress toward our goal of sending zero-waste to landfill for all of our owned facilities by the end of the 2020 calendar year. By the end the 2019 calendar year, we achieved zero-waste at 14 of our owned facilities. In total, Brown-Forman facilities divert 99.7% of waste from landfill. Although our largest facilities have achieved zero-waste and thus push our total to meet our goal, we are still working to improve some facilities that have not yet achieved zero-waste. Finally, recognizing the importance of demonstrating leadership at the executive level, we also appointed a Chief Sustainability Officer role, to engage with our Board of Directors as well as the Brown-Forman / Brown Family Shareholders Committee.

We believe we are better positioned than ever to deliver exceptional products to our loyal consumers around the world. We have a highly capable and engaged workforce. We have developed brand-building capabilities by equipping our teams with the training and tools necessary to win in an increasingly data-driven digital global marketplace. In the fall of 2019, we announced that Energy BBDO would be our new global creative agency of record for the majority of our global brand portfolio, including the Jack Daniel's family of brands, Woodford Reserve, Herradura, el Jimador, and Old Forester. This relationship is expected to bring new energy and perspective to the portfolio that we believe will enable us to make meaningful connections with consumers as we continue to build our brands.

Community Relations

In addition to the investments we make in our employees, we believe it is vital that we give back to the communities that support both our employees and our company by thoughtfully deploying our time, talent, and resources. We have been a proud

[1]Human Rights Campaign 2020 Corporate Equality Index at www.hrc.org/cei

[2]Brown-Forman Be Better, Do Better at www.brown-forman.com/be_better_do_better

corporate citizen of our hometown of Louisville, Kentucky for our entire 150 year history. Our expanded focus and commitment to the neighborhood around our corporate campus, while local, meets this call to be the best neighbor we can be, an ambition we strive for wherever we operate. We made a $2 million donation to the Republic Bank Foundation YMCA in west Louisville in fiscal 2019, which seeks to expand health and wellness resources to an underserved part of our community. In response to the COVID-19 pandemic, we donated nearly $2 million to relief efforts in the United States and other locations where we work.

We also seek to expand our civic engagement into additional Brown-Forman global office locations, allowing those employees closest to the needs of their communities to decide how to invest their charitable-giving resources. We leverage our key community relations partners to stay informed of collaborative opportunities in the communities where we work and live, and to shape our charitable giving strategy to meet the essential needs of the communities that sustain us. We provide charitable donations and our employees volunteer throughout our communities, including 130 serving on nonprofit boards of directors. The Brown-Forman Foundation (the Foundation) was created in fiscal 2018 with the goal of helping fund our ongoing philanthropic endeavors. The Foundation's earnings will provide a consistent source of revenue for charitable giving independent of our annual earnings. We work to partner with organizations that support our key focus areas: enhancing arts and cultural living, ensuring essential living standards, and empowering responsible and sustainable living.

Having a long-term-focused, committed, and engaged shareholder base, anchored by the Brown family, gives us an important strategic advantage, particularly in a business with aged products and multi-generational brands committed to corporate responsibility and our deeply held values. Recognizing the strong cash-generating capacity and the capital efficiency of our business, we will continue to pursue top-tier shareholder return through shareholder-friendly capital allocation and socially and environmentally conscious investments to fuel long-term growth.

Employees and Executive Officers

As of April 30, 2020, we employed approximately 4,800 people worldwide (approximately 2,600 in the United States), excluding individuals that work on a part-time or temporary basis. This includes approximately 14% of our U.S. employees that are represented by a union. We believe our employee relations are good.

Information About Our Executive Officers

The following persons served as executive officers as of June 19, 2020:

Name	Age	Principal Occupation and Business Experience
Lawson E. Whiting	51	President and Chief Executive Officer since 2019. Executive Vice President and Chief Operating Officer from October 2017 to December 2018. Executive Vice President and Chief Brands and Strategy Officer from 2015 to 2017. Senior Vice President and Chief Brands Officer from 2013 to 2015. Senior Vice President and Managing Director for Western Europe from 2011 to 2013. Vice President and Finance Director for Western Europe from 2010 to 2011. Vice President and Finance Director for North America from 2009 to 2010.
Jane C. Morreau	61	Executive Vice President and Chief Financial Officer since 2014. Senior Vice President, Chief Production Officer, and Head of Information Technology from 2013 to 2014. Senior Vice President and Director of Financial Management, Accounting, and Technology from 2008 to 2013.
Matthew E. Hamel	60	Executive Vice President, General Counsel and Secretary since 2007.
Alejandro “Alex” Alvarez	52	Senior Vice President, Chief Production and Sustainability Officer since 2014. Vice President and General Manager for Brown-Forman Tequila Mexico Operations from 2008 to 2014.
Matias Bentel	45	Senior Vice President and Chief Brands Officer since January 2020. Senior Vice President and Managing Director of Jack Daniel’s Family of Brands from August 2018 to January 2020. Vice President and General Manager of Mexico from January 2016 to August 2018. Vice President Latin America Marketing and Chief of Staff from October 2009 to January 2016.
Kelli N. Brown	50	Senior Vice President and Chief Accounting Officer since August 2018. Vice President and Director Finance (North America Region) from 2015 to August 2018. Director NAR Division Finance (North America Region) from 2013 to 2015. Director Business Planning and Analytics (North America Region) from 2012 to 2013.
Ralph E. de Chabert	73	Senior Vice President, Chief Diversity Inclusion and Global Community Relations Officer since March 2019. Senior Vice President and Chief Diversity Officer from December 2007 to February 2019.
Kirsten M. Hawley	50	Senior Vice President, Chief Human Resources and Corporate Communications Officer since March 2019. Senior Vice President and Chief Human Resources Officer from February 2015 to February 2019. Senior Vice President and Director of Human Resources Business Partnerships from 2013 to 2015. Vice President and Director of Organization and Leader Development from 2011 to 2013. Assistant Vice President and Director of Employee Engagement from 2009 to 2011.
John V. Hayes	60	Senior Vice President, President, U.S.A. and Canada since June 2018. Senior Vice President, Chief Marketing Officer of Brown-Forman Brands from February 2015 to June 2018. Senior Vice President, Managing Director Jack Daniel’s from 2011 to 2015. Senior Vice President, Managing Director Herradura from 2007 to 2011.
Thomas Hinrichs	58	Senior Vice President, President, International Division since June 2018. Senior Vice President and President for Europe, North Asia, and ANZSEA from February 2015 to June 2018. Senior Vice President and Managing Director for Europe from 2013 to 2015. Senior Vice President and Managing Director for Greater Europe and Africa from 2006 to 2013.

Available Information

Our website address is www.brown-forman.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports are available free of charge on our website as soon as reasonably practicable after we electronically file those reports with the Securities and Exchange Commission (SEC). The information provided on our website is not part of this report, and is therefore not incorporated by reference into this report or any other filing we make with the SEC, unless that information is otherwise specifically incorporated by reference.

On our website, we have posted our Code of Conduct that applies to all our directors and employees, and our Code of Ethics that applies specifically to our senior financial officers. If we amend or waive any of the provisions of our Code of Conduct or our Code of Ethics applicable to our principal executive officer, principal financial officer, or principal accounting officer that relates to any element of the definition of “code of ethics” enumerated in Item 406(b) of Regulation S-K under the Securities Act of 1934 Act, as amended, we intend to disclose these actions on our website. We have also posted on our website our Corporate Governance Guidelines and the charters of our Audit Committee, Compensation Committee, Corporate Governance and

Nominating Committee, and Executive Committee of our Board of Directors. Copies of these materials are also available free of charge by writing to our Secretary, 850 Dixie Highway, Louisville, Kentucky 40210 or emailing Secretary@b-f.com.

Item 1A. ***Risk Factors***

We believe the following discussion identifies the most significant risks and uncertainties that could adversely affect our business. If any of the following risks were actually to occur, our business, results of operations, cash flows, or financial condition could be materially and adversely affected. Additional risks not currently known to us, or that we currently deem to be immaterial, could also materially and adversely affect our business, results of operations, cash flows, or financial condition.

Our business faces various risks related to health epidemics and pandemics, including the COVID-19 pandemic and similar outbreaks, which could materially and adversely affect our business, our operations, our cash flows, and our financial results.

Our business, operations, cash flows, and financial results could be negatively impacted by health epidemics, pandemics, and similar outbreaks. The COVID-19 pandemic could have negative impacts, such as (i) a global or U.S. recession or other economic crisis; (ii) credit and capital markets volatility (and access to these markets, including by our suppliers and customers); (iii) significant volatility in demand for our products, including our premium and super-premium products; (iv) changes in accessibility to our products due to illness, quarantines, "stay at home" orders, travel restrictions, retail, restaurant, bar, and hotel closures, social distancing requirements, and other government action; (v) changes in behavior and preferences, including trading down to lower-priced products; and (vi) disruptions in our manufacturing operations, or in our distribution and supply chain. Furthermore, we have been impacted in markets where, in connection with other government actions taken to slow the spread of the COVID-19 pandemic, liquor sales have been restricted or banned outright such as in the state of Pennsylvania in the United States, and in South Africa, India, and other Asian countries. In addition, we may incur increased costs and otherwise be negatively affected if a significant portion of our workforce (or the workforces within our distribution or supply chain) is unable to work or work effectively, including because of illness, unavailability of personal protective equipment, quarantines, "stay at home" orders, social distancing requirements, other government action, facility closures, or other restrictions.

The impact of the COVID-19 pandemic depends on factors beyond our knowledge or control, including the duration and severity of the outbreak and actions taken to contain its spread and mitigate the public health effects and its short- and long-term impacts on the economy, unemployment, consumer confidence, and the financial health of our distributors, customers, and suppliers. At this time, we cannot predict with certainty the impact of the COVID-19 pandemic on our business or our future financial or operational results; however, the impact could be material over time. For further discussion on the impact of the COVID-19 pandemic on our business and financial results, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Significant Developments - COVID-19."

Our global business is subject to commercial, political, and financial risks.

Our products are sold in more than 170 countries; accordingly, we are subject to risks associated with doing business globally, including commercial, political, and financial risks. In addition, we are subject to potential business disruption caused by military conflicts; potentially unstable governments or legal systems; civil or political upheaval or unrest; local labor policies and conditions; possible expropriation, nationalization, or confiscation of assets; problems with repatriation of foreign earnings; economic or trade sanctions; closure of markets to imports; anti-American sentiment; terrorism or other types of violence in or outside the United States; and health pandemics (such as COVID-19). If shipments of our products - particularly Jack Daniel's Tennessee Whiskey - to our global markets were to experience significant disruption due to these risks or for other reasons, it could have a material adverse effect on our financial results.

For example, in 2018, the United States imposed tariffs on steel and aluminum. In response, a number of countries imposed retaliatory tariffs on U.S. imports, including on our American whiskey products. Such retaliatory tariffs, which remain in place, have negatively affected our results of operations through lower net sales and higher cost of sales. Any further deterioration of economic relations between the United States and other countries or any increase in tariffs, custom duties or other restrictions or barriers on imports and exports could result in the limited availability of our products and prompt consumers to seek alternative products or in an increase in the price of our products and to the extent that we absorb the costs of tariffs, result in lower net sales or higher costs of sales. For example, the European Union plans the doubling of current retaliatory tariffs by June 2021 if there is no resolution of the economic relations with the United States. Furthermore, uncertainty related to the future of the European Union may affect our business and financial performance in Europe. On January 31, 2020, the United Kingdom left the European Union (Brexit), and, until a trade deal between the United Kingdom and the European Union is finalized, we face economic and political uncertainty related to the negotiation of any such successor trading arrangement as well as volatility in exchange rates, risk to supply chains across the European Union, restrictions on the mobility of employees and consumers, or changes to customs duties, tariffs, or industry specific requirements and regulations. In addition, any new trade barriers, sanctions, tariffs, or any

retaliatory measures in response to the foregoing could materially and adversely affect our operations. Our success will depend, in part, on our ability to overcome the challenges we encounter with respect to these risks and other factors affecting U.S. companies with global operations.

A failure to comply with anti-corruption laws, trade sanctions and restrictions, or similar laws or regulations may have a material adverse effect on our business and financial results.

We are a global company that markets and sells our products in over 170 countries. Some of the countries where we do business have a higher risk of corruption than others. While we are committed to doing business in accordance with applicable anti-corruption laws, trade sanctions and restrictions, and other similar laws and regulations, along with our Code of Conduct, Code of Ethics for Senior Financial Officers, and our other policies, we remain subject to the risk that an employee, or one of our many business partners, may take action determined to be in violation of international trade, money laundering, anti-corruption, or other laws, sanctions, or regulations, including the U.S. Foreign Corrupt Practices Act of 1977, the U.K. Bribery Act 2010, or equivalent local laws. Because the COVID-19 pandemic has so negatively impacted local economies, government intervention in local economies and businesses has increased, which in turn can create elevated risk and opportunity for corruption. Any determination that our operations or activities are not in compliance with applicable laws or regulations, particularly those related to anti-corruption and international trade, could result in investigations, interruption of business, loss of business partner relationships, suspension or termination of licenses and permits (our own or those of our partners), imposition of fines, legal or equitable sanctions, negative publicity, and management distraction. Further, our continued compliance with applicable anti-corruption or other laws or regulations, our Code of Conduct, Code of Ethics for Senior Financial Officers, and our other policies could result in higher operating costs.

Fluctuations in foreign currency exchange rates relative to the U.S. dollar could have a material adverse effect on our financial results.

The more we expand our business globally, the more foreign currency exchange rate fluctuations relative to the U.S. dollar influence our financial results. In many markets outside the United States, we sell our products and pay for some goods, services, and talent primarily in local currencies. Because our foreign currency revenues exceed our foreign currency expense, we have a net exposure to changes in the value of the U.S. dollar relative to those currencies. Over time, our reported financial results will be hurt by a stronger U.S. dollar and improved by a weaker one. We do not attempt to hedge all of our foreign currency exposure. We attempt to hedge a portion of our foreign currency exposure through the use of foreign currency derivatives or other means; however, even in those cases, we may not succeed in fully eliminating our foreign currency exposure. For details on how foreign exchange affects our business, see "Item 7A. Quantitative and Qualitative Disclosures about Market Risk - Foreign currency exchange rate risk."

National and local governments may adopt regulations or undertake investigations that could limit our business activities or increase our costs.

Our business is subject to extensive regulatory requirements regarding production, exportation, importation, marketing and promotion, labeling, distribution, pricing, and trade practices, among others. Changes in laws, regulatory measures, or governmental policies, or the manner in which current ones are interpreted, could cause us to incur material additional costs or liabilities, and jeopardize the growth of our business in the affected market. Specifically, governments may prohibit, impose, or increase limitations on advertising and promotional activities, or times or locations where beverage alcohol may be sold or consumed, or adopt other measures that could limit our opportunities to reach consumers or sell our products. Certain countries historically have banned all television, newspaper, magazine, and digital commerce/advertising for beverage alcohol products. Increases in regulation of this nature could substantially reduce consumer awareness of our products in the affected markets and make the introduction of new products more challenging.

Additional regulation in the United States and other countries addressing climate change, use of water, and other environmental issues could increase our operating costs. Increasing regulation of fuel emissions could increase the cost of energy, including fuel, required to operate our facilities or transport and distribute our products, thereby substantially increasing the production, distribution, and supply chain costs associated with our products.

Unfavorable economic conditions could negatively affect our operations and results.

Unfavorable global or regional economic conditions could adversely affect our business and financial results. In particular, a significant deterioration in economic conditions, due to the COVID-19 pandemic or otherwise, including economic slowdowns or recessions, increased unemployment levels, inflationary pressures and/or disruptions to credit and capital markets, could lead to decreased consumer confidence and consumer spending more generally, thus reducing consumer demand for our products. Unfavorable economic conditions could also cause governments to increase taxes on beverage alcohol to attempt to raise revenue,

reducing consumers' willingness to make discretionary purchases of beverage alcohol products or pay for premium brands such as ours. In unfavorable economic conditions, such as those reflected in the current unprecedented levels of unemployment in the United States, consumers may make more value-driven and price-sensitive purchasing choices and drink more at home rather than at restaurants, bars, and hotels, which tend to favor many of our premium and super-premium products, which negatively impacts our operating margins.

Unfavorable economic conditions could also adversely affect our suppliers, distributors, and retailers, who in turn could experience cash flow problems, more costly or unavailable financing, credit defaults, and other financial hardships. For example, due to the COVID-19 pandemic and its resulting economic impact, we have received requests for credit extensions from some of our distributors as the financial health of such distributors may have been negatively impacted. This could lead to distributor or retailer destocking, disruption in raw material supply, increase in bad debt expense, or cause us to increase the levels of unsecured credit that we provide to customers. Other potential negative consequences to our business from unfavorable economic conditions include higher interest rates, an increase in the rate of inflation, deflation, exchange rate fluctuations, credit or capital market instability, or lower returns on pension assets or lower discount rates for pension obligations (possibly requiring higher contributions to our pension plans). For additional details on the effects of COVID-19 on our operations and financial results, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Significant Developments - COVID-19.". For details on the effects of changes in the value of our benefit plan obligations and assets on our financial results, see Note 9 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

Tax increases and changes in tax rules could adversely affect our financial results.

Our business is sensitive to changes in both direct and indirect taxes. As a multinational company based in the United States, we are more exposed to the impact of U.S. tax changes than most of our major competitors, especially those that affect the effective corporate income tax rate.

New tax rules, accounting standards, or pronouncements, and changes in interpretation of existing rules, standards, or pronouncements could also have a material adverse effect on our business and financial results. This includes potential changes in tax rules or the interpretation of tax rules arising out of the Base Erosion & Profit Shifting project initiated by the Organization for Economic Co-operation and Development, as well as changes in the interpretation of tax rules arising out of the European Union State Aid investigations.

Our business operations are also subject to numerous duties or taxes that are not based on income, sometimes referred to as "indirect taxes." These indirect taxes include excise taxes, sales or value-added taxes, property taxes, payroll taxes, import and export duties, and tariffs. Increases in or the imposition of new indirect taxes on our operations or products would increase the cost of our products or, to the extent levied directly on consumers, make our products less affordable, which could negatively affect our financial results by reducing purchases of our products and encouraging consumers to switch to lower-priced or lower-taxed product categories. As governmental entities look for increased sources of revenue, they may increase taxes on beverage alcohol products. In fiscal 2020, we have observed excise tax increases in Australia, Poland, and Czech Republic.

Our business performance is substantially dependent upon the continued health of the Jack Daniel's family of brands.

The Jack Daniel's family of brands is the primary driver of our revenue and growth. Jack Daniel's is an iconic global trademark with a loyal consumer fan base, and we invest much effort and many resources to protect and preserve the brand's reputation for authenticity, craftsmanship, and quality. A brand's reputational value is based in large part on consumer perceptions, and even an isolated incident that causes harm - particularly one resulting in widespread negative publicity - could adversely influence these perceptions and erode consumer trust and confidence in the brand. Significant damage to the brand equity of Jack Daniel's would adversely affect our business. Given the importance of Jack Daniel's to our overall success, a significant or sustained decline in volume or selling price of our Jack Daniel's products, as a result of negative publicity or otherwise, would have a negative effect on our financial results. Additionally, should we not be successful in our efforts to maintain or increase the relevance of the Jack Daniel's brand to current and future consumers, our business and operating results could suffer. For details on the importance of the Jack Daniel's family of brands to our business, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Fiscal 2020 Brand Highlights."

Changes in consumer preferences and purchases, any decline in the social acceptability of our products, or governmental adoption of policies disadvantageous to beverage alcohol could negatively affect our business results.

We are a branded consumer products company in a highly competitive market, and our success depends substantially on our continued ability to offer consumers appealing, high-quality products. Consumer preferences and purchases may shift, often in unpredictable ways, due to several factors, including health and wellness trends; changes in economic conditions, demographic,

and social trends; public health policies and initiatives; changes in government regulation of beverage alcohol products; concerns or regulations related to product safety; legalization of marijuana use on a more widespread basis within the United States, Canada, or elsewhere; and changes in trends related to travel, leisure, dining, gifting, entertaining, and beverage consumption trends. Consumers may begin to shift their consumption and purchases of our premium and super-premium products, more commonly found in on-premise establishments, in favor of off-premise purchases or away from alcoholic beverages entirely. This includes consumption at home as a result of various factors, including shifts in social trends, proliferation of smoking bans, and stricter laws relating to driving while under the influence of alcohol, as well as shifts to purchases of our products to e-commerce retailers. These shifts in consumption and purchasing channels, which could adversely impact our profitability, have accelerated during the COVID-19 pandemic and the resulting quarantines, "stay at home" orders, travel restrictions, retail, restaurant, bar, and hotel closures, social distancing requirements, and other government action. Consumers also may begin to prefer the products of competitors or may generally reduce their demand for brands produced by larger companies. Over the past several years, the number of small, local distilleries in the United States has grown significantly. This is being driven by a trend of consumers showing increasing interest in locally produced, regionally sourced products. As more brands enter the market, increased competition could negatively affect demand for our premium and super-premium American whiskey brands, including Jack Daniel's. In addition, we could experience unfavorable business results if we fail to attract consumers from diverse backgrounds and ethnicities in all markets where we sell our products. To continue to succeed, we must anticipate or react effectively to shifts in demographics, consumer behavior, consumer preferences, drinking tastes, and drinking occasions.

Our long-term plans call for the continued growth of the Jack Daniel's family of brands. In particular, we plan to expand sales of Jack Daniel's Tennessee Apple internationally. If these plans do not succeed, or if we otherwise fail to develop or implement effective business, portfolio, and brand strategies, our growth, business, or financial results could suffer. More broadly, if consumers shift away from spirits (particularly brown spirits such as American whiskey and bourbon), our premium-priced brands, or our RTD products, our financial results could be adversely affected.

We believe that new products, line extensions, label and bottle changes, product reformulations, and similar product innovations by both our competitors and us will compete increasingly for consumer drinking occasions. Product innovation, particularly for our core brands, such as our launch of Jack Daniel's Tennessee Apple, is a significant element of our growth strategy; however, there can be no assurance that we will continue to develop and implement successful line extensions, packaging, formulation or flavor changes, or new products. Unsuccessful implementation or short-lived popularity of our product innovations could result in inventory write-offs and other costs, reduction in profits from one year to the next, and also could damage consumers' perception of the brand family. Our inability to attract consumers to our product innovations relative to our competitors' products - especially over time - could negatively affect our growth, business, and financial results.

Our ability to market and sell our products depends heavily on societal attitudes toward drinking and governmental policies that both flow from and affect those attitudes. In recent years, increased social and political attention has been directed at the beverage alcohol industry. For example, there remains continued attention focused largely on public health concerns related to alcohol abuse, including drunk driving, underage drinking, and the negative health impacts of the abuse and misuse of beverage alcohol. While most people who drink enjoy alcoholic beverages in moderation, it is commonly known and well reported that excessive levels or inappropriate patterns of drinking can lead to increased risk of a range of health conditions and, for certain people, can result in alcohol dependence. Some academics, public health officials, and critics of the alcohol industry in the United States, Europe, and other parts of the world continue to seek governmental measures to make beverage alcohol more expensive, less available, or more difficult to advertise and promote. If future scientific research indicates more widespread serious health risks associated with alcohol consumption - particularly with moderate consumption - or if for any reason the social acceptability of beverage alcohol declines significantly, sales of our products could decrease.

Production facility disruption could adversely affect our business.

Some of our largest brands, including Jack Daniel's, Finlandia Vodka, and our tequilas, are distilled at single locations. A catastrophic event causing physical damage, disruption, or failure at any one of our major distillation or bottling facilities, including facilities that support the production of our premium brands such as Woodford Reserve and Old Forester, could adversely affect our business. Further, because whiskeys and some tequilas are aged for various periods, we maintain a substantial inventory of aged and maturing products in warehouses at a number of different sites. The loss of a substantial amount of aged inventory - through fire, other natural or man-made disaster, contamination, or otherwise - could significantly reduce the supply of the affected product or products. A consequence of any of these or other supply or supply chain disruptions, including the temporary inability to produce our products due to the closure or lower production levels at one or more of our major distillation or bottling facilities, or at our suppliers as a result of COVID-19, could prevent us from meeting consumer demand for the affected products for a period of time in the near-term as well as in the long-term due to the nature of our aged products. In addition, insurance proceeds may be insufficient to cover the replacement value of our inventory of maturing products and other assets if they were to be lost. Disaster recovery plans may not prevent business disruption, and reconstruction of any damaged facilities could require a significant amount of time**.**

The inherent uncertainty in supply/demand forecasting could adversely affect our business, particularly with respect to our aged products.

There is an inherent risk of forecasting imprecision in determining the quantity of aged and maturing products to produce and hold in inventory in a given year for future sale. The forecasting strategies we use to balance product supply with fluctuations in consumer demand may not be effective for particular years or products. For example, in addition to our American, Canadian, and Irish whiskeys and some tequilas, which are aged for various periods, our Scotch whisky brands and distilleries including The GlenDronach, BenRiach, and Glenglassaugh require long-term maturation on average of 12 years with limited releases of 30 years or more, making forecasts of demand for such products in future periods subject to significant uncertainty. Factors that affect our ability to forecast accurately include changes in business strategy, market demand, consumer preferences, macroeconomic conditions, introductions of competing products, and other changes in market conditions such as the COVID-19 pandemic and its resulting economic impacts. Any forecasting error could lead to our inability to meet the objectives of our business strategy, failure to meet future demand, or a future surplus of inventory and consequent write-down in value of raw materials or finished goods. If we are unable to accurately forecast demand for our products or efficiently manage inventory, this may have a material adverse effect on our business and financial results. Further, we cannot be certain that we will be successful in using various levers, such as pricing changes, to create the desired balance of available supply and consumer demand for particular years or products. As a consequence, we may be unable to meet consumer demand for the affected products for a period of time. Furthermore, not having our products in the market on a consistent basis may adversely affect our brand equity and future sales.

Higher costs or unavailability of materials could adversely affect our financial results, as could our inability to obtain certain finished goods or to sell used materials.

Our products use materials and ingredients that we purchase from suppliers. Our ability to make and sell our products depends upon the availability of the raw materials, product ingredients, finished products, wood, glass and PET bottles, cans, bottle closures, packaging, and other materials used to produce and package them. Without sufficient quantities of one or more key materials, our business and financial results could suffer. For instance, only a few glass producers make bottles on a scale sufficient for our requirements, and a single producer supplies most of our glass requirements. In addition, if we were to experience a disruption in the supply of American white oak logs to produce the new charred oak barrels in which we age our whiskeys, our production capabilities would be compromised. If any of our key suppliers were no longer able to meet our timing, quality, or capacity requirements, ceased doing business with us, or significantly raised prices, and we could not promptly develop alternative cost-effective sources of supply or production, our operations and financial results could suffer. For example, in connection with the COVID-19 pandemic, disruptions in our manufacturing operations or in our distribution or supply chain, such as with our neutral spirits supplier in France for our Jack Daniel's flavored whiskies, due to illness, quarantines, "stay at home" orders, social distancing requirements, and other government actions could adversely affect our ability to manufacture our products.

Higher costs or insufficient availability of suitable grain, agave, water, grapes, wood, glass, closures, and other input materials, or higher associated labor costs or insufficient availability of labor, may adversely affect our financial results. Similarly, when energy costs rise, our transportation, freight, and other operating costs, such as distilling and bottling expenses, also may increase. Our freight cost and the timely delivery of our products could be adversely affected by a number of factors that could reduce the profitability of our operations, including driver shortages, higher fuel costs, weather conditions, traffic congestion, increased government regulation, and other matters. Our financial results may be adversely affected if we are not able to pass along energy and freight cost increases through higher prices to our customers without reducing demand or sales.

International or domestic geopolitical or other events, including the imposition of any tariffs or quotas by governmental authorities on any raw materials that we use in the production of our products, could adversely affect the supply and cost of these raw materials to us. If we cannot offset higher raw material costs with higher selling prices, increased sales volume, or reductions in other costs, our profitability could be adversely affected.

Weather, the effects of climate change, fires, diseases, and other agricultural uncertainties that affect the mortality, health, yield, quality, or price of the various raw materials used in our products also present risks for our business, including in some cases potential impairment in the recorded value of our inventory. Changes in weather patterns or intensity can disrupt our supply chain as well, which may affect production operations, insurance costs and coverage, and the timely delivery of our products.

Water is an essential component of our products, so the quality and quantity of available water is important to our ability to operate our business. If droughts become more common or severe, or if our water supply were interrupted for other reasons, high-quality water could become scarce in some key production regions for our products, including Tennessee, Kentucky, California, Finland, Canada, Mexico, Scotland, and Ireland, which in turn could adversely affect our business and financial results.

Our ability to sell used barrels for reuse may be affected by fluctuations in the market. For example, lower prices, increased competitive supply of used barrels, and weaker demand from Irish and blended scotch industry buyers may make it difficult to sell our used barrels at sustainable prices and quantities, which could negatively affect our financial results.

Significant additional labeling or warning requirements or limitations on the availability of our products could inhibit sales of affected products.

Various jurisdictions have adopted or may seek to adopt significant additional product labeling or warning requirements or limitations on the availability of our products relating to the content or perceived adverse health consequences of some of our products. Several such labeling regulations or laws require warnings on any product with substances that the jurisdiction lists as potentially associated with cancer or birth defects. Our products already raise health and safety concerns for some regulators, and heightened requirements could be imposed. If additional or more severe requirements of this type are imposed on one or more of our major products under current or future health, environmental, or other laws or regulations, they could inhibit sales of such products. Further, we cannot predict whether our products will become subject to increased rules and regulations, which, if enacted, could increase our costs or adversely impact sales. For example, advocacy groups in Australia and the United Kingdom have called for the consideration of requiring the sale of alcohol in plain packaging with more comprehensive health warnings in an effort to change drinking habits in those countries. These studies could result in additional governmental regulations concerning the production, marketing, labeling, or availability of our products, any of which could damage our reputation, make our premium brands unrecognizable, or reduce demand of our products, which could adversely affect our profitability.

We face substantial competition in our industry, including many new entrants into spirits; and consolidation among beverage alcohol producers, wholesalers, and retailers, or changes to our route-to-consumer model, could hinder the marketing, sale, or distribution of our products.

We use different business models to market and distribute our products in different countries around the world. In the United States, we sell our products either to distributors for resale to retail outlets or e-commerce retailers or, in those states that control alcohol sales, to state governments who then sell them to retail customers and consumers. In our non-U.S. markets, we use a variety of route-to-consumer models - including, in many markets, reliance on others to market and sell our products. Consolidation among spirits producers, distributors, wholesalers, suppliers, or retailers and the increased growth and popularity of the e-commerce retail environment across the consumer product goods market, which has accelerated during the COVID-19 pandemic and the resulting quarantines, “stay at home” orders, travel restrictions, retail store closures, social distancing requirements, and other government action, could create a more challenging competitive landscape for our products. Consolidation at any level could hinder the distribution and sale of our products as a result of reduced attention and resources allocated to our brands both during and after transition periods, because our brands might represent a smaller portion of the new business portfolio. Furthermore, consolidation of distributors may lead to the erosion of margins as newly consolidated distributors take down prices. Changes in distributors’ strategies, including a reduction in the number of brands they carry, the allocation of shelf space for our competitors’ brands, or private label products, may adversely affect our growth, business, financial results, and market share. Expansion into new product categories by other suppliers, or innovation by new entrants into the market, could increase competition in our product categories.

Changes to our route-to-consumer models or partners in important markets could result in temporary or longer-term sales disruption, could result in higher costs, and could negatively affect other business relationships we might have with that partner. Disruption of our distribution network or fluctuations in our product inventory levels at distributors, wholesalers, or retailers could negatively affect our results for a particular period. Further, while we believe we have sufficient scale to succeed relative to our major competitors, we nevertheless face a risk that continuing consolidation of large beverage alcohol companies could put us at a competitive disadvantage.

Our competitors may respond to industry and economic conditions more rapidly or effectively than we do. Other suppliers, as well as wholesalers and retailers of our brands, offer products that compete directly with ours for shelf space, promotional displays, and consumer purchases. Pricing (including price promotions, discounting, couponing, and free goods), marketing, new product introductions, entry into our distribution networks, and other competitive behavior by other suppliers, and by wholesalers and traditional and e-commerce retailers, could adversely affect our growth, business, and financial results. While we seek to take advantage of the efficiencies and opportunities that large retail customers can offer, they often seek lower pricing and purchase volume flexibility, offer competing private label products, and represent a large number of other competing products. If the buying power of these large retail customers continues to increase, it could negatively affect our financial results.

We might not succeed in our strategies for acquisitions and dispositions.

From time to time, we acquire or invest in additional brands or businesses. We expect to continue to seek acquisition and investment opportunities that we believe will increase long-term shareholder value, but we may not be able to find and purchase brands or

businesses at acceptable prices and terms. Acquisitions involve risks and uncertainties, including potential difficulties integrating acquired brands and personnel; the possible loss of key customers or employees most knowledgeable about the acquired business; implementing and maintaining consistent U.S. public company standards, controls, procedures, policies, and information systems; exposure to unknown liabilities; business disruption; and management distraction. Acquisitions, investments, or joint ventures could also lead us to incur additional debt and related interest expenses, issue additional shares, and result in a reduction in our earnings per share and a decrease on our average invested capital. We could incur future restructuring charges or record impairment losses on the value of goodwill or other intangible assets resulting from previous acquisitions, which may also negatively affect our financial results.

We also evaluate from time to time the potential disposition of assets or businesses that may no longer meet our financial or strategic objectives. In selling assets or businesses, we may not get prices or terms as favorable as we anticipated. We could also encounter difficulty in finding buyers on acceptable terms in a timely manner, which could delay our accomplishment of strategic objectives. Expected cost savings from reduced overhead relating to the sold assets may not materialize, and the overhead reductions could temporarily disrupt our other business operations. Any of these outcomes could negatively affect our financial results.

Counterfeiting or inadequate protection of our intellectual property rights could adversely affect our business prospects.

Our brand names, trademarks, and related intellectual property rights are critical assets, and our business depends on our protecting them online and in the countries where we do business. We may not succeed in protecting our intellectual property rights in a given market or in challenging those who infringe our rights or imitate or counterfeit our products. Although we believe that our intellectual property rights are legally protected in the markets where we do business, the ability to register and enforce intellectual property rights varies from country to country. In some countries, for example, it may be more difficult to successfully stop counterfeiting or look-alike products, either because the law is inadequate or, even though satisfactory legal options may exist, it may be difficult to obtain and enforce sanctions against counterfeiters. We may not be able to register our trademarks in every country where we want to sell a particular product, and we may not obtain favorable decisions by courts or trademark offices.

Many global spirits brands, including some of our brands, experience problems with product counterfeiting and other forms of trademark infringement. We combat counterfeiting by working with other companies in the spirits industry through our membership in the Alliance Against Counterfeit Spirits (AACS) and with brand owners in other industries via our membership in React, an anti-counterfeiting network organization. While we believe AACS and React are effective organizations, they are not active in every market, and their efforts are subject to obtaining the cooperation of local authorities and courts in the markets where they are active. Despite the efforts of AACS, React, and our own teams, lower-quality and counterfeit products that could be harmful to consumers could reach the market and adversely affect our intellectual property rights, brand equity, corporate reputation, and financial results. In addition, the industry as a whole could suffer negative effects related to the manufacture, sale, and consumption of illegally produced beverage alcohol. In connection with the COVID-19 pandemic and its resulting economic impacts, government actions and interventions in local economies and businesses may create an elevated risk and opportunity for counterfeiting.

Product recalls or other product liability claims could materially and adversely affect our sales.

The success of our brands depends upon the positive image that consumers have of them. We could decide to or be required to recall products due to suspected or confirmed product contamination, product tampering, spoilage, or other quality issues. Any of these events could adversely affect our financial results. Actual contamination, whether deliberate or accidental, could lead to inferior product quality and even illness, injury, or death to consumers, potential liability claims, and material loss. Should a product recall become necessary, or we voluntarily recall a product in the event of contamination, damage, or other quality issue, sales of the affected product or our broader portfolio of brands could be adversely affected. A significant product liability judgment or widespread product recall may negatively impact sales and our business and financial results. Even if a product liability claim is unsuccessful or is not fully pursued, resulting negative publicity could adversely affect our reputation with existing and potential customers and our corporate and brand image.

Litigation and legal disputes could expose our business to financial and reputational risk.

Major private or governmental litigation challenging the production, marketing, promotion, distribution, or sale of beverage alcohol or specific brands could affect our ability to sell our products. Because litigation and other legal proceedings can be costly to defend, even actions that are ultimately decided in our favor could have a negative impact on our business reputation or financial results. Lawsuits have been brought against beverage alcohol companies alleging problems related to alcohol abuse, negative health consequences from drinking, problems from alleged marketing or sales practices, and underage drinking. While these lawsuits have been largely unsuccessful in the past, others may succeed in the future. We could also experience employment-related class actions, environmental claims, commercial disputes, product liability actions stemming from a beverage or container

production defect, a whistleblower suit, or other major litigation that could adversely affect our business results, particularly if there is negative publicity or to the extent the losses or expenses were not covered by insurance.

Governmental actions around the world to enforce trade practice, anti-money-laundering, anti-corruption, competition, tax, environmental, and other laws are also a continuing compliance risk for global companies such as ours. In addition, as a U.S. public company, we are exposed to the risk of securities-related class action suits, particularly following a precipitous drop in the share price of our stock. Adverse developments in major lawsuits concerning these or other matters could result in management distraction and have a material adverse effect on our business**.**

A cyber breach, a failure or corruption of one or more of our key information technology systems, networks, processes, associated sites, or service providers, or a failure to comply with personal data protection laws could have a material adverse impact on our business.

We rely on information technology (IT) systems, networks, and services, including internet sites, data hosting and processing facilities and tools, hardware (including laptops and mobile devices), software, and technical applications and platforms, some of which are managed, hosted, provided, or used by third parties or their vendors, to help us manage our business. The various uses of these IT systems, networks, and services include, but are not limited to: hosting our internal network and communication systems; ordering and managing materials from suppliers; supply/demand planning; production; shipping products to customers; hosting corporate strategic plans and employee data; hosting our branded websites and marketing products to consumers; collecting and storing customer, consumer, employee, investor, and other data; processing transactions; summarizing and reporting results of operations; hosting, processing, and sharing confidential and proprietary research, business plans, and financial information; complying with regulatory, legal, or tax requirements; providing data security; and handling other processes necessary to manage our business.

Increased IT security threats and more sophisticated cybercrimes and cyberattacks pose a potential risk to the security and availability of our IT systems, networks, and services, including those that are managed, hosted, provided, or used by third parties, as well as the confidentiality, availability, and integrity of our data and the data of our customers, consumers, employees, and others. If the IT systems, networks, or service providers we rely upon fail to function properly, or if we suffer a loss or disclosure of our business strategy or other sensitive information, due to any number of causes, ranging from catastrophic events to power outages to security breaches to usage errors by employees and other security issues, we may suffer interruptions in our ability to manage operations and reputational, competitive, or business harm, which may adversely affect our business operations or financial results. In addition, such events could result in unauthorized disclosure of material confidential information, and we may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to us or to our partners, our employees, customers, suppliers, or consumers. In any of these events, we could also be required to spend significant financial and other resources to remedy the damage caused by a security breach or to repair or replace networks and IT systems, which could require a significant amount of time. As a result of the COVID-19 pandemic, a greater number of our employees are working remotely, which may further increase our vulnerability to the cyber risks described above.

In the ordinary course of our business, we receive, process, transmit, and store information relating to identifiable individuals (personal data), primarily employees and former employees, but also relating to customers and consumers. As a result, we are subject to various U.S. federal and state and foreign laws and regulations relating to personal data. These laws have been subject to frequent changes, and new legislation in this area may be enacted in other jurisdictions at any time, such as, for example, the California Consumer Protection Act which took effect on January 1, 2020. In the European Union, the General Data Protection Regulation (GDPR) became effective in May 2018, for all member states and has extraterritorial effect. The GDPR includes operational requirements for companies receiving or processing personal data of European Union residents that are partially different from those that had previously been in place and includes significant penalties for noncompliance. The changes introduced by the GDPR, as well as any other changes to existing personal data protection laws and the introduction of such laws in other jurisdictions, have subjected and may continue in the future to subject us to, among other things, additional costs and expenses and have required and may in the future require costly changes to our business practices and security systems, policies, procedures, and practices. Improper disclosure of personal data in violation of the GDPR and/or of other personal data protection laws could harm our reputation, cause loss of consumer confidence, subject us to government enforcement actions (including fines), or result in private litigation against us, which could result in loss of revenue, increased costs, liability for monetary damages, fines and/or criminal prosecution, all of which could negatively affect our business and operating results.

Negative publicity could affect our business performance.

Unfavorable publicity, whether accurate or not, related to our industry or to us or our products, brands, marketing, executive leadership, employees, board of directors, family stockholders, operations, business performance, or prospects could negatively affect our corporate reputation, stock price, ability to attract and retain high-quality talent, or the performance of our business.

Adverse publicity or negative commentary on social media outlets, whether valid or not, particularly any that go "viral," could cause consumers to react by avoiding our brands or choosing brands offered by our competitors, which could materially negatively affect our financial results.

Our failure to attract or retain key executive or diverse employee talent could adversely affect our business.

Our success depends upon the efforts and abilities of our senior management team, other key employees, and our high-quality employee base, as well as our ability to attract, motivate, reward, and retain them. Difficulties in hiring or retaining key executive or other employee talent, or the unexpected loss of experienced employees resulting in the depletion of our institutional knowledge base, could have an adverse impact on our business performance, reputation, financial condition, or results of operations. Given the changing demographics, changes in immigration laws and policies, and increased demand for talent globally, we, as an American multinational company, may not be able to find the right people with the right skills, at the right time, and in the right location, to achieve our business objectives.

The Brown family has the ability to control the outcome of matters submitted for stockholder approval.

We are a "controlled company" under New York Stock Exchange rules. Controlled companies are exempt from New York Stock Exchange listing standards that require a board composed of a majority of independent directors, a fully independent nominating/corporate governance committee, and a fully independent compensation committee. We avail ourselves of the exemptions from having a board composed of a majority of independent directors and a fully independent nominating/corporate governance committee. Notwithstanding the available exemption, our Compensation Committee is composed exclusively of independent directors. As a result of our use of some "controlled company" exemptions, our corporate governance practices differ from those of non-controlled companies, which are subject to all of the New York Stock Exchange corporate governance requirements.

We have two classes of common stock. Our Class A common stock is entitled to full voting powers, including in the elections of directors, while our Class B common stock may not vote except as provided by the laws of Delaware. We have had two classes of common stock since 1959, when our stockholders approved the issuance of two shares of Class B non-voting common stock to every holder of our voting common stock. Such dual-class share structures have increasingly come under the scrutiny of major indices, institutional investors, and proxy advisory firms, with some calling for the reclassification of non-voting common stock.

A majority of our voting stock is controlled by members of the Brown family, and, collectively, they have the ability to control the outcome of stockholder votes, including the election of all of our directors and the approval or rejection of any merger, change of control, or other significant corporate transactions. We believe that having a long-term-focused, committed, and engaged stockholder base provides us with an important strategic advantage, particularly in a business with aged products and multi-generational brands. This advantage could be eroded or lost, however, should Brown family members cease, collectively, to be controlling stockholders of the Company.

We believe that it is in the interests of all stockholders that we remain independent and family-controlled, and we believe the Brown family stockholders share these interests. Thus, our common stock dual-class share structure, as it has existed since 1959, is perpetual, and we do not have a sunset provision in our Restated Certificate of Incorporation or By-laws that provides for the eventual reclassification of the non-voting common stock to voting common stock. However, the Brown family's interests may not always be aligned with other stockholders' interests. By exercising their control, the Brown family could cause the Company to take actions that are at odds with the investment goals or interests of institutional, short-term, non-voting, or other non-controlling investors, or that have a negative effect on our stock price. Further, because the Brown family controls the majority of our voting stock, Brown-Forman might be a less attractive takeover target, which could adversely affect the market price of both our voting and our non-voting common stock. And the difference in voting rights for our common stock could also adversely and disproportionately affect the value of our Class B non-voting common stock to the extent that investors view, or any potential future purchaser of our Company views, the superior voting rights and control represented by the Class A common stock to have value.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Our company-owned production facilities include distilleries, a winery, bottling plants, warehousing operations, sawmills, cooperages, visitors' centers, and retail shops. We also have agreements with other parties for contract production in Australia, Belgium, Brazil, China, Estonia, Finland, Ireland, Latvia, Mexico, the Netherlands, South Africa, the United Kingdom, and the United States.

In addition to our company-owned production locations and our corporate offices in Louisville, Kentucky, we lease office space for use in our sales, marketing, and administrative operations in the United States and in over 40 other cities around the globe. The lease terms expire at various dates and are generally renewable.

Significant Properties

Location	Principal Activities	Notes
United States:		
Louisville, Kentucky	Corporate offices	Includes several renovated historic structures
	Distilling, bottling, warehousing	Home of Old Forester
	Visitors' center	
	Cooperage	Brown-Forman Cooperage
Lynchburg, Tennessee	Distilling, bottling, warehousing	Home of Jack Daniel's
	Visitors' center	
Woodford County, Kentucky	Distilling, bottling, warehousing	Home of Woodford Reserve
	Visitors' center	
Windsor, California	Vineyards, winery, bottling, warehousing	Home of Sonoma-Cutrer
	Visitors' center	
Trinity, Alabama	Cooperage	Jack Daniel Cooperage
Clifton, Tennessee	Stave and heading mill	
Stevenson, Alabama	Stave and heading mill	
Spencer, Indiana	Stave and heading mill	
Jackson, Ohio	Stave and heading mill	Land is leased from a third party
International:		
Collingwood, Canada[1]	Distilling, warehousing	Home of Canadian Mist[1]
Cour-Cheverny, France	Distilling, bottling, warehousing	Home of Chambord
Amatitán, Mexico	Distilling, bottling, warehousing	Home of our tequila brands
	Visitors' center	
Slane, Ireland	Distilling	Home of Slane Irish Whiskey
	Visitors' center	
Aberdeenshire, Scotland	Distilling, warehousing	Home of Glendronach
	Visitors' center	
Morayshire, Scotland	Distilling, warehousing	Home of BenRiach
	Visitors' center	
Newbridge, Scotland	Bottling	
Portsoy, Scotland	Distilling, warehousing	Home of Glenglassaugh
	Visitors' center	

[1]Entered into an agreement on June 12, 2020 to sell this brand and its property to Sazerac Company.

We believe that our facilities are in good condition and are adequate for our business.

Item 3. ***Legal Proceedings***

We operate in a litigious environment and we are sued in the normal course of business. We do not anticipate that any pending suits will have, individually or in the aggregate, a material adverse effect on our financial position, results of operations, or liquidity.

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

Item 5. ***Market for the Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities***

Our Class A and Class B common stock is traded on the New York Stock Exchange under the symbols "BFA" and "BFB," respectively. As of May 31, 2020, there were 2,552 holders of record of Class A common stock and 5,127 holders of record of Class B common stock. Because of overlapping ownership between classes, as of May 31, 2020, we had only 5,270 distinct common stockholders of record.

Equity Compensation Plan Information

The following table summarizes information as of April 30, 2020, about our equity compensation plans under which we have made grants of stock options, stock appreciation rights, restricted stock, market value units, performance units, or other equity awards.

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights[1]	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights[2]	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by Class A common stockholders	2,438,446	$38.19	13,513,565

[1]Includes 1,903,124 Class B common shares to be issued upon exercise of stock-settled stock appreciation rights (SSARs); 132,877 Class B performance-based restricted stock units (PBRSUs); 156,274 Class A PBRSUs; 169,838 Class A common deferred stock units (DSUs); and 76,333 Class B common DSUs issued under the Brown-Forman 2004 or 2013 Omnibus Compensation Plans. SSARs are exercisable for an amount of our common stock with a value equal to the increase in the fair market value of the common stock from the date the SSARs were granted. The fair market value of our common stock at fiscal year-end has been used for the purposes of reporting the number of shares to be issued upon exercise of the 4,929,581 SSARs outstanding at fiscal year-end.

[2]RSUs and DSUs have no exercise price because their value depends on continued employment or service over time, and are to be settled for shares of Class B common stock. Accordingly, these have been disregarded for purposes of computing the weighted-average exercise price.

Stock Performance Graph

The graph below compares the cumulative total shareholder return of our Class B common stock for the last five fiscal years with the Standard & Poor's 500 Index, the Dow Jones U.S. Consumer Goods Index, and the Dow Jones U.S. Food & Beverage Index. The information presented assumes an initial investment of $100 on April 30, 2015, and that all dividends were reinvested. The graph shows the value that each of these investments would have had on April 30 in the years since 2015.



Item 6. ***Selected Financial Data***

This selected financial data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and the accompanying Notes contained in "Item 8. Financial Statements and Supplementary Data."

	(Dollars in millions, except per share amounts)				
	2016	**2017**	**2018**	**2019**	**2020**
For Year Ended April 30:					
Sales	$ 4,011	$ 3,857	$ 4,201	$ 4,276	$ 4,306
Excise taxes	$ 922	$ 863	$ 953	$ 952	$ 943
Net sales	$ 3,089	$ 2,994	$ 3,248	$ 3,324	$ 3,363
Gross profit	$ 2,144	$ 2,021	$ 2,202	$ 2,166	$ 2,127
Operating income	$ 1,556	$ 1,010	$ 1,048	$ 1,144	$ 1,091
Net income	$ 1,067	$ 669	$ 717	$ 835	$ 827
Weighted average shares (in millions) used to calculate earnings per share					
– Basic	507.4	484.6	480.3	479.0	477.8
– Diluted	510.7	488.1	484.2	482.1	480.4
Earnings per share from continuing operations					
– Basic	$ 2.10	$ 1.38	$ 1.49	$ 1.74	$ 1.73
– Diluted	$ 2.09	$ 1.37	$ 1.48	$ 1.73	$ 1.72
Gross margin	69.4%	67.5%	67.8%	65.2%	63.2%
Operating margin	50.4%	33.8%	32.3%	34.4%	32.4%
Effective tax rate	28.3%	28.3%	26.6%	19.8%	18.0%
Average invested capital	$ 3,221	$ 3,591	$ 3,832	$ 4,125	$ 4,387
Return on average invested capital	34.1%	19.8%	20.0%	22.0%	20.4%
Cash provided by operations	$ 545	$ 656	$ 653	$ 800	$ 724
Cash dividends declared per common share	$ 0.5240	$ 0.5640	$ 1.6080	$ 0.6480	$ 0.6806
Dividend payout ratio	25.0%	40.9%	107.8%	37.2%	39.3%
As of April 30:					
Total assets	$ 4,183	$ 4,625	$ 4,976	$ 5,139	$ 5,766
Long-term debt	$ 1,230	$ 1,689	$ 2,341	$ 2,290	$ 2,269
Total debt	$ 1,501	$ 2,149	$ 2,556	$ 2,440	$ 2,602

Notes:

1. Includes the results of Southern Comfort and Tuaca, both of which were sold in March 2016 at a gain of $485 million (pre-tax). Includes the results of BenRiach since its acquisition in June 2016.
2. Weighted average shares, earnings per share, and cash dividends declared per common share have been adjusted for a 2-for-1 stock split in August 2016 and a 5-for-4 stock split in February 2018.
3. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation – Presentation Basis – Non-GAAP Financial Measures" for details on our use of "return on average invested capital," including how we calculate this measure and why we think this information is useful to readers.
4. Cash dividends declared per common share include a special cash dividend of $1.00 in fiscal 2018.
5. We define dividend payout ratio as cash dividends divided by net income.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Introduction

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader better understand Brown-Forman, our operations, our financial results, and our current business environment. Please read this MD&A in conjunction with our Consolidated Financial Statements and the accompanying Notes contained in "Item 8. Financial Statements and Supplementary Data" (the Consolidated Financial Statements).

Our MD&A is organized as follows:

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Presentation basis. This MD&A reflects the basis of presentation described in Note 1 "Accounting Policies" to the Consolidated Financial Statements. In addition, we define statistical and non-GAAP financial measures that we believe help readers understand our results of operations and the trends affecting our business.	27
Significant developments. We discuss developments during the most recent two fiscal years. Please read this section in conjunction with "Item 1. Business," which provides a general description of our business and strategy.	30
Executive summary. We discuss (a) fiscal 2020 highlights and (b) our outlook for fiscal 2021, including the trends, developments, and uncertainties that we expect to affect our business.	32
Results of operations. We discuss (a) fiscal 2020 results for our largest markets, (b) fiscal 2020 results for our largest brands, and (c) the causes of year-over-year changes in our statements of operations line items, including transactions and other items that affect the comparability of our results, for fiscal years 2020 and 2019.	34
Liquidity and capital resources. We discuss (a) the causes of year-over-year changes in cash flows from operating activities, investing activities, and financing activities; (b) recent and expected future capital expenditures; (c) dividends and share repurchases; and (d) our liquidity position, including capital resources available to us.	41
Off-balance sheet arrangements.	42
Long-term obligations.	43
Critical accounting policies and estimates. We discuss the critical accounting policies and estimates that require significant management judgment.	43

Presentation Basis

Non-GAAP Financial Measures

We use some financial measures in this report that are not measures of financial performance under U.S. generally accepted accounting principles (GAAP). These non-GAAP measures, defined below, should be viewed as supplements to (not substitutes for) our results of operations and other measures reported under GAAP. Other companies may not define or calculate these non-GAAP measures in the same way.

"Underlying change" in measures of statements of operations. We present changes in certain measures, or line items, of the statements of operations that are adjusted to an "underlying" basis. We use "underlying change" for the following measures of the statements of operations: (a) underlying net sales; (b) underlying cost of sales; (c) underlying gross profit; (d) underlying advertising expenses; (e) underlying selling, general, and administrative (SG&A) expenses; (f) underlying other expense (income) net; (g) underlying operating expenses[1]; and (h) underlying operating income. To calculate these measures, we adjust, as applicable, for (a) acquisitions and divestitures, (b) foreign exchange, (c) estimated net changes in distributor inventories, and (d) a non-cash write-down of the Chambord brand name. We explain these adjustments below.

- *"Acquisitions and divestitures."* This adjustment removes (a) any non-recurring effects related to our acquisitions and divestitures (e.g., transaction gains or losses, transaction costs, and integration costs), and (b) the effects of operating activity related to acquired and divested brands for periods not comparable year over year (non-comparable periods). Excluding non-comparable periods allows us to include the effects of acquired and divested brands only to the extent that results are comparable year over year.

  On July 3, 2019, we acquired 100% of the voting interests in The 86 Company, which owns Fords Gin, for $22 million in cash. This adjustment removes (a) transaction and integration costs related to the acquisition and (b) operating activity for the acquired business for the non-comparable period, which is fiscal 2020 activity for The 86 Company. We believe that these adjustments allow for us to better understand our underlying results on a comparable basis. See Note 12 to the Consolidated Financial Statements for details.

[1]Operating expenses include advertising expense, SG&A expense, and other expense (income), net.

- *"Foreign exchange."* We calculate the percentage change in certain line items of the statements of operations in accordance with GAAP and adjust to exclude the cost or benefit of currency fluctuations. Adjusting for foreign exchange allows us to understand our business on a constant-dollar basis, as fluctuations in exchange rates can distort the underlying trend both positively and negatively. (In this report, "dollar" always means the U.S. dollar unless stated otherwise.) To eliminate the effect of foreign exchange fluctuations when comparing across periods, we translate current-year results at prior-year rates and remove transactional and hedging foreign exchange gains and losses from current- and prior-year periods.

- *"Estimated net change in distributor inventories."* This adjustment refers to the estimated net effect of changes in distributor inventories on changes in certain line items of the statements of operations. For each period compared, we use volume information from our distributors to estimate the effect of distributor inventory changes in certain line items of the statements of operations. We believe that this adjustment reduces the effect of varying levels of distributor inventories on changes in certain line items of the statements of operations and allows us to understand better our underlying results and trends.

- *"Chambord impairment."* During the fourth quarter of fiscal 2020, we recognized a non-cash impairment charge of $13 million for our Chambord brand name. See "Critical Accounting Policies and Estimates" below and Note 4 to the Consolidated Financial Statements for details.

We use the non-GAAP measures "underlying change" to: (a) understand our performance from period to period on a consistent basis; (b) compare our performance to that of our competitors; (c) calculate components of management incentive compensation; (d) plan and forecast; and (e) communicate our financial performance to the board of directors, stockholders, and investment community. We provide reconciliations of the "underlying change" in certain line items of the statements of operations to their nearest GAAP measures in the tables under "Results of Operations - Year-Over-Year Comparisons." We have consistently applied the adjustments within our reconciliations in arriving at each non-GAAP measure.

"Return on average invested capital." This measure refers to the sum of net income and after-tax interest expense, divided by average invested capital. Average invested capital equals assets less liabilities, excluding interest-bearing debt, and is calculated using the average of the most recent 13 month-end balances. After-tax interest expense equals interest expense multiplied by one minus our effective tax rate. We use this non-GAAP measure because we consider return on average invested capital to be a meaningful indicator of how effectively and efficiently we invest capital in our business.

Definitions

Aggregations.

From time to time, to explain our results of operations or to highlight trends and uncertainties affecting our business, we aggregate markets according to stage of economic development as defined by the International Monetary Fund (IMF), and we aggregate brands by spirits category. Below, we define the geographic and brand aggregations used in this report.

Geographic Aggregations.

In "Results of Operations - Fiscal 2020 Market Highlights," we provide supplemental information for our largest markets ranked by percentage of total fiscal 2020 net sales. In addition to markets listed by country name, we include the following aggregations:

- *"Developed International"* markets are "advanced economies" as defined by the IMF, excluding the United States. Our largest developed international markets are the United Kingdom, Germany, Australia, France, Japan, and Canada. This aggregation represents our net sales of branded products to these markets.

- *"Emerging"* markets are "emerging and developing economies" as defined by the IMF. Our largest emerging markets are Mexico, Poland, and Russia. This aggregation represents our net sales of branded products to these markets.

- *"Travel Retail"* represents our net sales of branded products to global duty-free customers, other travel retail customers, and the U.S. military, regardless of customer location.

- *"Non-branded and bulk"* includes our net sales of used barrels, bulk whiskey and wine, and contract bottling, regardless of customer location.

Brand Aggregations.

In "Results of Operations - Fiscal 2020 Brand Highlights," we provide supplemental information for our largest brands ranked by percentage of total fiscal 2020 net sales. In addition to brands listed by name, we include the following aggregations:

- *"Whiskey"* includes all whiskey spirits and whiskey-based flavored liqueurs, ready-to-drink (RTD), and ready-to-pour products (RTP). The brands included in this category are the Jack Daniel's family of brands, the Woodford Reserve family of brands (Woodford Reserve), Canadian Mist, GlenDronach, BenRiach, Glenglassaugh, the Old Forester family of brands (Old Forester), Early Times, Slane Irish Whiskey, and Coopers' Craft.
    - *"American whiskey"* includes the Jack Daniel's family of brands, premium bourbons (defined below), super-premium American whiskey (defined below), and Early Times.
        - *"Jack Daniel's family of brands"* includes Jack Daniel's Tennessee Whiskey (JDTW), Jack Daniel's RTD and RTP products (JD RTD/RTP), Jack Daniel's Tennessee Honey (JDTH), Gentleman Jack, Jack Daniel's Tennessee Fire (JDTF), Jack Daniel's Tennessee Apple (JDTA), Jack Daniel's Single Barrel Collection (JDSB), Jack Daniel's Tennessee Rye Whiskey (JDTR), Jack Daniel's Sinatra Select, Jack Daniel's No. 27 Gold Tennessee Whiskey, and Jack Daniel's Bottled-in-Bond.
        - *"Jack Daniel's RTD and RTP"* products include all RTD line extensions of Jack Daniel's, such as Jack Daniel's & Cola, Jack Daniel's Country Cocktails, Jack Daniel's & Diet Cola, Jack & Ginger, Jack Daniel's Double Jack, Gentleman Jack & Cola, Jack Daniel's Lynchburg Lemonade, Jack Daniel's American Serve, Jack Daniel's Tennessee Honey RTD, Jack Daniel's Berry, Jack Daniel's Cider, and the seasonal Jack Daniel's Winter Jack RTP.
        - *"Premium bourbons"* includes Woodford Reserve, Old Forester, and Coopers' Craft.
        - *"Super-premium American whiskey"* includes Woodford Reserve, Gentleman Jack, JDSB, JDTR, Jack Daniel's Sinatra Select, and Jack Daniel's No. 27 Gold Tennessee Whiskey.
- *"Tequila"* includes el Jimador, the Herradura family of brands (Herradura), New Mix, Pepe Lopez, and Antiguo.
- *"Wine"* includes Korbel Champagnes and Sonoma-Cutrer wines.
- *"Vodka"* includes Finlandia.
- *"Non-branded and bulk"* includes our net sales of used barrels, bulk whiskey and wine, and contract bottling, regardless of customer location.

Other Metrics.

- *"Depletions."* We generally record revenues when we ship our products to our customers. Depletions is a term commonly used in the beverage alcohol industry to describe volume. Depending on the context, depletions means either (a) our shipments directly to retail or wholesale customers for owned distribution markets or (b) shipments from our distributor customers to retailers and wholesalers in other markets. We believe that depletions measure volume in a way that more closely reflects consumer demand than our shipments to distributor customers do. In this document, unless otherwise specified, we refer to depletions when discussing volume.
- *"Consumer takeaway."* When discussing trends in the market, we refer to consumer takeaway, a term commonly used in the beverage alcohol industry that refers to the purchase of product by consumers from retail outlets as measured by volume or retail sales value. This information is provided by third parties, such as Nielsen and the National Alcohol Beverage Control Association (NABCA). Our estimates of market share or changes in market share are derived from consumer takeaway data using the retail sales value metric. We believe consumer takeaway is a leading indicator of how consumer demand is trending.

Significant Developments

Below we discuss the significant developments in our business during fiscal 2019 and fiscal 2020. These developments relate to the COVID-19 pandemic (COVID-19), tariffs, innovation, acquisitions and divestitures, and capital deployment.

COVID-19

COVID-19 negatively affected our results beginning in the fourth quarter of fiscal 2020. Year-to-date underlying net sales for the nine months ended January 31, 2020, grew in the low single digits and were adversely affected by COVID-19 during the fourth quarter of fiscal 2020. This was largely reflected in both on-premise (representing nearly 20% of our business) and Travel Retail channels essentially coming to a halt in March and April. Solid off-premise gains across some of our developed markets, which reflected an increase in at-home consumption, pantry loading, and strong growth in the e-premise channel only partially offset the on-premise and Travel Retail declines. While the financial impact of COVID-19 on our results is difficult to measure, it has had an unfavorable impact on our operating income and business operations. We discuss the estimated effect of COVID-19 on our results where relevant below.

Despite the negative effects of COVID-19 on our results in the fourth quarter and the full year, we ended the fiscal year in a strong financial position, and we believe that our capacity to generate solid operating cash flow remains sound, allowing us to navigate this crisis as circumstances evolve. Additionally, we have no current or impending shareholder distributions beyond regular dividends and no maturities of long-term debt until our fiscal 2023. See "Liquidity and Capital Resources" below for details.

Tariffs

Tariffs negatively affected our results beginning in the second quarter of fiscal 2019, and are expected to continue to have a negative impact on our results as long as tariffs are in place. While our results for fiscal 2020 were negatively affected by tariffs as described below, the year-over-year impact began to ease during the third quarter of fiscal 2020.

- Lower net sales. Certain customers paid the incremental costs of tariffs, and we compensated these customers for these incremental costs by reducing our net prices, which lowered our net sales.
- Higher cost of sales. In markets where we own inventory, we paid the incremental cost of tariffs, which increased our cost of sales.

The combined effect of these tariff-related costs, whether arising as a reduction of net sales or as an increase in cost of sales, is hereafter referred to as "tariff-related costs." We discuss the estimated effect of the tariffs on our results where relevant below.

Innovation

- Jack Daniel's family of brands. Innovation within the Jack Daniel's family of brands has contributed to our growth over the last two years as described below.
  - In fiscal 2019, we expanded JDTR to several additional markets including France, Travel Retail, Germany, and Poland, and we launched Jack Daniel's Bottled-in-Bond exclusively in Travel Retail.
  - In fiscal 2020, we launched Jack Daniel's Tennessee Apple, which was introduced in the United States in the fall of 2019 and a few select international markets in the spring of 2020.
- Other American whiskeys. We continue to capitalize on consumers' interest in premium-plus whiskey with our wide range of brands, including Woodford Reserve and Old Forester.
  - We introduced Woodford Reserve Straight Malt and Woodford Reserve Straight Wheat in fiscal 2019 and fiscal 2020, respectively.
  - In fiscal 2019, we introduced Old Forester's first new grain recipe with the launch of Old Forester Rye.

Acquisitions and Divestitures

- On July 3, 2019, we acquired 100% of the voting interests in The 86 Company, which owns Fords Gin, for $22 million in cash.

Capital Deployment

- Beyond the acquisition described above, we have focused our capital deployment initiatives on (a) enabling the expected future growth of our existing businesses through investments in our production capacity, barrel whiskey inventory, and brand-building efforts; and (b) returning cash to our stockholders.
- Investments. During fiscal 2019 and fiscal 2020, our capital expenditures totaled approximately $230 million and focused on enabling the growth of our premium whiskey brands:
  - *Jack Daniel's.* We expanded our shipping warehouse facility and built two additional warehouses.
  - *Woodford Reserve.* We built two additional new warehouses, to support the brand's strong growth.
  - *Old Forester.* We opened the Old Forester Distillery and visitors' center on Main Street in Louisville, Kentucky, in the summer of 2018.
  - *Slane Irish Whiskey.* We opened a new distillery in the summer of 2018.
  - *Brown-Forman Cooperage.* We invested in the modernization of our cooperage.
- Cash returned to stockholders. During fiscal 2019 and fiscal 2020, we returned $0.8 billion to our stockholders through $0.6 billion in regular quarterly dividends, and $0.2 billion in share repurchases.

Executive Summary

Fiscal 2020 Highlights

- We delivered reported net sales of $3.4 billion, an increase of 1% compared to fiscal 2019. Excluding the negative effect of foreign exchange and an estimated net increase in distributor inventories, underlying net sales were flat. Growth of our premium bourbon brands, the launch of JDTA, and JD RTDs was offset by declines of JDTW and Finlandia. From a geographic perspective, the United States was the largest contributor to our underlying net sales. Declines in Travel Retail, developed international, and emerging markets offset this growth. COVID-19 had a negative impact on our results from both a brand and geographic perspective.
- We delivered reported operating income of $1.1 billion, a decrease of 5% compared to fiscal 2019. Excluding an estimated net increase in distributor inventories and the Chambord impairment, underlying operating income declined 6% reflecting higher input and tariff-related costs (defined above) along with an increase in SG&A expense.
- We delivered diluted earnings per share of $1.72, a decrease of 1% compared to fiscal 2019, as a reduction in reported operating income was only partially offset by a lower effective tax rate and a decline in non-operating postretirement expense.
- Our return on average invested capital decreased to 20.4% in fiscal 2020, compared to 22.0% in fiscal 2019. This decrease was driven by higher average invested capital.

Summary of Operating Performance Fiscal 2019 and Fiscal 2020

			2019 vs. 2020	
Fiscal year ended April 30	**2019**	**2020**	**Reported Change**	**Underlying Change[1]**
Net sales	$ 3,324	$ 3,363	1%	—%
Cost of sales	1,158	1,236	7%	7%
Gross profit	2,166	2,127	(2%)	(3%)
Advertising	396	383	(3%)	(2%)
SG&A	641	642	—%	1%
Operating income	$ 1,144	$ 1,091	(5%)	(6%)
Total operating expenses[2]	*$ 1,022*	*$ 1,036*	*1%*	*—%*
As a percentage of net sales[3]				
Gross profit	*65.2%*	*63.2%*	*(2.0pp)*	
Operating income	*34.4%*	*32.4%*	*(2.0pp)*	
Interest expense, net	$ 80	$ 77	(4%)	
Effective tax rate	*19.8%*	*18.0%*	*(1.8pp)*	
Diluted earnings per share	$ 1.73	$ 1.72	(1%)	
Return on average invested capital[4]	*22.0%*	*20.4%*	*(1.6pp)*	

[1]See "Non-GAAP Financial Measures" above for details on our use of "underlying change," including how we calculate these measures and why we think this information is useful to readers.
[2]Operating expenses include advertising expense, SG&A expense, and other expense (income), net.
[3]Year-over-year changes in percentages are reported in percentage points (pp).
[4]See "Non-GAAP Financial Measures" above for details on our use of "return on average invested capital," including how we calculate this measure and why we think this information is useful to readers.

Fiscal 2021 Outlook

Since the COVID-19 pandemic began, we have taken a "People First" approach to this crisis, taking numerous measures ensuring the health and safety of our employees. We face substantial uncertainty related to the evolving COVID-19 pandemic and its effect on the global economy. We currently expect no material impact on our ability to make, ship, market, and sell our brands to our consumers. Our total number of employees has remained essentially unchanged (since COVID-19), and at this time we

expect this to continue as we leverage our people resources by reallocating them toward the off-premise channel and the rapidly growing e-premise channel.

We have increased our focus on the management of our uses of cash, such as reducing spend behind on-premise and global travel retail activities as well as discretionary spend (including hiring and travel freezes), and deferring certain capital expenditures and re-prioritizing where necessary, while continuing to invest behind the business where appropriate.

Further, as COVID-19 and its effect on the global economy continues to evolve, we will continue to closely monitor key developments in our markets, including (a) the stage of recovery, (b) industry and consumer behavior, (c) macroeconomic conditions, and (d) the timing, likelihood, severity, and restrictions associated with any future waves of COVID-19.

As a result of these uncertainties, we are not able to provide quantitative guidance for fiscal 2021 at this time. From a qualitative perspective, we believe that the Travel Retail channel will not recover in fiscal 2021, the on-premise channel recovery will depend on a variety of factors, and emerging markets will likely be slower to recover.

We currently believe that with a strong balance sheet, solid cash flows, and ample liquidity, we will fund ongoing investments in the business and pay regular dividends. See “Liquidity and Capital Resources” below for details.

Results of Operations

Fiscal 2020 Market Highlights

The following table shows net sales results for our ten largest markets, summarized by geographic area, for fiscal 2020 compared to fiscal 2019. We discuss the most significant changes in net sales for each market below the table.

Top 10 Markets

		Net Sales % Change vs. 2019			
Geographic area[1]	**% of Fiscal 2020 Net Sales**	**Reported**	**Foreign Exchange**	**Estimated Net Chg in Distributor Inventories**	**Underlying[2]**
United States	**50%**	**8%**	**—%**	**(3%)**	**5%**
Developed International	**27%**	**(2%)**	**1%**	**(1%)**	**(1%)**
United Kingdom	5%	(10%)	2%	—%	(8%)
Germany	5%	8%	(1%)	—%	7%
Australia	5%	(5%)	4%	—%	(1%)
France	4%	(1%)	—%	—%	(1%)
Japan	1%	17%	(2%)	(14%)	1%
Canada	1%	8%	—%	(8%)	—%
Rest of Developed International	5%	(5%)	1%	1%	(2%)
Emerging	**17%**	**(4%)**	**1%**	**1%**	**(1%)**
Mexico	5%	(7%)	—%	—%	(7%)
Poland	3%	(1%)	3%	—%	2%
Russia	2%	6%	5%	(3%)	8%
Rest of Emerging	8%	(5%)	1%	2%	(1%)
Travel Retail	**4%**	**(11%)**	**1%**	**1%**	**(10%)**
Non-branded and bulk	**2%**	**(30%)**	**—%**	**—%**	**(29%)**
Total	**100%**	**1%**	**1%**	**(2%)**	**—%**

Note: Results may differ due to rounding

[1]See "Definitions" above for definitions of market aggregations presented here.
[2]See "Non-GAAP Financial Measures" above for details on our use of "underlying change" in net sales, including how we calculate this measure and why we believe this information is useful to readers.

Net sales in all of the markets discussed below were adversely affected by COVID-19 during the fourth quarter of fiscal 2020. See "Significant Developments - COVID-19" above for more information around the impact of COVID-19 on our results.

- The **United States,** our most important market, represented 50% of our reported net sales, which grew 8% in fiscal 2020. Underlying net sales increased 5% after adjusting for an estimated net increase in distributor inventories (as a result of distributors building their inventory levels in April 2020 due to the uncertainty around potential supply chain disruptions resulting from COVID-19). Underlying net sales were adversely affected by COVID-19 during the fourth quarter largely due to the closures in the on-premise channel. The underlying net sales gains for the fiscal year were driven by (a) our premium bourbons, led by Woodford Reserve and Old Forester, supported by strong consumer takeaway trends; and (b) the launch of JDTA. This growth was partially offset by declines of JDTW, as lower net pricing partly offset an increase in volumes.

- **Developed International** markets represented 27% of our reported net sales, which declined 2% in fiscal 2020. Underlying net sales decreased 1%, after adjusting for the negative effect of foreign exchange and an estimated net increase in distributor inventories. Year-to-date underlying net sales for the nine months ended January 31, 2020, grew in the low single digits and were adversely affected by COVID-19 during the fourth quarter of fiscal 2020 largely due to the closures in the on-premise channel. The full-year underlying net sales declines were driven by the United Kingdom, partially offset by growth in Germany.

    - The United Kingdom's underlying net sales decline was primarily driven by a planned reduction in promotional activities for JDTW, which resulted in lower volumes and an unfavorable channel and size mix. COVID-19 had a further adverse effect on results primarily due to the closures in the on-premise channel.

- Germany's underlying net sales growth was fueled by continued volumetric gains of JD RTDs. COVID-19 had an adverse effect on JDTW primarily due to the closures in the on-premise channel, while JD RTDs continued their strong growth in the fourth quarter.
- Australia's underlying net sales decline was driven by lower volumes of JD RTDs and JDTW, partially offset by the volumetric growth of our super-premium American whiskey portfolio. COVID-19 had an adverse effect on results primarily due to the closures in the on-premise channel as underlying net sales declined in the fourth quarter.
- France's underlying net sales decline was driven by lower volumes and prices of JDTW, partially offset by the volumetric growth of JDTH along with the launch of JD RTDs. COVID-19 had an adverse effect on results primarily due to the closures in the on-premise channel in the fourth quarter.
- Japan's underlying net sales growth was driven by higher volumes of Early Times.
- Canada's underlying net sales were flat as favorable price/mix was offset by lower volumes. COVID-19 had an adverse effect on results in the fourth quarter.
- Underlying net sales in the Rest of Developed International decreased primarily due to lower JDTW volumes in Spain, a heavily on-premise market, as COVID-19 had an adverse effect on results primarily due to the closures in this channel.

- **Emerging** markets represented 17% of our reported net sales and declined 4% in fiscal 2020. Underlying net sales decreased 1% after adjusting for the negative effect of foreign exchange and an estimated net decrease in distributor inventories. Year-to-date underlying net sales for the nine months ended January 31, 2020, grew in the mid-single digits and were adversely affected by COVID-19 during the fourth quarter of fiscal 2020, which drove our underlying net sales down for the fiscal year. The full-year underlying net sales declines were led by Mexico, partially offset by growth in Turkey, Russia, and China.
  - Mexico's underlying net sales declines were driven by lower volumes of New Mix, el Jimador, and JDTW, partially offset by higher pricing of el Jimador. These declines partly reflect the recessionary economy, and were further negatively impacted by COVID-19 in the fourth quarter.
  - Poland's underlying net sales growth was driven by the volumetric growth of the Jack Daniel's family of brands led by JDTW, Gentleman Jack, and JDTH, partially offset by lower volumes and net prices of Finlandia. Tough comparisons to the fourth quarter of fiscal 2019 along with the adverse effects of COVID-19 negatively impacted full-year growth.
  - Russia's underlying net sales growth was driven by higher volumes of JDTW supported by strong consumer demand. COVID-19 had an adverse effect on results in the fourth quarter.
  - Underlying net sales in the Rest of Emerging decreased as declines of JDTW in sub-Saharan Africa, Romania, and Chile were partially offset by growth for the brand in Turkey and China. COVID-19 had an adverse effect on results in these markets.
- **Travel Retail** represented 4% of our reported net sales and declined 11% in fiscal 2020. Underlying net sales decreased 10% after adjusting for the negative effect of foreign exchange and an estimated net decrease in distributor inventories. Year-to-date underlying net sales for the nine months ended January 31, 2020, declined in the low single digits and were significantly adversely affected by COVID-19 during the fourth quarter of fiscal 2020 largely reflecting the unprecedented implementation of travel bans and other restrictions. The full-year underlying net sales decline was driven by lower volumes of JDTW and Finlandia, partially offset by the volumetric growth of Woodford Reserve.
- **Non-branded and bulk** represented 2% of our reported net sales and declined 30% in fiscal 2020. Underlying net sales decreased 29% after adjusting for the negative effect of foreign exchange. Declines were driven by lower volumes and prices for used barrels along with a decrease in bulk whiskey sales.

Fiscal 2020 Brand Highlights

The following table highlights the worldwide results of our largest brands for fiscal 2020 compared to fiscal 2019. We discuss results of the brands most affecting our performance below the table.

Major Brands

	Volumes	Net Sales % Change vs. 2019				
Product category / brand family / brand[1]	**9L Depletions[1]**	**Reported**	**Acquisitions & Divestitures**	**Foreign Exchange**	**Estimated Net Chg in Distributor Inventories**	**Underlying[2]**
Whiskey	2%	3%	—%	1%	(2%)	2%
Jack Daniel's family of brands	2%	1%	—%	1%	(2%)	—%
JDTW	(3%)	(3%)	—%	1%	(2%)	(4%)
JD RTD/RTP	4%	6%	—%	2%	(1%)	7%
JDTH	6%	3%	—%	1%	1%	5%
Gentleman Jack	7%	5%	—%	—%	1%	7%
JDTF	(1%)	(4%)	—%	1%	1%	(3%)
Other Jack Daniel's whiskey brands	73%	58%	—%	1%	(17%)	41%
Woodford Reserve	20%	23%	—%	—%	(4%)	19%
Tequila	(7%)	5%	—%	—%	(2%)	2%
el Jimador	(3%)	8%	—%	—%	(3%)	5%
Herradura	1%	11%	—%	(1%)	(4%)	7%
Wine	(1%)	—%	—%	—%	—%	(1%)
Vodka (Finlandia)	(9%)	(13%)	—%	1%	1%	(12%)
Rest of Portfolio	1%	1%	(5%)	3%	(2%)	(3%)
Non-branded and bulk	NA	(30%)	—%	—%	—%	(29%)

Note: Results may differ due to rounding

[1]See "Definitions" above for definitions of brand aggregations and volume measures presented here.
[2]See "Non-GAAP Financial Measures" above for details on our use of "underlying change" in net sales, including how we calculate this measure and why we believe this information is useful to readers.

Net sales for all of the brands discussed below were adversely affected by COVID-19 during the fourth quarter of fiscal 2020. See "Significant Developments - COVID-19" above for more information around the impact of COVID-19 on our results.

- **Whiskey** brands grew volumes 2% in fiscal 2020. Reported net sales grew 3%, while underlying net sales increased 2% after adjusting for the negative effect of foreign exchange and an estimated net increase in distributor inventories. The underlying net sales gain was driven by Woodford Reserve, the launch of JDTA, and JD RTDs, partially offset by JDTW declines.
    - The **Jack Daniel's family of brands** had flat underlying net sales as (a) the launch of JDTA, (b) growth of JD RTDs in Germany and the United States, and (c) broad-based geographic gains of JDTH were offset by broad-based declines of JDTW as COVID-19 had an adverse effect on results primarily due to on-premise and Travel Retail channels essentially coming to a halt in March and April.
        - **JDTW** generates a significant percentage of our total net sales and is our top priority. The brand is the largest in the world priced over $25 per 750 ml per bottle[1] and the world's fourth-largest premium spirits brand measured by volume.[2] During calendar 2019, JDTW grew volume for the 28th consecutive year[1] and, among the top five premium spirits brands on the list, was the only one to grow volume in each of the past five years[2] – an achievement that underscores our belief in the brand's sustainable appeal and long-term growth potential. Despite these accomplishments, the brand has experienced a number of challenges, including retaliatory tariffs, primarily in Europe, and the negative impact of COVID-19 across many of our major markets in the fourth quarter. Underlying net sales declines of JDTW were broad based, led by decreases in the United Kingdom, the United States, Travel Retail, and France. These declines were partially offset by growth in Turkey and Russia.

[1]IWSR, 2019 data.

[2]Based on industry statistics published by Impact Databank, a well-known U.S. trade publication, in March 2020

- **JD RTD/RTP** increased underlying net sales with volumetric gains in Germany and the United States.
- Since its introduction in late fiscal 2011, **JDTH** has contributed significantly to our net sales growth. JDTH is the second-largest selling flavored whiskey[1] and remains one of the top 25 largest brands in the world priced over $25 per 750 ml bottle.[2] Despite the adverse affect of COVID-19 in the fourth quarter, underlying net sales gains for the brand were broad-based, reflecting higher volumes, particularly in the United States and France.
- **Gentleman Jack** increased underlying net sales with broad-based volumetric growth led by the United States, Poland, and Germany.
- **JDTF** has been one of the top five largest selling flavored whiskeys since 2015.[2] Underlying net sales declines were driven by lower volumes and unfavorable price/mix in the United States and lower volumes in the on-premise and Travel Retail channels as COVID-19 had an adverse effect on results in the fourth quarter.
- The increase in underlying net sales for our **Other Jack Daniel's whiskey brands** was fueled by the launch of JDTA in the United States in the fall of 2019.

◦ **Woodford Reserve** is the leading super-premium American whiskey globally[2], and is poised for continued growth as interest in bourbon continues to increase around the world. The brand was once again selected as an Impact "Hot Brand."[1] The United States is by far the brand's most important market and was responsible for most of its growth during fiscal 2020. However, the brand continued its momentum outside the United States, growing volumes 16%, led by the United Kingdom and Travel Retail. We plan to continue devoting substantial resources to Woodford Reserve to support its growth potential with sustained advertising, including our Kentucky Derby sponsorship, and ongoing capital investments.

- **Tequila** volumes declined 7% in fiscal 2020, while reported net sales increased 5% and underlying net sales grew 2% after adjusting for an estimated net increase in distributor inventories. These results were negatively affected by the recessionary economy in Mexico and the fourth-quarter effect of COVID-19.

◦ **el Jimador** remains one of the top ten largest selling tequilas measured by volume.[2] Underlying net sales growth reflects higher volumes in the United States, where consumer takeaway trends remained strong, partially offset by lower volumes in Mexico.

◦ **Herradura's** underlying net sales growth was driven by increased volumes, higher prices, and favorable product mix in the United States. We remain focused on developing Herradura in this important market (which we believe has considerable potential for growth), strengthening our position in Mexico, and continuing to build our presence in higher-value tequila markets throughout the world.

- **Wine** volumes declined 1% in fiscal 2020, while reported net sales were flat and underlying net sales declined 1% after adjusting for an estimated net increase in distributor inventories. The decrease in underlying net sales was driven by lower volumes in the United States as COVID-19 had an adverse effect on results in the fourth quarter.
- **Finlandia** volumes fell 9% in fiscal 2020, while reported net sales decreased 13% and underlying net sales declined 12% after adjusting for the negative effect of foreign exchange and an estimated net decrease in distributor inventories. The decrease in underlying net sales was driven by lower volumes and net prices in Poland, along with lower volumes in Travel Retail as COVID-19 had an adverse effect on results in the fourth quarter.
- **Rest of Portfolio** volumes increased 1%, while reported net sales increased 1% and underlying net sales declined 3% after adjusting for (a) the effect of our acquisition of Fords Gin, (b) the negative effect of foreign exchange, and (c) an estimated net increase in distributor inventories. The decrease in underlying net sales was driven by lower volumes of Chambord in the United Kingdom as COVID-19 had a further adverse effect on results in the fourth quarter.
- **Non-branded and bulk** reported net sales declined 30%, while underlying net sales decreased 29% after adjusting for the negative effect of foreign exchange. Declines were driven by lower volumes and prices for used barrels along with a decrease in bulk whiskey sales.

[1]Impact Databank published the Impact's "Hot Brands - Spirits" list in March 2020.

[2]IWSR, 2019 data.

Year-Over-Year Comparisons

Commentary below compares fiscal 2020 to fiscal 2019 results. A comparison of fiscal 2019 to fiscal 2018 results may be found in "Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended April 30, 2019.

COVID-19 adversely affected our results during the fourth quarter of fiscal 2020. See "Significant Developments - COVID-19" above for more information around the impact of COVID-19 on our results.

Net Sales

Percentage change versus the prior fiscal year ended April 30	**2020**
Change in reported net sales	1%
Foreign exchange	1%
Estimated net change in distributor inventories	(2%)
Change in underlying net sales	—%
Change in underlying net sales attributed to:	
Volume	*(1%)*
Net price/mix	*1%*

Note: Results may differ due to rounding

Net sales of $3.4 billion increased 1%, or $39 million, in fiscal 2020 compared to fiscal 2019. Underlying net sales were flat after adjusting reported results for an estimated net increase in distributor inventories (primarily as a result of distributors in the United States building their inventory levels in April 2020 due to the uncertainty around potential supply chain disruptions resulting from COVID-19) and the negative effect of foreign exchange. Flat underlying net sales comprised 1% volume decline, which was offset by 1% price/mix. Volume declines were led by JDTW, Finlandia, and our tequila brands, partially offset by the launch of JDTA along with higher volumes of Woodford Reserve and JDTH. Price/mix was driven by (a) faster growth from our higher-priced brands (Woodford Reserve and the Jack Daniel's family of brands) and declines of our lower-priced brands (Finlandia) and (b) higher pricing on tequilas. This price/mix benefit was partially offset by lower net pricing of JDTW. See "Results of Operations - Fiscal 2020 Market Highlights and Fiscal 2020 Brand Highlights" above for details on the factors contributing to the change in underlying net sales for fiscal 2020, including the impact of COVID-19.

Cost of Sales

Percentage change versus the prior fiscal year ended April 30	**2020**
Change in reported cost of sales	7%
Foreign exchange	1%
Estimated net change in distributor inventories	(1%)
Change in underlying cost of sales	7%
Change in underlying cost of sales attributed to:	
Volume	*(1%)*
Cost/mix	*7%*

Note: Results may differ due to rounding

Cost of sales of $1.2 billion increased $78 million, or 7%, in fiscal 2020 compared to fiscal 2019. Underlying cost of sales also grew 7% after adjusting reported costs for the positive effect of foreign exchange and an estimated net increase in distributor inventories. The increase in underlying cost of sales was driven by higher input costs of agave and wood along with tariff-related costs. We estimate that over one-third of the increase in underlying cost of sales was due to tariff-related costs.

Gross Profit

Percentage change versus the prior fiscal year ended April 30	**2020**
Change in reported gross profit	(2%)
Estimated net change in distributor inventories	(2%)
Change in underlying gross profit	(3%)

Note: Results may differ due to rounding

Gross Margin

Fiscal year ended April 30	**2020**
Prior year gross margin	65.2%
Price/mix	0.4%
Cost	(1.5%)
Tariffs[1]	(0.9%)
Change in gross margin	(2.0%)
Current year gross margin	63.2%

Note: Results may differ due to rounding

[1]"Tariffs" include the combined effect of tariff-related costs, whether arising as a reduction of net sales or as an increase in cost of sales. See "Significant Developments - Tariffs" for details.

Gross profit of $2.1 billion decreased $39 million, or 2%, in fiscal 2020 compared to fiscal 2019. Underlying gross profit declined 3% after adjusting reported results for an estimated net increase in distributor inventories. Gross margin decreased to 63.2% in fiscal 2020, down 2.0 percentage points from 65.2% in fiscal 2019. The decrease in gross margin was driven by higher input costs and tariff-related costs.

Operating Expenses

Percentage change versus the prior year period ended April 30

2020	**Reported**	**Acquisitions & Divestitures**	**Chambord Impairment**	**Foreign Exchange**	**Underlying**
Advertising	(3%)	—%	—%	1%	(2%)
SG&A	—%	(1%)	—%	2%	1%
Total operating expenses[1]	**1%**	**—%**	**(1%)**	**—%**	**—%**

Note: Results may differ due to rounding

[1]Operating expenses include advertising expense, SG&A expense, and other expense (income), net.

Operating expenses totaled $1.0 billion and increased $14 million, or 1%, in fiscal 2020 compared to fiscal 2019. Underlying operating expenses were flat after adjusting for the effect of the Chambord impairment.

- Reported advertising expenses declined 3% in fiscal 2020 compared to fiscal 2019, while underlying advertising expenses decreased 2% after adjusting for the positive effect of foreign exchange. The decrease in underlying advertising expense was driven by the reduction in spending behind on-premise channel activities and various events and sponsorships that were canceled in the fourth quarter of fiscal 2020 due to COVID-19.
- Reported SG&A expenses were flat in fiscal 2020 compared to fiscal 2019, while underlying SG&A increased 1% after adjusting for the positive effect of foreign exchange and the effect of our acquisition of Fords Gin. The increase in underlying SG&A was driven by higher personnel costs.

Operating Income

Percentage change versus the prior fiscal year ended April 30	**2020**
Change in reported operating income	(5%)
Chambord Impairment	1%
Estimated net change in distributor inventories	(3%)
Change in underlying operating income	(6%)

Note: Results may differ due to rounding

Operating income was $1.1 billion in fiscal 2020, a decrease of $53 million, or 5%, compared to fiscal 2019. Underlying operating income declined 6% after adjusting for an estimated net increase in distributor inventories and the effect of the Chambord impairment. Operating margin declined 2.0 percentage points to 32.4% in fiscal 2020 from 34.4% in fiscal 2019. COVID-19 had an adverse effect on our fourth quarter and full-year results as discussed above.

Interest expense (net) decreased $3 million, or 4%, in fiscal 2020 compared to fiscal 2019, due to a lower average short-term debt balance and a lower interest rate on our short-term borrowings.

Our **effective tax rate** for fiscal 2020 was 18.0% compared to 19.8% in fiscal 2019. The decrease in our effective tax rate was driven by increased excess tax benefits related to stock-based compensation and increased benefits from foreign derived sales. See Note 11 to the Consolidated Financial Statements for details.

Diluted earnings per share were $1.72 in fiscal 2020, down 1% from $1.73 in fiscal 2019 as a reduction in reported operating income was only partially offset by a lower effective tax rate and a decline in non-operating postretirement expense.

Liquidity and Capital Resources

Our ability to generate cash from operations consistently is one of our most significant financial strengths. Our strong cash flows enable us to invest in our people, invest in our brands, invest in our assets, pay regular dividends, make strategic acquisitions that we believe will enhance shareholder value, repurchase shares of common stock, and, from time to time, pay special dividends.

Cash Flow Summary

(Dollars in millions)	2019	2020
Operating activities	$ 800	$ 724
Investing activities:		
Acquisition of business	—	(22)
Additions to property, plant, and equipment	(119)	(113)
Other	—	(6)
	(119)	(141)
Financing activities:		
Net change in short-term borrowings	(71)	178
Acquisition of treasury stock	(207)	(1)
Dividends paid	(310)	(325)
Other	(11)	(43)
	(599)	(191)
Foreign exchange effect on cash and cash equivalents	(14)	(24)
Net increase in cash and cash equivalents	$ 68	$ 368

Cash and cash equivalents increased $368 million in fiscal 2020, compared to an increase of $68 million in fiscal 2019. Cash provided by operations of $724 million was down $76 million from fiscal 2019, reflecting a larger increase in working capital and lower earnings.

Cash used for investing activities was $141 million during fiscal 2020, compared to $119 million for the prior year. The $22 million increase reflects our acquisition of The 86 Company in July 2019.

Cash used for financing activities was $191 million during fiscal 2020, compared to $599 million for fiscal 2019. The $408 million decline largely reflects a $249 million increase in net proceeds from short-term borrowings and a $206 million decrease in share repurchases, partially offset by a $32 million increase in payments for shares withheld from employees to satisfy their withholding tax obligations on stock-based awards, and a $15 million increase in dividend payments.

The impact on cash and cash equivalents as a result of exchange rate changes was a decrease of $24 million for fiscal 2020, compared to a decrease of $14 million in the prior fiscal year.

A discussion of our cash flows for fiscal 2019 compared to fiscal 2018 may be found in “Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of our Annual Report on Form 10-K for the year ended April 30, 2019.

Sources of Liquidity

We generate strong cash flow from operations, which enables us to meet current obligations, fund capital expenditures, pay growing regular dividends, and return cash to our shareholders from time to time through share repurchases and special dividends. Our investment-grade credit ratings (A1 by Moody’s and A- by Standard & Poor’s) provide us with financial flexibility when accessing global credit markets and allow us to reserve adequate debt capacity for investment opportunities and unforeseen events.

The ongoing COVID-19 crisis has adversely affected our operations and our financial results. To ensure uninterrupted business operations and to preserve adequate liquidity during these uncertain times, we have (a) managed our operating expenses closely and limited discretionary spending, (b) re-prioritized capital projects where prudent, and (c) actively managed our working capital, including availing ourselves of certain tax deferral programs as permitted under various government relief efforts. To support our business partners, we have extended additional credit to some of our customers who were most directly affected by the crisis. We continue to monitor closely the impact of the pandemic on our customers’ solvency and our ability to collect from them.

Our cash flow from operations is supplemented by our cash and cash equivalent balances, as well as access to other liquidity sources. Cash and cash equivalents were $307 million at April 30, 2019, and $675 million at April 30, 2020.

As of April 30, 2020, approximately 46% of our cash and cash equivalents were held by our foreign subsidiaries whose earnings we expect to reinvest indefinitely outside of the United States. We continue to evaluate our future cash deployment and may decide to repatriate additional cash held by our foreign subsidiaries, which may require us to provide for and pay additional taxes.

We have an $800 million commercial paper program that we regularly use to fund our short-term operational needs. In the second half of March 2020, as the COVID-19 crisis fueled widespread economic uncertainty, the commercial paper market was disrupted. Despite the heightened volatility, we sustained our access to short-term funding in the commercial paper market and expect to continue to be able to do so in the future. The outstanding commercial paper balances, interest rates, and maturities during the periods ended April 30, 2019 and 2020, are presented below.

(Amounts in millions)	April 30,		Fiscal Year Average	
	2019	2020	2019	2020
Commercial paper outstanding	$ 150	$ 333	$ 421	$ 251
Interest rate	2.60%	1.29%	2.33%	2.14%
Average days to maturity	18	73	31	35

Our commercial paper program is supported by available commitments under our currently undrawn $800 million bank credit facility that expires in November 2023. Although unlikely, continued disruption in global financial markets could impair the ability of one or more participating banks to fund its commitments under our credit facility.

As announced on May 21, 2020, our Board of Directors declared a regular quarterly cash dividend of $0.1743 per share on our Class A and Class B common stock. Stockholders of record on June 8, 2020, will receive the dividend on July 1, 2020.

While we expect to meet our short-term liquidity needs largely through cash generated from operations and borrowings under our commercial paper program, a sustained market deterioration resulting in continued declines in net sales and profit could require us to evaluate alternative sources of liquidity. Despite recent disruptions, the debt capital markets are accessible sources of long-term financing that we believe could meet any additional liquidity needs.

We believe our current liquidity position, supplemented by our ability to generate positive cash flows from operations in the future, and our ample debt capacity enabled by our strong short-term and long-term credit ratings, will be sufficient to meet all of our future financial commitments.

Off-Balance Sheet Arrangements

As of April 30, 2020, we were not involved in any off-balance sheet arrangements that have or are reasonably likely to have a material effect on our financial condition, results of operations, or liquidity.

Long-Term Obligations

We have long-term obligations related to contracts, leases, borrowing arrangements, and employee benefit plans that we enter into in the normal course of business (see Notes 5, 6, 9 and 15 to the Consolidated Financial Statements). The following table summarizes the amounts of those obligations as of April 30, 2020, and the years when they are expected to be paid.[1] We expect to meet these obligations with internally generated funds.

(Dollars in millions)	Total	2021	2022-2023	2024-2025	After 2025
Long-term debt	$ 2,299	$ —	$ 250	$ 300	$ 1,749
Interest on long-term debt	1,168	74	146	136	812
Tax Act repatriation tax	63	6	12	26	19
Grape purchases	20	11	9	—	—
Leases	57	17	22	9	9
Postretirement benefits[2]	25	25	n/a	n/a	n/a
Agave purchases[3]	29	n/a	n/a	n/a	n/a
Total	$ 3,661	$ 133	$ 439	$ 471	$ 2,589

[1] Excludes liabilities for tax uncertainties, as we cannot reasonably predict their ultimate amount or timing of settlement.

[2] As of April 30, 2020, we have unfunded pension and other postretirement benefit obligations of $307 million. Because we cannot determine the specific periods in which those obligations will be funded, the table above reflects no amounts related to those obligations other than the $25 million of expected contributions in fiscal 2021.

[3] As discussed in Note 5 to the Consolidated Financial Statements, we have obligations to purchase agave, a plant whose sap forms the raw material for tequila. As of April 30, 2020, based on current market prices, obligations under these contracts totaled $29 million. Because we cannot determine the specific periods in which those obligations will be paid, the above table reflects only the total related to those obligations.

Critical Accounting Policies and Estimates

Our financial statements reflect some estimates involved in applying the following critical accounting policies that entail uncertainties and subjectivity. Using different estimates or policies could have a material effect on our operating results and financial condition.

Goodwill and Other Intangible Assets

We have obtained most of our brands by acquiring other companies. When we acquire another company, we first allocate the purchase price to identifiable assets and liabilities, including intangible brand names and trademarks ("brand names"), based on estimated fair value. We then record any remaining purchase price as goodwill. We do not amortize goodwill or other intangible assets with indefinite lives. We consider all of our brand names to have indefinite lives.

We assess our goodwill and other indefinite-lived intangible assets for impairment at least annually, or more frequently if circumstances indicate the carrying amount may be impaired. Goodwill is impaired when the carrying amount of the related reporting unit exceeds its estimated fair value, in which case we write down the goodwill by the amount of the excess (limited to the carrying amount of the goodwill). We estimate the reporting unit's fair value using discounted estimated future cash flows or market information. Similarly, a brand name is impaired when its carrying amount exceeds its estimated fair value, in which case we write down the brand name to its estimated fair value. We typically estimate the fair value of a brand name using either the "relief from royalty" or "excess earnings" method. We also consider market values for similar assets when available. Considerable management judgment is necessary to estimate fair value, including making assumptions about future cash flows, net sales, discount rates, and royalty rates.

We have the option, before quantifying the fair value of a reporting unit or brand name, to evaluate qualitative factors to assess whether it is more likely than not that our goodwill or brand names are impaired. If we determine that is not the case, then we are not required to quantify the fair value. That assessment also takes considerable management judgment.

Based on our assumptions, we believe none of our goodwill or other intangibles are impaired. Further, we estimate the fair values of goodwill and other intangible assets substantially exceed their carrying amounts, except for our Chambord brand name. As of April 30, 2020, the carrying amount of the Chambord brand name was $104 million.

During the fourth quarter of fiscal 2020, we recognized a non-cash impairment charge of $13 million for our Chambord brand name. The impairment reflects a decline in our long-term outlook for Chambord, which has a significant on-premise presence and is expected to be considerably affected by the closures and restrictions in this channel in response to the COVID-19 pandemic. We determined Chambord's fair value based on the relief from royalty method, using current assumptions. Reasonably possible changes in those assumptions could result in additional non-cash impairment charges in the future. For example, we estimate that (a) a 10% decline in projected future net sales would result in an impairment charge of approximately $9 million and (b) a 1 percentage point increase in the discount rate would result in an impairment charge of approximately $18 million.

Pension and Other Postretirement Benefits

We sponsor various defined benefit pension plans and postretirement plans providing retiree health care and retiree life insurance benefits. Benefits are based on factors such as years of service and compensation level during employment. We expense the benefits expected to be paid over employees' expected service. This requires us to make assumptions to determine the net benefit costs and obligations, such as discount rates, return on plan assets, the rate of salary increases, expected service, and health care cost trend rates. We review these assumptions annually and modify them based on current rates and trends when appropriate. The assumptions also reflect our historical experience and management's best judgment regarding future expectations. We believe the discount rates and and expected return on plan assets are the most significant assumptions.

The discount rate used to measure the benefit obligations is determined at the beginning of each fiscal year using a yield curve based on the interest rates of high-quality debt securities with maturities corresponding to the expected timing of our benefit payments. The service cost and interest cost components are measured by applying the specific spot rates along that yield curve. The expected return on pension plan assets reflects expected capital market returns for each asset class that are based on historical returns, adjusted for the expected effects of diversification and active management (net of fees) of the assets.

The following table compares the assumed discount rates and expected return on assets used in determining net periodic benefit cost for fiscal 2020 to those to be used in determining that cost for fiscal 2021.

	Pension Benefits		Medical and Life Insurance Benefits	
	2020	2021	2020	2021
Discount rate for service cost	4.17%	3.49%	4.24%	3.59%
Discount rate for interest cost	3.57%	2.56%	3.53%	2.47%
Expected return on plan assets	6.50%	6.50%	n/a	n/a

Using these assumptions, we estimate our pension and other postretirement benefit cost for fiscal 2021 will be approximately $33 million, compared to $29 million for fiscal 2020. Decreasing/increasing the assumed discount rates by 50 basis points would increase/decrease the total fiscal 2021 cost by approximately $5 million. Decreasing/increasing the assumed return on plan assets by 50 basis points would increase/decrease the total fiscal 2021 cost by approximately $4 million.

Income Taxes

Significant judgment is required in evaluating our tax positions. We establish liabilities when some positions are likely to be challenged and may not succeed, despite our belief that our tax return positions are fully supportable. We adjust these liabilities in light of changing circumstances, such as the progress of a tax audit. We believe current liabilities are appropriate for all known contingencies, but this situation could change.

Years can elapse before we can resolve a particular matter for which we may have established a tax liability. Although predicting the final outcome or the timing of resolution of any particular tax matter can be difficult, we believe our liabilities reflect the likely outcome of known tax contingencies. Unfavorable settlement of any particular issue could require use of our cash and increase our effective tax rate. Conversely, a favorable resolution could result in reduced cash tax payments, the reversal of previously established liabilities, or some combination of these results, which could reduce our effective tax rate.

Updated Accounting Standards

See Note 1 to the Consolidated Financial Statements for information about updated accounting standards that we have recently adopted.

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

Market risks

Our enterprise risk management process is intended to ensure that we take risks knowingly and thoughtfully and that we balance potential risks and rewards. Our integrated enterprise risk management framework is designed to identify, evaluate, communicate, and appropriately mitigate risks across our operations.

We face market risks arising from changes in foreign currency exchange rates, commodity prices, and interest rates. We manage market risks through procurement strategies as well as the use of derivative and other financial instruments. Our risk management program is governed by policies that authorize and control the nature and scope of transactions that we use to mitigate market risks. Our policy permits the use of derivative financial instruments to mitigate market risks but prohibits their use for speculative purposes.

Foreign currency exchange rate risk. Foreign currency fluctuations affect our net investments in foreign subsidiaries and foreign currency-denominated cash flows. In general, we expect our cash flows to be negatively affected by a stronger dollar and positively affected by a weaker dollar. Our most significant foreign currency exposures include the euro, the British pound, the Australian dollar, the Polish zloty, the Mexican peso, and the Russian ruble. We manage our foreign currency exposures through derivative financial instruments, principally foreign currency forward contracts, and debt denominated in foreign currency. We had outstanding currency derivatives with notional amounts totaling $1,241 million and $1,026 million at April 30, 2019 and 2020, respectively.

We estimate that a hypothetical 10% weakening of the dollar compared to exchange rates of hedged currencies as of April 30, 2020, would decrease the fair value of our then-existing foreign currency derivative contracts by approximately $75 million. This hypothetical change in fair value does not consider the expected inverse change in the underlying foreign currency exposures.

Commodity price risk. Commodity price changes can affect our production and supply chain costs. Our most significant commodities exposures include corn, malted barley, rye, natural gas, agave, and wood. We manage certain exposures through a combination of purchase orders and long-term supply contracts.

Interest rate risk. Interest rate changes affect (a) the fair value of our fixed-rate debt, and (b) cash flows and earnings related to our variable-rate debt and interest-bearing investments. In addition to currently outstanding debt, any potential future debt offerings are subject to interest rate risk. Our interest rate exposures include U.S. Treasury rates, European Central Bank rates, British government rates, and LIBOR.

As of April 30, 2020, our cash and cash equivalents ($675 million) and short-term borrowings ($333 million) were exposed to interest rate changes. Based on the then-existing balances of these items, a hypothetical one percentage point increase in interest rates would result in a negligible decrease in net interest expense.

See Notes 13 and 14 to the Consolidated Financial Statements for details on our foreign currency exchange rate risk. See Note 5 to the Consolidated Financial Statements for details on our grape and agave purchase obligations, which are exposed to commodity price risk, and “Critical Accounting Policies and Estimates” in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” for a discussion of our pension and other postretirement plans’ exposure to interest rate risks. Also see “Item 1A. Risk Factors” for details on how economic conditions affecting market risks also affect the demand for and pricing of our products and how we are affected by exchange rate fluctuations.

Item 8. ***Financial Statements and Supplementary Data***

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Reports of Management

Management's Responsibility for Financial Statements

Our management is responsible for preparing, presenting, and ensuring the integrity of the financial information presented in this report. The consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States, including amounts based on management's best estimates and judgments. In management's opinion, the consolidated financial statements fairly present the Company's financial position, results of operations, and cash flows.

The Audit Committee of the Board of Directors, comprising only independent directors, meets regularly with our external auditors, the independent registered public accounting firm PricewaterhouseCoopers LLP (PwC); with our internal auditors; and with representatives of management to review accounting, internal control structure, and financial reporting matters. Our internal auditors and PwC have full, free access to the Audit Committee. As set forth in our Code of Conduct and Corporate Governance Guidelines, we are firmly committed to adhering to the highest standards of moral and ethical behavior in our business activities.

Management's Report on Internal Control over Financial Reporting

Management is also responsible for establishing and maintaining effective internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

As of the end of our fiscal year, management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework and criteria in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of April 30, 2020. PwC, which audited and reported on the Company's consolidated financial statements, has audited the effectiveness of our internal control over financial reporting as of April 30, 2020, as stated in their report.

Dated: June 19, 2020

By: /s/ Lawson E. Whiting

Lawson E. Whiting

President and Chief Executive Officer

By: /s/ Jane C. Morreau

Jane C. Morreau

Executive Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of Brown-Forman Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Brown-Forman Corporation and its subsidiaries (the "Company") as of April 30, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended April 30, 2020, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) for each of the three years in the period ended April 30, 2020 (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of April 30, 2020, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of April 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended April 30, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2020, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases on May 1, 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide

reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Quantitative Impairment Assessment of Brand Names Intangible Assets

As described in Notes 1 and 5 to the consolidated financial statements, the other intangible assets balance as of April 30, 2020 was $635 million. The balance consists of brand names and trademarks, with a significant portion relating to brand names, all of which are considered to have indefinite useful lives. The Company assesses its brand names for impairment at least annually, or more frequently if circumstances indicate the carrying amount may be impaired. The Company has the option, before quantifying the fair value of brand names, to evaluate qualitative factors to assess whether it is more likely than not that the 3 brand names are impaired. If determined that is not the case, there is no requirement to quantify fair value. Where a quantitative assessment is performed, a brand name is impaired when its carrying amount exceeds its estimated fair value, in which case management writes down the brand name to its estimated fair value. The fair value of a brand name is typically estimated using either the "relief from royalty" or "excess earnings" method. Management also considers market values for similar assets when available. As described in Note 1, considerable judgment is necessary to estimate fair value, including the selection of assumptions about future cash flows, discount rates, and royalty rates. During the fourth quarter of fiscal 2020, the Company recognized a non-cash impairment charge of $13 million for its Chambord brand name. The Company determined Chambord's fair value based on the relief from royalty method, using current assumptions.

The principal considerations for our determination that performing procedures relating to the quantitative impairment assessment of brand names intangible assets is a critical audit matter are (i) there was significant judgment by management when developing the fair value measurements of the brand names, which in turn led to a high degree of auditor judgment and subjectivity in performing procedures to evaluate management's fair value measurements and (ii) there was significant audit effort in performing procedures and evaluating the significant assumptions, including future cash flows, discount rates, and royalty rates. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's annual quantitative impairment analyses and periodic triggering event assessments for brand names, including controls over management's determination of future cash flows, discount rates, and royalty rates. These procedures also included, among others, evaluating the appropriateness of the relief from royalty or excess earnings method and the reasonableness of significant assumptions used by management in developing the fair value measurements, including future cash flows, discount rates, and royalty rates. Professionals with specialized skill and knowledge were used to assist in the evaluation of the appropriateness of the valuation methodologies employed, as well as the reasonableness of the discount rates and royalty rates. Evaluating management's assumptions related to the future cash flows involved evaluating whether the assumptions used were reasonable considering (i) the past performance of the brand names, (ii) the consistency with external industry and market data, and (iii) whether the assumptions were consistent with evidence obtained in other areas of the audit.

/s/ PricewaterhouseCoopers LLP
Louisville, Kentucky
June 19, 2020

We have served as the Company's auditor since 1933.

Brown-Forman Corporation and Subsidiaries
Consolidated Statements of Operations
(Dollars in millions, except per share amounts)

Year Ended April 30,	2018	2019	2020
Sales	$ 4,201	$ 4,276	$ 4,306
Excise taxes	953	952	943
Net sales	3,248	3,324	3,363
Cost of sales	1,046	1,158	1,236
Gross profit	2,202	2,166	2,127
Advertising expenses	405	396	383
Selling, general, and administrative expenses	765	641	642
Other expense (income), net	(16)	(15)	11
Operating income	1,048	1,144	1,091
Non-operating postretirement expense	9	22	5
Interest income	(6)	(8)	(5)
Interest expense	68	88	82
Income before income taxes	977	1,042	1,009
Income taxes	260	207	182
Net income	$ 717	$ 835	$ 827
Earnings per share:			
Basic	$ 1.49	$ 1.74	$ 1.73
Diluted	$ 1.48	$ 1.73	$ 1.72

The accompanying notes are an integral part of the consolidated financial statements.

Brown-Forman Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
(Dollars in millions)

Year Ended April 30,	2018	2019	2020
Net income	$ 717	$ 835	$ 827
Other comprehensive income (loss), net of tax:			
Currency translation adjustments	24	(27)	(94)
Cash flow hedge adjustments	(28)	48	30
Postretirement benefits adjustments	16	(6)	(77)
Net other comprehensive income (loss)	12	15	(141)
Comprehensive income	$ 729	$ 850	$ 686

The accompanying notes are an integral part of the consolidated financial statements.

Brown-Forman Corporation and Subsidiaries
Consolidated Balance Sheets
(Dollars in millions)

April 30,	2019	2020
Assets		
Cash and cash equivalents	$ 307	$ 675
Accounts receivable, net	609	570
Inventories:		
Barreled whiskey	1,004	1,092
Finished goods	279	320
Work in process	152	172
Raw materials and supplies	85	101
Total inventories	1,520	1,685
Other current assets	283	335
Total current assets	2,719	3,265
Property, plant, and equipment, net	816	848
Goodwill	753	756
Other intangible assets	645	635
Deferred tax assets	16	15
Other assets	190	247
Total assets	$ 5,139	$ 5,766
Liabilities		
Accounts payable and accrued expenses	$ 544	$ 517
Accrued income taxes	9	30
Short-term borrowings	150	333
Total current liabilities	703	880
Long-term debt	2,290	2,269
Deferred tax liabilities	145	177
Accrued pension and other postretirement benefits	197	297
Other liabilities	157	168
Total liabilities	3,492	3,791
Commitments and contingencies		
Stockholders' Equity		
Common stock:		
Class A, voting, $0.15 par value (170,000,000 shares authorized; 170,000,000 shares issued)	25	25
Class B, nonvoting, $0.15 par value (400,000,000 shares authorized; 314,532,000 shares issued)	47	47
Retained earnings	2,238	2,708
Accumulated other comprehensive income (loss), net of tax	(363)	(547)
Treasury stock, at cost (7,360,000 and 6,323,000 shares in 2019 and 2020, respectively)	(300)	(258)
Total stockholders' equity	1,647	1,975
Total liabilities and stockholders' equity	$ 5,139	$ 5,766

The accompanying notes are an integral part of the consolidated financial statements.

Brown-Forman Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Dollars in millions)

Year Ended April 30,	2018	2019	2020
Cash flows from operating activities:			
Net income	$ 717	$ 835	$ 827
Adjustments to reconcile net income to net cash provided by operations:			
Non-cash intangible asset write-down	—	—	13
Depreciation and amortization	64	72	74
Stock-based compensation expense	19	14	11
Deferred income tax provision (benefit)	(69)	38	39
U.S. Tax Act repatriation tax provision (benefit)	91	(4)	—

Other, net	(8)	8	15
Changes in assets and liabilities, excluding the effects of acquisition of business:			
Accounts receivable	(70)	23	12
Inventories	(102)	(162)	(203)
Other current assets	29	30	(27)
Accounts payable and accrued expenses	58	(43)	(30)
Accrued income taxes	8	(16)	18
Other operating assets and liabilities	(84)	5	(25)
Cash provided by operating activities	653	800	724
Cash flows from investing activities:			
Acquisition of business, net of cash acquired	—	—	(22)
Additions to property, plant, and equipment	(127)	(119)	(113)
Payments for corporate-owned life insurance	(21)	(2)	—
Proceeds from corporate-owned life insurance	—	4	—
Computer software expenditures	(1)	(2)	(6)
Cash used for investing activities	(149)	(119)	(141)
Cash flows from financing activities:			
Net change in short-term borrowings	(3)	(71)	178
Repayment of long-term debt	(250)	—	—
Proceeds from long-term debt	595	—	—
Debt issuance costs	(6)	—	—
Payments of withholding taxes related to stock-based awards	(28)	(11)	(43)
Acquisition of treasury stock	(1)	(207)	(1)
Dividends paid	(773)	(310)	(325)
Cash used for financing activities	(466)	(599)	(191)
Effect of exchange rate changes on cash and cash equivalents	19	(14)	(24)
Net increase in cash and cash equivalents	57	68	368
Cash and cash equivalents, beginning of period	182	239	307
Cash and cash equivalents, end of period	$ 239	$ 307	$ 675
Supplemental disclosure of cash paid for:			
Interest	$ 65	$ 90	$ 83
Income taxes	$ 200	$ 201	$ 143

The accompanying notes are an integral part of the consolidated financial statements.

Brown-Forman Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity
(Dollars in millions, except per share amounts)

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	AOCI	Treasury Stock	Total
Balance at April 30, 2017	$ 25	$ 43	$ 65	$ 4,470	$ (390)	$ (2,843)	$ 1,370
Retirement of treasury stock[1]		(10)	(8)	(2,684)		2,702	—
Stock split[2]		14	(14)				—
Net income				717			717
Net other comprehensive income (loss)					12		12
Cash dividends ($1.6080 per share)				(773)			(773)
Acquisition of treasury stock						(1)	(1)
Stock-based compensation expense			19				19
Stock issued under compensation plans						30	30
Loss on issuance of treasury stock issued under compensation plans			(58)				(58)
Balance at April 30, 2018	25	47	4	1,730	(378)	(112)	1,316
Net income				835			835
Net other comprehensive income (loss)					15		15
Cash dividends ($0.6480 per share)				(310)			(310)
Acquisition of treasury stock						(207)	(207)
Stock-based compensation expense			14				14
Stock issued under compensation plans						19	19
Loss on issuance of treasury stock issued under compensation plans			(18)	(12)			(30)
Other				(5)			(5)
Balance at April 30, 2019	25	47	—	2,238	(363)	(300)	1,647
Adoption of ASU 2018-02 (Note 1)				43	(43)		—
Net income				827			827
Net other comprehensive income (loss)					(141)		(141)
Cash dividends ($0.6806 per share)				(325)			(325)
Acquisition of treasury stock						(1)	(1)
Stock-based compensation expense			11				11
Stock issued under compensation plans						43	43
Loss on issuance of treasury stock issued under compensation plans			(11)	(75)			(86)
Balance at April 30, 2020	$ 25	$ 47	$ —	$ 2,708	$ (547)	$ (258)	$ 1,975

[1]Retirement of 67 million shares of Class B common stock previously held as treasury shares.
[2]Stock split effected in the form of a stock dividend of one share of Class B common stock for every four shares of either Class A or Class B common stock.

The accompanying notes are an integral part of the consolidated financial statements.

1. Accounting Policies

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP). We also apply the following accounting policies when preparing our consolidated financial statements:

Principles of consolidation. Our consolidated financial statements include the accounts of all subsidiaries in which we have a controlling financial interest. We eliminate all intercompany transactions.

Estimates. To prepare financial statements that conform with GAAP, our management must make informed estimates that affect how we report revenues, expenses, assets, and liabilities, including contingent assets and liabilities. Actual results could differ from these estimates.

Cash equivalents. Cash equivalents include bank demand deposits and all highly liquid investments with original maturities of three months or less.

Allowance for doubtful accounts. We evaluate the collectability of accounts receivable based on a combination of factors. When we are aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance to reduce the net recognized receivable to the amount we believe will be collected. We write off the uncollectable amount against the allowance when we have exhausted our collection efforts. The allowance for doubtful accounts was $7 and $11 at April 30, 2019 and 2020, respectively.

Inventories. Inventories are valued at the lower of cost or net realizable value. Approximately 51% of our consolidated inventories are valued using the last-in, first-out (LIFO) cost method, which we use for the majority of our U.S. inventories. We value the remainder of our inventories primarily using the first-in, first-out (FIFO) cost method. FIFO cost approximates current replacement cost. If we had used the FIFO method for all inventories, they would have been $303 and $311 higher than reported at April 30, 2019 and 2020, respectively.

Because we age most of our whiskeys in barrels for 3 to 6 years, we bottle and sell only a portion of our whiskey inventory each year. Following industry practice, we classify all barreled whiskey as a current asset. We include warehousing, insurance, ad valorem taxes, and other carrying charges applicable to barreled whiskey in inventory costs.

We classify bulk wine, agave inventories, tequila, and liquid in bottling tanks as work in process.

Property, plant, and equipment. We state property, plant, and equipment at cost less accumulated depreciation. We calculate depreciation on a straight-line basis using our estimates of useful life, which are 20–40 years for buildings and improvements; 3–10 years for machinery, equipment, vehicles, furniture, and fixtures; and 3–7 years for capitalized software.

We assess our property, plant, and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of those assets may not be recoverable. When we do not expect to recover the carrying value of an asset (or asset group) through undiscounted future cash flows, we write it down to its estimated fair value. We determine fair value using discounted estimated future cash flows, considering market values for similar assets when available.

When we retire or dispose of property, plant, and equipment, we remove its cost and accumulated depreciation from our balance sheet and reflect any gain or loss in operating income. We expense the costs of repairing and maintaining our property, plant, and equipment as we incur them.

Goodwill and other intangible assets. We have obtained most of our brands by acquiring other companies. When we acquire another company, we first allocate the purchase price to identifiable assets and liabilities, including intangible brand names and trademarks ("brand names"), based on estimated fair value. We then record any remaining purchase price as goodwill. We do not amortize goodwill or other intangible assets with indefinite lives. We consider all of our brand names to have indefinite lives.

We assess our goodwill and other indefinite-lived intangible assets for impairment at least annually, or more frequently if circumstances indicate the carrying amount may be impaired. Goodwill is impaired when the carrying amount of the related reporting unit exceeds its estimated fair value, in which case we write down the goodwill by the amount of the excess (limited to the carrying amount of the goodwill). We estimate the reporting unit's fair value using discounted estimated future cash flows or market information. Similarly, a brand name is impaired when its carrying amount exceeds its estimated fair value, in which case we write down the brand name to its estimated fair value. We typically estimate the fair value of a brand name using either the "relief from royalty" or "excess earnings" method. We also consider market values for similar assets when available. Considerable

management judgment is necessary to estimate fair value, including the selection of assumptions about future cash flows, discount rates, and royalty rates.

We have the option, before quantifying the fair value of a reporting unit or brand name, to evaluate qualitative factors to assess whether it is more likely than not that our goodwill or brand names are impaired. If we determine that is not the case, then we are not required to quantify the fair value. That assessment also takes considerable management judgment.

Revenue recognition. Our net sales predominantly reflect global sales of beverage alcohol consumer products. We sell these products under contracts with different types of customers, depending on the market. The customer is most often a distributor, wholesaler, or retailer.

Each contract typically includes a single performance obligation to transfer control of the products to the customer. Depending on the contract, control is transferred when the products are either shipped or delivered to the customer, at which point we recognize the transaction price for those products as net sales. The transaction price recognized at that point reflects our estimate of the consideration to be received in exchange for the products. The actual amount may ultimately differ due to the effect of various customer incentives and trade promotion activities. In making our estimates, we consider our historical experience and current expectations, as applicable. Subsequent adjustments recognized for changes in estimated transaction prices are typically not material.

Net sales exclude taxes we collect from customers that are imposed by various governments on our sales, and are reduced by payments to customers unless made in exchange for distinct goods or services with fair values approximating the payments. Net sales include any amounts we bill customers for shipping and handling activities related to the products. We recognize the cost of those activities in cost of sales during the same period in which we recognize the related net sales. Sales returns, which are permitted only in limited situations, are not material. Customer payment terms generally range from 30 to 90 days. There are no significant amounts of contract assets or liabilities.

Cost of sales. Cost of sales includes the costs of receiving, producing, inspecting, warehousing, insuring, and shipping goods sold during the period.

Advertising costs. We expense the costs of advertising during the year when the advertisements first take place.

Selling, general, and administrative expenses. Selling, general, and administrative expenses include the costs associated with our sales force, administrative staff and facilities, and other expenses related to our non-manufacturing functions.

Stock-based compensation. We use stock-based awards as part of our incentive compensation for eligible employees and directors. We recognize the grant-date fair value of an award as compensation expense on a straight-line basis over the requisite service period, which typically corresponds to the vesting period for the award. Upon forfeiture of an award prior to vesting, we reverse any previously-recognized compensation expense related to that award. We classify stock-based compensation expense within selling, general, and administrative expenses.

As we recognize compensation expense for a stock-based award, we concurrently recognize a related deferred tax asset. The subsequent vesting or exercise of the award will generally result in an actual tax benefit that differs from the deferred tax asset that had been recorded. The excess (deficiency) of the actual tax benefit over (under) the previously-recorded tax asset is recognized as income tax benefit (expense) on the date of vesting or exercise.

Income taxes. We base our annual provision for income taxes on the pre-tax income reflected in our consolidated statement of operations. We establish deferred tax liabilities or assets for temporary differences between GAAP and tax reporting bases and later adjust them to reflect changes in tax rates expected to be in effect when the temporary differences reverse. We record a valuation allowance as necessary to reduce a deferred tax asset to the amount that we believe is more likely than not to be realized. We do not provide deferred income taxes on undistributed earnings of foreign subsidiaries that we expect to permanently reinvest. We record a deferred tax charge in prepaid taxes for the difference between GAAP and tax reporting bases with respect to the elimination of intercompany profit in ending inventory.

We assess our uncertain income tax positions in two steps. First, we evaluate whether the tax position will more likely than not, based on its technical merits, be sustained upon examination, including resolution of any related appeals or litigation. For a tax position that does not meet this first criterion, we recognize no tax benefit. For a tax position that does meet the first criterion, we recognize a tax benefit in an amount equal to the largest amount of benefit that we believe has more than a 50% likelihood of being realized upon ultimate resolution. We record interest and penalties on uncertain tax positions as income tax expense.

Foreign currency transactions and translation. We report all gains and losses from foreign currency transactions (those denominated in a currency other than the entity's functional currency) in current income. The U.S. dollar is the functional currency for most of our consolidated entities. The local currency is the functional currency for some of our consolidated foreign entities. We translate the financial statements of those foreign entities into U.S. dollars, using the exchange rate in effect at the balance sheet date to translate assets and liabilities, and using the average exchange rate for the reporting period to translate income and expenses. We record the resulting translation adjustments in other comprehensive income (loss).

Adoption of updated accounting standards. Effective May 1, 2019, we adopted the following Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board:

- ASU 2016-02: Leases. This update, codified along with various amendments as Accounting Standards Codification Topic 842 (ASC 842), replaces previous lease accounting guidance. Under ASC 842, a lessee should recognize on its balance sheet a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. We adopted ASC 842 using a modified retrospective transition approach for leases existing at the date of adoption. For the transition, we elected to use the package of practical expedients to not reassess (a) whether existing contracts are or contain leases, (b) the classification of existing leases, and (c) initial direct costs for existing leases. Upon adoption, we recorded lease liabilities and right-of-use assets of $54. The adoption did not have a material impact on our results of operations, stockholders' equity, or cash flows. See Note 15 for additional information about our leases.

- ASU 2018-02: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (AOCI). This new guidance allows a reclassification from AOCI to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act enacted by the U.S. government in December 2017. We elected to make the reclassification, which increased retained earnings and decreased AOCI as of May 1, 2019, by $43.

There are no new accounting standards or updates to be adopted that we currently believe might have a significant impact on our consolidated financial statements.

2. Balance Sheet Information

Supplemental information on our year-end balance sheets is as follows:

April 30,	2019	2020
Other current assets:		
Prepaid taxes	$ 191	$ 195
Other	92	140
	$ 283	$ 335
Property, plant, and equipment:		
Land	$ 82	$ 82
Buildings	617	652
Equipment	769	814
Construction in process	57	41
	1,525	1,589
Less accumulated depreciation	709	741
	$ 816	$ 848
Accounts payable and accrued expenses:		
Accounts payable, trade	$ 150	$ 131
Accrued expenses:		
Advertising and promotion	160	135
Compensation and commissions	84	71
Excise and other non-income taxes	63	80
Other	87	100
	394	386
	$ 544	$ 517
Accumulated other comprehensive income (loss), net of tax:		
Currency translation adjustments	$ (207)	$ (302)
Cash flow hedge adjustments	31	60
Postretirement benefits adjustments	(187)	(305)
	$ (363)	$ (547)

3. Earnings per Share

We calculate basic earnings per share by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share further includes the dilutive effect of stock-based compensation awards. We calculate that dilutive effect using the "treasury stock method" (as defined by GAAP).

The following table presents information concerning basic and diluted earnings per share:

	2018	2019	2020
Net income available to common stockholders	$ 717	$ 835	$ 827
Share data (in thousands):			
Basic average common shares outstanding	480,319	478,956	477,765
Dilutive effect of stock-based awards	3,929	3,111	2,644
Diluted average common shares outstanding	484,248	482,067	480,409
Basic earnings per share	$ 1.49	$ 1.74	$ 1.73
Diluted earnings per share	$ 1.48	$ 1.73	$ 1.72

We excluded common stock-based awards for approximately 805,000 shares, 447,000 shares, and 301,000 shares from the calculation of diluted earnings per share for 2018, 2019, and 2020, respectively, because they were not dilutive for those periods under the treasury stock method.

4. Goodwill and Other Intangible Assets

The following table shows the changes in goodwill (which include no accumulated impairment losses) and other intangible assets over the past two years:

	Goodwill	Other Intangible Assets
Balance as of April 30, 2018	$ 763	$ 670
Foreign currency translation adjustment	(10)	(25)
Balance as of April 30, 2019	753	645
Acquisition of business (Note 12)	11	12
Foreign currency translation adjustment	(8)	(9)
Impairment	—	(13)
Balance as of April 30, 2020	$ 756	$ 635

Our other intangible assets consist of trademarks and brand names, all with indefinite useful lives.

During the fourth quarter of fiscal 2020, we recognized a non-cash impairment charge for our Chambord brand name. The impairment reflects a decline in our long-term outlook for Chambord, which has a significant on-premise presence and is expected to be considerably affected by the closures and restrictions in this channel in response to the COVID-19 pandemic. The impairment charge of $13 is included in “other expense (income), net” in the accompanying consolidated statement of operations. As of April 30, 2020, the remaining carrying amount of the Chambord brand name was $104.

5. Commitments and Contingencies

Commitments. We have contracted with various growers and wineries to supply some of our future grape and bulk wine requirements. Many of these contracts call for prices to be adjusted annually up or down, according to market conditions. Some contracts set a fixed purchase price that might be higher or lower than prevailing market prices. We have total purchase obligations related to both types of contracts of $11 in 2021, $6 in 2022, and $3 in 2023.

We also have contracts for the purchase of agave, which is used to produce tequila. These contracts provide for prices to be determined based on market conditions at the time of harvest, which, although not specified, is expected to occur over the next 10 years. As of April 30, 2020, based on current market prices, obligations under these contracts total $29.

Contingencies. We operate in a litigious environment, and we are sued in the normal course of business. Sometimes plaintiffs seek substantial damages. Significant judgment is required in predicting the outcome of these suits and claims, many of which take years to adjudicate. We accrue estimated costs for a contingency when we believe that a loss is probable and we can make a reasonable estimate of the loss, and then adjust the accrual as appropriate to reflect changes in facts and circumstances. We do not believe it is reasonably possible that these existing loss contingencies, individually or in the aggregate, would have a material adverse effect on our financial position, results of operations, or liquidity. No material accrued loss contingencies are recorded as of April 30, 2020.

On May 30, 2019, we notified Bacardi Martini Ltd. (“Bacardi”) of our intention not to renew the terms of our United Kingdom (U.K.) Cost Sharing Agreement (the “Agreement”) whereby Bacardi provided certain services (e.g., warehousing and logistics, sales, reporting, treasury, tax and other services) and Brown-Forman and Bacardi split the associated overhead for those services. For purposes of conducting business, Brown-Forman and Bacardi established a U.K. trade name, “Bacardi Brown-Forman Brands,” through which our products and Bacardi’s products were sold in the U.K. On a monthly basis, Bacardi would remit to us the revenues from sales of our products, net of our agreed contributions for overhead costs under the Agreement. On April 30, 2020, the Agreement expired according to its terms.

Following delivery of our notice and upon expiration of the Agreement, Bacardi alleged that it was entitled to approximately £49 under the principle of commercial agency in the U.K. For the first two monthly settlements following expiration of the Agreement, Bacardi withheld over £34 owed to us, effectively bypassing the dispute resolution process under the Agreement. Additionally, Bacardi informed us that it will continue to withhold amounts owed to us under future monthly settlements to conclude activity under the Agreement until its stated claim for £49 is satisfied.

Since it was raised, we have disputed Bacardi’s claim of commercial agency compensation and issued a demand that Bacardi adhere to the dispute resolution process mandated by the Agreement and return the £34 that Bacardi wrongfully withheld from amounts owed to us. If the dispute resolution with Bacardi is unsuccessful then arbitration is required under the terms of the

Agreement. We cannot estimate the range of reasonably possible loss because Bacardi has not initiated arbitration and fully pleaded the basis of its claim.

Guaranty. We have guaranteed the repayment by a third-party importer of its obligation under a bank credit facility that it uses in connection with its importation of our products in Russia. If the importer were to default on that obligation, which we believe is unlikely, our maximum possible exposure under the existing terms of the guaranty would be approximately $9 (subject to changes in foreign currency exchange rates). Both the fair value and carrying amount of the guaranty are insignificant.

As of April 30, 2020, our actual exposure under the guaranty of the importer's obligation is approximately $5. We also have accounts receivable from that importer of approximately $8 at April 30, 2020, which we expect to collect in full.

Based on the financial support we provide to the importer, we believe it meets the definition of a variable interest entity. However, because we do not control this entity, it is not included in our consolidated financial statements.

6. Debt and Credit Facilities

Our long-term debt (net of unamortized discounts and issuance costs) consisted of:

April 30,	2019	2020
2.25% senior notes, $250 principal amount, due January 15, 2023	$ 249	$ 249
3.50% senior notes, $300 principal amount, due April 15, 2025	297	297
1.20% senior notes, €300 principal amount, due July 7, 2026	333	324
2.60% senior notes, £300 principal amount, due July 7, 2028	383	369
4.00% senior notes, $300 principal amount, due April 15, 2038	293	294
3.75% senior notes, $250 principal amount, due January 15, 2043	248	248
4.50% senior notes, $500 principal amount, due July 15, 2045	487	488
	$ 2,290	$ 2,269

Debt payments required over the next five fiscal years consist of $0 in 2021, $0 in 2022, $250 in 2023, $0 in 2024, $300 in 2025, and $1,749 after 2025.

The senior notes contain terms and covenants customary of these types of unsecured securities, including limitations on the amount of secured debt we can issue.

Details of our short-term borrowings at April 30, 2019 and 2020, are presented below:

April 30,	2019	2020
Commercial paper	$150	$333
Average interest rate	2.60%	1.29%
Average remaining days to maturity	18	73

We have a committed revolving credit agreement with various U.S. and international banks for $800 that expires in November 2023. At April 30, 2020, there were no borrowings outstanding under this facility.

7. Common Stock

The following table shows the change in outstanding common shares (split-adjusted) during each of the last three years:

(Shares in thousands)	Class A	Class B	Total
Balance at April 30, 2017	169,051	311,055	480,106
Acquisition of treasury stock	(25)	(6)	(31)
Stock issued under compensation plans	36	890	926
Balance at April 30, 2018	169,062	311,939	481,001
Acquisition of treasury stock	(145)	(4,212)	(4,357)
Stock issued under compensation plans	82	446	528
Balance at April 30, 2019	168,999	308,173	477,172
Acquisition of treasury stock	(13)	(3)	(16)
Stock issued under compensation plans	54	999	1,053
Balance at April 30, 2020	169,040	309,169	478,209

8. Net Sales

The following table shows our net sales by geography:

	2018	2019	2020
United States	$ 1,529	$ 1,563	$ 1,690
Developed International[1]	908	917	901
Emerging[2]	575	597	572
Travel Retail[3]	139	140	125
Non-branded and bulk[4]	97	107	75
	$ 3,248	$ 3,324	$ 3,363

[1]Represents net sales of branded products to "advanced economies" as defined by the International Monetary Fund (IMF), excluding the United States. Our largest developed international markets are the United Kingdom, Germany, Australia, France, Japan, and Canada.
[2]Represents net sales of branded products to "emerging and developing economies" as defined by the IMF. Our largest emerging markets are Mexico, Poland, and Russia.
[3]Represents net sales of branded products to global duty-free customers, other travel retail customers, and the U.S. military regardless of customer location.
[4]Includes net sales of used barrels, bulk whiskey and wine, and contract bottling regardless of customer location.

The following table shows our net sales by product category:

	2018	2019	2020
Whiskey[1]	$ 2,533	$ 2,595	$ 2,671
Tequila[2]	247	263	275
Wine[3]	187	187	186
Vodka[4]	130	126	109
Rest of portfolio	54	46	47
Non-branded and bulk[5]	97	107	75
	$ 3,248	$ 3,324	$ 3,363

[1]Includes all whiskey spirits and whiskey-based flavored liqueurs, ready-to-drink, and ready-to-pour products. The brands included in this category are the Jack Daniel's family of brands, Woodford Reserve, Canadian Mist, GlenDronach, BenRiach, Glenglassaugh, Old Forester, Early Times, Slane Irish Whiskey, and Coopers' Craft.
[2]Includes el Jimador, Herradura, New Mix, Pepe Lopez, and Antiguo.
[3]Includes Korbel Champagne and Sonoma-Cutrer wines.
[4]Includes Finlandia.
[5]Includes net sales of used barrels, bulk whiskey and wine, and contract bottling regardless of customer location.

9. Pension and Other Postretirement Benefits

We sponsor various defined benefit pension plans as well as postretirement plans providing retiree health care and retiree life insurance benefits. Below, we discuss our obligations related to these plans, the assets dedicated to meeting the obligations, and the amounts we recognized in our financial statements as a result of sponsoring these plans.

Obligations. We provide eligible employees with pension and other postretirement benefits based on factors such as years of service and compensation level during employment. The pension obligation shown below ("projected benefit obligation") consists of: (a) benefits earned by employees to date based on current salary levels ("accumulated benefit obligation"); and (b) benefits to be received by employees as a result of expected future salary increases. (The obligation for medical and life insurance benefits is not affected by future salary increases.) The following table shows how the present value of our projected benefit obligations changed during each of the last two years.

	Pension Benefits		Medical and Life Insurance Benefits	
	2019	2020	2019	2020
Obligation at beginning of year	$ 903	$ 908	$ 50	$ 50
Service cost	24	24	1	1
Interest cost	34	31	2	1
Net actuarial loss (gain)	28	108	—	2
Retiree contributions	—	—	1	1
Benefits paid	(81)	(66)	(4)	(4)
Obligation at end of year	$ 908	$ 1,005	$ 50	$ 51

Service cost represents the present value of the benefits attributed to service rendered by employees during the year. Interest cost is the increase in the present value of the obligation due to the passage of time. Net actuarial loss (gain) is the change in value of the obligation resulting from experience different from that assumed or from a change in an actuarial assumption. (We discuss actuarial assumptions used at the end of this note.) Plan amendments may also change the value of the obligation.

As shown in the previous table, the change in the value of our pension and other postretirement benefit obligations also includes the effect of benefit payments and retiree contributions. Expected benefit payments (net of retiree contributions) over the next 10 years are as follows:

	Pension Benefits	Medical and Life Insurance Benefits
2021	$ 62	$ 3
2022	62	3
2023	62	3
2024	63	3
2025	63	3
2026 – 2030	425	16

Assets. We invest in specific assets to fund our pension benefit obligations. Our investment goal is to earn a total return that, over time, will grow assets sufficiently to fund our plans' liabilities, after providing appropriate levels of contributions and accepting prudent levels of investment risk. To achieve this goal, plan assets are invested primarily in funds or portfolios of funds managed by outside managers. Investment risk is managed by company policies that require diversification of asset classes, manager styles, and individual holdings. We measure and monitor investment risk through quarterly and annual performance reviews, and through periodic asset/liability studies.

Asset allocation is the most important method for achieving our investment goals and is based on our assessment of the plans' long-term return objectives and the appropriate balances needed for liquidity, stability, and diversification. As of April 30, 2020, our target asset allocation is a mix of 40% public equity investments, 47% fixed income investments, and 13% alternative investments.

The following table shows the fair value of pension plan assets by category as of the end of the last two years. (Fair value levels are defined in Note 14.)

	Level 1	Level 2	Level 3	Total
April 30, 2019				
Equity securities	$ 79	$ —	$ —	$ 79
Cash and temporary investments	29	—	—	29
Limited partnership interest[1]	—	—	3	3
	$ 108	$ —	$ 3	111
Investments measured at net asset value:				
Commingled trust funds[2]:				
Equity funds				157
Fixed income funds				370
Real estate funds				66
Short-term investments				23
Limited partnership interests[3]				27
Total				$ 754
April 30, 2020				
Equity securities	$ 80	$ —	$ —	$ 80
Cash and temporary investments	—	—	—	—
Limited partnership interest[1]	—	—	2	2
	$ 80	$ —	$ 2	82
Investments measured at net asset value:				
Commingled trust funds[2]:				
Equity funds				193
Fixed income funds				370
Real estate funds				68
Short-term investments				4
Limited partnership interests[3]				32
Total				$ 749

[1] This limited partnership interest was initially valued at cost and has been adjusted to fair value as determined in good faith by management of the partnership using various factors, and does not meet the requirements for reporting at the net asset value (NAV). The valuation requires significant judgment due to the absence of quoted market prices and the inherent lack of liquidity. This limited partnership has a term expiring in September 2020, although this period may be extended.

[2] Commingled trust fund valuations are based on the NAV of the funds as determined by the fund administrators and reviewed by us. NAV represents the underlying assets owned by the fund, minus liabilities and divided by the number of shares or units outstanding. Generally, for commingled trust funds other than real estate, redemptions are permitted daily with no notice period. The real estate fund is redeemable quarterly with 110 days' notice.

[3] These limited partnership interests were initially valued at cost and have been adjusted using NAV per audited financial statements. Investments are generally not eligible for immediate redemption and have original terms averaging 10 to 13 years, although those periods may be extended.

The following table shows how the fair value of the Level 3 assets changed during each of the last two years. There were no transfers of assets between Level 3 and either of the other two levels.

	Level 3
Balance as of April 30, 2018	$ 4
Sales and settlements	(1)
Balance as of April 30, 2019	3
Sales and settlements	(1)
Balance as of April 30, 2020	$ 2

The following table shows how the total fair value of all pension plan assets changed during each of the last two years. (We do not have assets set aside for postretirement medical or life insurance benefits.)

	Pension Benefits		Medical and Life Insurance Benefits	
	2019	2020	2019	2020
Assets at beginning of year	$ 780	$ 754	$ —	$ —
Actual return on assets	34	39	—	—
Retiree contributions	—	—	1	1
Company contributions	21	22	3	3
Benefits paid	(81)	(66)	(4)	(4)
Assets at end of year	$ 754	$ 749	$ —	$ —

We currently expect to contribute $22 to our pension plans and $3 to our postretirement medical and life insurance benefit plans during 2021.

Funded status. The funded status of a plan refers to the difference between its assets and its obligations. The following table shows the funded status of our plans.

	Pension Benefits		Medical and Life Insurance Benefits	
April 30,	2019	2020	2019	2020
Assets	$ 754	$ 749	$ —	$ —
Obligations	(908)	(1,005)	(50)	(51)
Funded status	$ (154)	$ (256)	$ (50)	$ (51)

The funded status is recorded on the accompanying consolidated balance sheets as follows:

	Pension Benefits		Medical and Life Insurance Benefits	
April 30,	2019	2020	2019	2020
Other assets	$ 2	$ —	$ —	$ —
Accounts payable and accrued expenses	(6)	(7)	(3)	(3)
Accrued postretirement benefits	(150)	(249)	(47)	(48)
Net liability	$ (154)	$ (256)	$ (50)	$ (51)
Accumulated other comprehensive income (loss), before tax:				
Net actuarial gain (loss)	$ (298)	$ (394)	$ (10)	$ (11)
Prior service credit (cost)	(8)	(6)	10	7
	$ (306)	$ (400)	$ —	$ (4)

The following table compares our pension plans whose assets exceed their accumulated benefit obligations with those whose obligations exceed their assets. (As noted above, we have no assets set aside for postretirement medical or life insurance benefits.)

	Plan Assets		Accumulated Benefit Obligation		Projected Benefit Obligation	
April 30,	2019	2020	2019	2020	2019	2020
Plans with assets in excess of accumulated benefit obligation	$ 754	$ 625	$ 668	$ 613	$ 752	$ 698
Plans with accumulated benefit obligation in excess of assets	—	124	136	277	156	307
Total	$ 754	$ 749	$ 804	$ 890	$ 908	$ 1,005

Pension cost. The following table shows the components of the pension cost recognized during each of the last three years. The amount for each year includes amortization of the prior service cost/credit and net actuarial loss/gain included in accumulated other comprehensive loss as of the beginning of the year.

	Pension Benefits		
	2018	2019	2020
Service cost	$ 24	$ 24	$ 24
Interest cost	29	34	31
Expected return on assets	(41)	(47)	(46)
Amortization of:			
Prior service cost (credit)	1	1	1
Net actuarial loss (gain)	21	19	19
Settlement charge	—	15	1
Net cost	$ 34	$ 46	$ 30

The prior service cost/credit, which represents the effect of plan amendments on benefit obligations, is amortized on a straight-line basis over the average remaining service period of the employees expected to receive the benefits. The net actuarial loss/gain results from experience different from that assumed or from a change in actuarial assumptions (including the difference between actual and expected return on plan assets), and is amortized over at least that same period. The estimated amount of prior service cost and net actuarial loss that will be amortized from accumulated other comprehensive loss into pension cost in 2021 is $1 and $27, respectively.

Other postretirement benefits cost. The following table shows the components of the postretirement medical and life insurance benefits cost that we recognized during each of the last three years.

	Medical and Life Insurance Benefits		
	2018	2019	2020
Service cost	$ 1	$ 1	$ 1
Interest cost	1	2	1
Amortization of:			
Prior service cost (credit)	(3)	(3)	(3)
Net actuarial loss (gain)	1	1	1
Net cost	$ —	$ 1	$ —

The estimated amount of prior service credit and net actuarial loss that will be amortized from accumulated other comprehensive loss into postretirement medical and life insurance benefits cost in 2021 is $3 and $1, respectively.

Other comprehensive income (loss). Prior service cost/credit and net actuarial loss/gain are recognized in other comprehensive income or loss (OCI) during the period in which they arise. These amounts are later amortized from accumulated OCI into pension and other postretirement benefit cost over future periods as described above. The following table shows the pre-tax effect of these amounts on OCI during each of the last three years.

	Pension Benefits			Medical and Life Insurance Benefits		
	2018	2019	2020	2018	2019	2020
Prior service credit (cost)	$ (6)	$ —	$ —	$ —	$ —	$ —
Net actuarial gain (loss)	10	(41)	(115)	1	—	(2)
Amortization reclassified to earnings:						
Prior service cost (credit)	1	1	1	(3)	(3)	(3)
Net actuarial loss (gain)	21	34	20	1	1	1
Net amount recognized in OCI	$ 26	$ (6)	$ (94)	$ (1)	$ (2)	$ (4)

Assumptions and sensitivity. We use various assumptions to determine the obligations and cost related to our pension and other postretirement benefit plans. The weighted-average assumptions used in computing benefit plan obligations as of the end of the last two years were as follows:

	Pension Benefits		Medical and Life Insurance Benefits	
	2019	2020	2019	2020
Discount rate	4.04%	3.28%	3.98%	3.17%
Rate of salary increase	4.00%	4.00%	n/a	n/a

The weighted-average assumptions used in computing benefit plan cost during each of the last three years were as follows:

	Pension Benefits			Medical and Life Insurance Benefits		
	2018	2019	2020	2018	2019	2020
Discount rate for service cost	4.29%	4.30%	4.17%	4.39%	4.34%	4.24%
Discount rate for interest cost	3.40%	3.93%	3.57%	3.35%	3.90%	3.53%
Rate of salary increase	4.00%	4.00%	4.00%	n/a	n/a	n/a
Expected return on plan assets	6.75%	6.50%	6.50%	n/a	n/a	n/a

The assumed discount rates are determined using a yield curve based on the interest rates of high-quality debt securities with maturities corresponding to the expected timing of our benefit payments. The service cost and interest cost components are measured by applying the specific spot rates along the yield curve used to measure the benefit obligation at the beginning of the period.

The assumed rate of salary increase reflects the expected average annual increase in salaries as a result of inflation, merit increases, and promotions over the service period of the plan participants.

The expected return on plan assets represents the long-term rate of return that we assume will be earned over the life of the pension assets. The assumption reflects expected capital market returns for each asset class, which are based on historical returns, adjusted for the expected effects of diversification and active management (net of fees).

The assumed health care cost trend rates as of the end of the last two years were as follows:

	Medical and Life Insurance Benefits	
	2019	2020
Health care cost trend rate assumed for next year	7.30%	6.90%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2025	2025

A one percentage point change in the assumed health care cost trend rate would not have significantly changed the accumulated postretirement benefit obligation as of April 30, 2020, or the aggregate service and interest costs for 2020.

Savings plans. We also sponsor various defined contribution benefit plans that together cover substantially all U.S. employees. Employees can make voluntary contributions in accordance with their respective plans, which include a 401(k) tax deferral option. We match a percentage of each employee's contributions in accordance with plan terms. We expensed $12, $12, and $12 for matching contributions during 2018, 2019, and 2020, respectively.

International plans. The information presented above for defined benefit plans and defined contribution benefit plans reflects amounts for U.S. plans only. Information about similar international plans is not presented due to immateriality.

10. Stock-Based Compensation

The Brown-Forman 2013 Omnibus Compensation Plan is our incentive compensation plan, designed to reward participants (including eligible officers, employees, and non-employee directors) for company performance. Under the Plan, we can grant stock-based incentive awards for up to 20,750,000 shares of common stock to eligible participants until July 28, 2023. As of April 30, 2020, awards for approximately 13,514,000 shares remain available for issuance under the Plan. We try to limit the source of shares delivered to participants under the Plan to treasury shares that we purchase from time to time on the open market (in connection with a publicly announced share repurchase program), in private transactions, or otherwise.

Awards granted under the Plan include stock-settled stock appreciation rights (SSARs), restricted stock units (RSUs), and deferred stock units (DSUs).

SSARs. We grant SSARs at an exercise price equal to the closing market price of the underlying stock on the grant date. SSARs become exercisable after three years from the first day of the fiscal year of grant and generally are exercisable for seven years after that date. The following table presents information about SSARs outstanding as of April 30, 2020, and for the year then ended.

	Number of SSARs (in thousands)	Weighted-Average Exercise Price per SSAR	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at April 30, 2019	6,852	$ 33.25		
Granted	522	54.64		
Exercised	(2,434)	27.77		
Forfeited or expired	(10)	49.70		
Outstanding at April 30, 2020	4,930	$ 38.19	5.1	$ 118
Exercisable at April 30, 2020	2,932	$ 31.86	3.7	$ 89

We use the Black-Scholes pricing model to calculate the grant-date fair value of a SSAR. The weighted-average grant-date fair values and related valuation assumptions for the SSARS granted during each of the last three years were as follows:

	2018	2019	2020
Grant-date fair value	$ 6.79	$ 11.06	$ 11.13
Valuation assumptions:			
Expected term (years)	7.00	7.00	7.00
Risk-free interest rate	2.2%	2.9%	1.9%
Expected volatility	15.6%	17.1%	19.3%
Expected dividend yield	1.5%	1.4%	1.2%

The expected term is based on past exercise experience for similar awards. The risk-free interest rate is based on zero-coupon U.S. Treasury rates as of the date of grant. Expected volatility and dividend yield are based on historical data, with consideration of other factors when applicable.

RSUs. RSUs consist predominantly of performance-based RSUs that vest at the end of a three-year performance period that begins on the first day of the fiscal year of grant. Performance is measured based on the relative ranking of the total shareholder return of our Class B common stock during the three-year performance period compared to that of the companies within the Standard & Poor's Consumer Staples Index at the end of the performance period, with specific payout levels ranging from 50% to 150%. At the end of the performance period, the RSUs are converted to common shares that are subject to an additional one-year holding requirement. The number of shares is determined by adjusting the RSUs by the performance multiplier and adjusting upward to account for dividends paid on our common stock during the second and third years of the performance period.

The following table presents information about RSUs outstanding as of April 30, 2020, and for the year then ended.

	Number of RSUs (in thousands)	Weighted-Average Fair Value at Grant Date
Outstanding at April 30, 2019	382	$ 44.91
Granted	88	$ 56.99
Converted to common shares	(179)	$ 38.56
Forfeited	(2)	$ 55.27
Outstanding at April 30, 2020	289	$ 52.44

We calculate the grant-date fair value of a performance based RSU using a Monte Carlo simulation technique. The weighted average grant-date fair values and related valuation assumptions for these awards granted during each of the last three years were as follows:

	2018	2019	2020
Grant-date fair value	$ 46.93	$ 55.29	$ 56.99
Valuation assumptions:			
Risk-free interest rate	1.5%	2.7%	1.8%
Expected volatility	18.9%	20.8%	21.8%
Expected dividend yield	1.4%	1.2%	1.2%
Remaining performance period (years) as of grant date	2.8	2.8	2.8

DSUs. DSUs are granted to our non-employee directors. Each DSU represents the right to receive one share of common stock based on the closing price of the shares on the date of grant. Outstanding DSUs are credited with dividend-equivalent DSUs when dividends are paid on our common stock. Each annual grant vests after one year. DSUs are paid out in shares after the completion of a director's tenure on the board plus a six-month waiting period. The director may elect to receive the distribution either in a single lump sum or in ten equal annual installments. As of April 30, 2020, there were approximately 246,000 outstanding DSUs, of which approximately 215,000 were vested.

The grant-date fair value of a DSU is the closing market price of the underlying stock on the grant date. The weighted average grant-date fair values for these awards granted during each of the last three years were as follows:

	2018	2019	2020
Grant-date fair value	$ 41.81	$ 54.20	$ 53.34

Additional information. The pre-tax stock-based compensation expense and related deferred income tax benefits recognized during the last three fiscal years were as follows:

	2018	2019	2020
Pre-tax compensation expense	$ 19	$ 14	$ 11
Deferred tax benefit	6	2	2

As of April 30, 2020, there was $7 of total unrecognized compensation cost related to non-vested stock-based awards. That cost is expected to be recognized over a weighted-average period of 1.6 years. Further information related to our stock-based awards for the last three years is as follows:

	2018	2019	2020
Intrinsic value of SSARs exercised	$ 73	$ 31	$ 89
Fair value of shares vested[1]	6	20	14
Excess tax benefit from exercise / vesting of awards	18	7	20

[1]The fair value of shares vested in fiscal 2019 includes $10 related to a one-time performance-based special grant of restricted stock issued in fiscal 2014 to our Chief Executive Officer (who retired in fiscal 2019). During the performance period, dividends accrued and the award was adjusted for all applicable stock splits during the vesting period, subject to the same performance measures as the initial grant. The resulting shares vested on June 1, 2018.

11. Income Taxes

We incur income taxes on the earnings of our U.S. and foreign operations. The following table, based on the locations of the taxable entities from which sales were derived (rather than the location of customers), presents the U.S. and foreign components of our income before income taxes:

	2018	2019	2020
United States	$ 747	$ 863	$ 849
Foreign	230	179	160
	$ 977	$ 1,042	$ 1,009

The income shown above was determined according to GAAP. Because those standards sometimes differ from the tax rules used to calculate taxable income, there are differences between: (a) the amount of taxable income and pretax financial income for a year and (b) the tax bases of assets or liabilities and their amounts as recorded in our financial statements. As a result, we recognize a current tax liability for the estimated income tax payable on the current tax return, and deferred tax liabilities (income tax payable on income that will be recognized on future tax returns) and deferred tax assets (income tax refunds from deductions that will be recognized on future tax returns) for the estimated effects of the differences mentioned above.

Total income tax expense for a year includes the tax associated with the current tax return (current tax expense) and the change in the net deferred tax asset or liability (deferred tax expense). Our total income tax expense for each of the last three years was as follows:

	2018	2019	2020
Current:			
U.S. federal	$ 265	$ 107	$ 95
Foreign	47	34	29
State and local	17	28	19
	329	169	143
Deferred:			
U.S. federal	(48)	37	34
Foreign	(13)	4	7
State and local	(8)	(3)	(2)
	(69)	38	39
	$ 260	$ 207	$ 182

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (Tax Act). The Tax Act significantly revised the future, ongoing U.S. corporate income tax by, among other things, lowering U.S. corporate income tax rates and implementing a territorial tax system. Because we have an April 30 fiscal year-end, the lower corporate income tax rate was phased in, resulting in a U.S. statutory federal rate of 30.4% for our fiscal year ended April 30, 2018, and 21% for fiscal 2019 and subsequent fiscal years. For the year ended April 30, 2019, the reduction of the U.S. statutory federal rate from 35% (the pre-Tax Act rate) to 21% resulted in a tax benefit of $115.

There were also certain transitional impacts of the Tax Act. As part of the transition to the new territorial tax system, the Tax Act imposed a one-time repatriation tax on deemed repatriation of historical earnings of foreign subsidiaries. In addition, we adjusted our U.S. deferred tax assets and liabilities to the lower federal base rate of 21%. These transitional impacts resulted in a provisional net charge of $43 for the year ended April 30, 2018, composed of a provisional repatriation U.S. tax charge of $91 and a provisional net deferred tax benefit of $48. In the fiscal year ended April 30, 2019, we recorded a benefit of $4 as an adjustment to the provisional repatriation tax.

The changes included in the Tax Act are broad and complex. The U.S. Securities and Exchange Commission issued rules that allowed for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. As of April 30, 2019, the amounts recorded for the Tax Act for the one-time repatriation tax and the adjustment to our U.S. deferred tax assets and liabilities were finalized and no longer deemed to be provisional.

The Tax Act also established new tax provisions that impact our financial statements beginning in fiscal 2019. These new provisions include (a) Global Intangible Low-Tax Income (GILTI), a new inclusion rule affecting non-routine income earned by foreign subsidiaries; (b) Base Erosion Anti-Abuse Tax (BEAT), a new minimum tax; (c) Foreign-Derived Intangible Income (FDII), a new preferential tax rate for domestic income earned from serving foreign markets; (d) repeal of the domestic production activity deduction; and (e) limitations on the deductibility of certain executive compensation. For the fiscal year ended April 30, 2019 and April 30, 2020, the net impact of these provisions was approximately $12 and $11 of additional tax, respectively.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted on March 27, 2020. It included certain provisions for additional net operating loss utilization, immediate refund for AMT Credit Carryforwards, and increased income limitation under IRC section 163(j) for 2019 and 2020. The CARES Act also retroactively clarified the immediate write-off of qualified improvement property beginning in 2018 and increased the charitable contribution deduction.

As of April 30, 2020, we had approximately $1,279 of undistributed earnings from our foreign subsidiaries. Most of these earnings have been previously subject to tax, primarily as a result of the one-time repatriation tax on foreign earnings required by the Tax Act. Historically, we have asserted that the undistributed earnings of our foreign subsidiaries are reinvested indefinitely outside the United States. During fiscal 2020, we changed our indefinite reinvestment assertion with respect to current year earnings and prior year undistributed earnings for one of our foreign subsidiaries (but not for its other outside basis differences) and repatriated $15 of cash to the United States. No incremental taxes were due on this distribution of cash beyond the repatriation tax recorded in fiscal year 2018. However, we incurred withholding tax of $1 related to the distribution. We have not changed the indefinite reinvestment assertion on the undistributed earnings or other outside basis differences of any of our other remaining foreign subsidiaries, and no deferred taxes have been provided. A determination of the unrecognized deferred tax liabilities on the other outside basis differences and earnings reinvested indefinitely at April 30, 2020, is not practicable due to the complexities in

the calculations. The other outside basis differences are primarily related to differences between U.S. GAAP and tax basis that arose through purchase accounting. These basis differences could reverse through sales of foreign subsidiaries or other transactions, none of which are considered probable as of April 30, 2020.

As of April 30, 2019, we had approximately $1,266 of undistributed earnings from our foreign subsidiaries. During fiscal 2019, we changed our indefinite reinvestment assertion with respect to current year earnings and prior year undistributed earnings for one of our foreign subsidiaries (but not for its other outside basis differences) and repatriated $120 of cash to the United States.

Our consolidated effective tax rate usually differs from current statutory rates due to the recognition of amounts for events or transactions with no tax consequences. The following table reconciles our effective tax rate to the federal statutory tax rate in the United States:

	Percent of Income Before Taxes		
	2018	2019	2020
U.S. federal statutory rate	30.4%	21.0%	21.0%
State taxes, net of U.S. federal tax benefit	0.8%	2.1%	1.7%
Income taxed at other than U.S. federal statutory rate	(3.4%)	(0.1%)	—%
Tax benefit from foreign-derived sales	—%	(1.7%)	(2.0%)
Adjustments related to prior years	(0.9%)	(1.2%)	(1.1%)
Tax benefit from U.S. manufacturing	(2.5%)	—%	—%
Amortization of deferred tax benefit from intercompany transactions	(1.6%)	—%	—%
Excess tax benefits from stock-based awards	(1.8%)	(0.7%)	(2.0%)
Impact of Tax Act	2.5%	(0.4%)	—%
Other, net	3.1%	0.8%	0.4%
Effective rate	26.6%	19.8%	18.0%

Deferred tax assets and liabilities as of the end of each of the last two years were as follows:

April 30,	2019	2020
Deferred tax assets:		
Postretirement and other benefits	$ 87	$ 110
Accrued liabilities and other	23	23
Inventories	34	26
Lease liabilities	—	14
Loss and credit carryforwards	55	57
Valuation allowance	(25)	(22)
Total deferred tax assets, net	174	208
Deferred tax liabilities:		
Intangible assets	(218)	(233)
Property, plant, and equipment	(73)	(90)
Right-of-use assets	—	(13)
Derivative instruments	(9)	(18)
Other	(3)	(16)
Total deferred tax liabilities	(303)	(370)
Net deferred tax liability	$ (129)	$ (162)

Details of the loss and credit carryforwards and related valuation allowances as of the end of each of the last two years are as follows:

	April 30, 2019			April 30, 2020			
	Gross Amount	Deferred Tax Asset	Valuation Allowance	Gross Amount	Deferred Tax Asset	Valuation Allowance	Expiration (as of April 30, 2020)
Finland net operating losses	$ 105	$ 21	$ —	$119	$24	$ —	2024-2030
Brazil net operating losses	42	14	(14)	31	10	(10)	None
United Kingdom non-trading losses	27	5	(5)	26	5	(5)	None
Various state net operating losses and credits	68	6	—	63	9	—	Various[1]
Other	54	9	(6)	50	9	(7)	Various[2]
	$ 296	$ 55	$ (25)	$ 289	$ 57	$ (22)	

[1]As of April 30, 2020, the net deferred tax asset amount includes credit carryforwards of $3 that do not expire and loss and credit carryforwards of $6 that expire in varying amounts from 2023 to 2040.
[2]As of April 30, 2020, the gross amount includes loss carryforwards of $24 that do not expire and $26 that expire in varying amounts over the next 20 years.

Although the losses in Brazil can be carried forward indefinitely, it is uncertain whether we will realize sufficient taxable income to allow us to use these losses. The non-trading losses in the United Kingdom can also be carried forward indefinitely. However, we know of no significant transactions that will let us use them.

At April 30, 2020, we had $11 of gross unrecognized tax benefits, $9 of which would reduce our effective income tax rate if recognized. A reconciliation of the beginning and ending unrecognized tax benefits follows:

	2018	2019	2020
Unrecognized tax benefits at beginning of year	$ 9	$ 11	$ 11
Additions for tax positions provided in prior periods	5	1	2
Additions for tax positions provided in current period	1	1	—
Decreases for tax positions provided in prior years	(4)	(2)	(1)
Settlements of tax positions in the current period	—	—	(1)
Unrecognized tax benefits at end of year	$ 11	$ 11	$ 11

We file income tax returns in the United States, including several state and local jurisdictions, as well as in several other countries in which we conduct business. The major jurisdictions and their earliest fiscal years that are currently open for tax examinations are 2014 for one state in the United States; 2018 in the United Kingdom; 2016 in Australia; 2015 in Finland, Germany, and Poland; 2014 in the Netherlands and Brazil; and 2013 in Mexico. We expect the audits of our fiscal 2018 and fiscal 2019 U.S. federal tax returns to be concluded in the first half of fiscal 2021. In addition, we are participating in the Internal Revenue Service's Compliance Assurance Program for our fiscal 2020 tax year.

We believe there will be no material change in our gross unrecognized tax benefits in the next 12 months.

12. Acquisition of Business

On July 3, 2019, we acquired 100% of the voting interests in The 86 Company, which owns Fords Gin, for $22 in cash. The purchase price was allocated largely to the intangible assets that were acquired, including goodwill of $11 and other indefinite-lived intangibles of $12, net of deferred tax liabilities of $1. The goodwill is primarily attributable to the value of leveraging our distribution network and brand-building expertise to grow global sales of the Fords Gin brand and to the knowledge and expertise of the organized workforce employed by the acquired business. We do not expect the goodwill to be deductible for tax purposes. The 86 Company has been included in our consolidated financial statements since the acquisition date. Actual and pro forma results are not presented due to immateriality.

13. Derivative Financial Instruments and Hedging Activities

Our multinational business exposes us to global market risks, including the effect of fluctuations in currency exchange rates, commodity prices, and interest rates. We use derivatives to help manage financial exposures that occur in the normal course of business. We formally document the purpose of each derivative contract, which includes linking the contract to the financial exposure it is designed to mitigate. We do not hold or issue derivatives for trading or speculative purposes.

We use currency derivative contracts to limit our exposure to the currency exchange risk that we cannot mitigate internally by using netting strategies. We designate most of these contracts as cash flow hedges of forecasted transactions (expected to occur within three years). We record all changes in the fair value of cash flow hedges in accumulated other comprehensive income (AOCI) until the underlying hedged transaction occurs, at which time we reclassify that amount into earnings.

We do not designate some of our currency derivatives as hedges because we use them to partially offset the immediate earnings impact of changes in foreign currency exchange rates on existing assets or liabilities. We immediately recognize the change in fair value of these contracts in earnings.

We had outstanding currency derivatives, related primarily to our euro, British pound, and Australian dollar exposures, with notional amounts for all hedged currencies totaling $1,241 and $1,026 at April 30, 2019 and 2020, respectively. The maximum term of outstanding derivative contracts was 36 months at both April 30, 2019 and 2020.

We also use foreign currency-denominated debt to help manage our foreign currency exchange risk. The amount of foreign currency-denominated debt designated as net investment hedges was $635 and $613 as of April 30, 2019 and 2020, respectively. These net investment hedges are intended to mitigate foreign currency exchange exposure related to non-U.S. dollar net investments in certain foreign subsidiaries. Any change in value of the designated portion of the hedging instruments is recorded in AOCI, offsetting the foreign currency translation adjustment of the related net investments that is also recorded in AOCI.

At inception, we expect each financial instrument designated as a hedge to be highly effective in offsetting the financial exposure it is designed to mitigate. We also assess the effectiveness on an ongoing basis. If determined to no longer be highly effective, designation and accounting for the instrument as a hedge would be discontinued.

We use forward purchase contracts with suppliers to protect against corn price volatility. We expect to physically take delivery of the corn underlying each contract and use it for production over a reasonable period of time. Accordingly, we account for these contracts as normal purchases rather than as derivative instruments.

The following table presents the pre-tax impact that changes in the fair value of our derivative instruments and non-derivative hedging instruments had on AOCI and earnings during each of the last three years:

	Classification in Statement of Operations	2018	2019	2020
Currency derivatives designated as cash flow hedges:				
Net gain (loss) recognized in AOCI	n/a	$ (54)	$ 69	$ 61
Net gain (loss) reclassified from AOCI into earnings	Sales	(11)	6	23
Currency derivatives not designated as hedging instruments:				
Net gain (loss) recognized in earnings	Sales	(5)	6	4
Net gain (loss) recognized in earnings	Other income (expense), net	9	6	(14)
Foreign currency-denominated debt designated as net investment hedge:				
Net gain (loss) recognized in AOCI	n/a	(41)	45	22
Total amounts presented in the accompanying consolidated statements of operations for line items affected by the net gains (losses) shown above:				
Sales		4,201	4,276	4,306
Other income (expense), net		16	15	(11)

We expect to reclassify $47 of deferred net gains on cash flow hedges recorded in AOCI as of April 30, 2020, to earnings during fiscal 2021. This reclassification would offset the anticipated earnings impact of the underlying hedged exposures. The actual amounts that we ultimately reclassify to earnings will depend on the exchange rates in effect when the underlying hedged transactions occur.

The following table presents the fair values of our derivative instruments as of April 30, 2019 and 2020:

	Balance Sheet Classification	Derivative Assets	Derivative Liabilities
April 30, 2019			
Designated as cash flow hedges:			
Currency derivatives	Other current assets	$ 21	$ (2)
Currency derivatives	Other assets	22	(1)
Currency derivatives	Accrued expenses	—	(5)
Currency derivatives	Other liabilities	—	(1)
Not designated as hedges:			
Currency derivatives	Accrued expenses	—	—
April 30, 2020			
Designated as cash flow hedges:			
Currency derivatives	Other current assets	49	(1)
Currency derivatives	Other assets	30	—
Currency derivatives	Accrued expenses	—	—
Currency derivatives	Other liabilities	—	—
Not designated as hedges:			
Currency derivatives	Accrued expenses	—	(2)

The fair values reflected in the above table are presented on a gross basis. However, as discussed further below, the fair values of those instruments subject to net settlement agreements are presented on a net basis in our balance sheets.

In our statements of cash flows, we classify cash flows related to cash flow hedges in the same category as the cash flows from the hedged items.

Credit risk. We are exposed to credit-related losses if the counterparties to our derivative contracts default. This credit risk is limited to the fair value of the contracts. To manage this risk, we contract only with major financial institutions that have earned investment-grade credit ratings and with whom we have standard International Swaps and Derivatives Association (ISDA) agreements that allow for net settlement of the derivative contracts. Also, we have established counterparty credit guidelines that we monitor regularly, and we monetize contracts when we believe it is warranted. Because of these safeguards, we believe we have no derivative positions that warrant credit valuation adjustments.

Some of our derivative instruments require us to maintain a specific level of creditworthiness, which we have maintained. If our creditworthiness were to fall below that level, then the counterparties to our derivative instruments could request immediate payment or collateralization for derivative instruments in net liability positions. The aggregate fair value of all derivatives with creditworthiness requirements that were in a net liability position was $6 and $2 at April 30, 2019 and 2020, respectively.

Offsetting. As noted above, our derivative contracts are governed by ISDA agreements that allow for net settlement of derivative contracts with the same counterparty. It is our policy to present the fair values of current derivatives (that is, those with a remaining term of 12 months or less) with the same counterparty on a net basis in our balance sheets. Similarly, we present the fair values of noncurrent derivatives with the same counterparty on a net basis. We do not net current derivatives with noncurrent derivatives in our balance sheets.

The following table summarizes the gross and net amounts of our derivative contracts:

	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Balance Sheet	Net Amounts Presented in Balance Sheet	Gross Amounts Not Offset in Balance Sheet	Net Amounts
April 30, 2019					
Derivative assets	$ 43	$ (3)	$ 40	$ —	$ 40
Derivative liabilities	(9)	3	(6)	—	(6)
April 30, 2020					
Derivative assets	79	(1)	78	—	78
Derivative liabilities	(3)	1	(2)	—	(2)

No cash collateral was received or pledged related to our derivative contracts as of April 30, 2019 or 2020.

14. Fair Value Measurements

The following table summarizes the assets and liabilities measured or disclosed at fair value on a recurring basis:

	2019		2020	
April 30,	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$ 307	$ 307	$ 675	$ 675
Currency derivatives	40	40	78	78
Liabilities:				
Currency derivatives	6	6	2	2
Short-term borrowings	150	150	333	333
Long-term debt	2,290	2,399	2,269	2,486

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. We categorize the fair values of assets and liabilities into three levels based on the assumptions (inputs) used to determine those values. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. The three levels are:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than those included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, or other inputs that are observable or can be derived from or corroborated by observable market data.
- Level 3 – Unobservable inputs supported by little or no market activity.

We determine the fair values of our currency derivatives (forward contracts) using standard valuation models. The significant inputs used in these models, which are readily available in public markets or can be derived from observable market transactions, include the applicable spot exchange rates, forward exchange rates, and interest rates. These fair value measurements are categorized as Level 2 within the valuation hierarchy.

We determine the fair value of long-term debt primarily based on the prices at which identical or similar debt has recently traded in the market and also considering the overall market conditions on the date of valuation. These fair value measurements are categorized as Level 2 within the valuation hierarchy.

The fair values of cash, cash equivalents, and short-term borrowings approximate the carrying amounts due to the short maturities of these instruments.

We measure some assets and liabilities at fair value on a nonrecurring basis. That is, we do not measure them at fair value on an ongoing basis, but we do adjust them to fair value in some circumstances (for example, when we determine that an asset is impaired). As discussed in Note 4, we recognized a non-cash impairment charge during the fourth quarter of fiscal 2020 related to our Chambord brand name. The impairment charge was based on the estimated fair value of the brand name, which we determined using the relief from royalty method, and which is categorized as Level 3 within the valuation hierarchy. No other material nonrecurring fair value measurements were required during the periods presented in these financial statements.

15. Leases

We enter into lease arrangements, which we use primarily for office space, vehicles, and land. Substantially all of our leases are operating leases. Our finance leases are not material.

Effective May 1, 2019, we updated our accounting policy for leases to reflect the adoption of ASC 842. Under ASC 842, we record lease liabilities and right-of-use (ROU) assets on our balance sheet for leases with terms exceeding 12 months. We do not record lease liabilities or ROU assets for short-term leases.

The amounts recorded for lease liabilities and ROU assets are based on the estimated present value, as of the lease commencement date, of the future payments to be made over the lease term. We calculate the present value using our incremental borrowing rate that corresponds to the term of the lease. We include the effect of an option to renew or terminate a lease in the lease term when it is reasonably certain that we will exercise the option.

Some of our leases contain non-lease components (e.g., maintenance or other services) in addition to lease components. We have elected the practical expedient not to separate the non-lease components from the lease components.

The following table shows the amounts and classification of ROU assets and lease liabilities on our balance sheet as of April 30, 2020:

	Classification	April 30, 2020
Right-of-use assets	Other assets	$ 51
Lease liabilities:		
Current	Accounts payable and accrued expenses	$ 16
Non-current	Other liabilities	37
Total		$ 53

The following table shows information about the effects of leases during 2020:

	2020
Total lease cost[1]	$ 29
Cash paid for amounts included in the measurement of lease liabilities[2]	21
Right-of-use assets obtained in exchange for new lease liabilities	35

[1]Consists primarily of operating lease cost. Other components of lease cost were not material.
[2]Classified within operating activities in the accompanying consolidated statement of cash flows.

The following table includes a maturity analysis of future (undiscounted) operating lease payments and a reconciliation of those payments to the lease liabilities recorded on our balance sheet as of April 30, 2020:

	April 30, 2020
2021	$ 17
2022	13
2023	9
2024	6
2025	3
Thereafter	9
Total lease payments	57
Less: Present value discount	(4)
Lease liabilities	$ 53
Weighted-average discount rate	3.0%
Weighted-average remaining term	5.2 years

Future operating lease payments, under the prior accounting standard (ASC 840), were as follows as of April 30, 2019:

	April 30, 2019
2020	$ 23
2021	16
2022	10
2023	5
2024	3
Thereafter	2
Total lease payments	$ 59

Rent expense for operating leases (under ASC 840) was $26 in 2018 and $28 in 2019.

16. Other Comprehensive Income

The following table presents the components of net other comprehensive income (loss) during each of the last three years:

	Pre-Tax	Tax	Net
Year Ended April 30, 2018			
Currency translation adjustments:			
Net gain (loss) on currency translation	$ 12	$ 12	$ 24
Reclassification to earnings	—	—	—
Other comprehensive income (loss), net	12	12	24
Cash flow hedge adjustments:			
Net gain (loss) on hedging instruments	(54)	18	(36)
Reclassification to earnings[1]	11	(3)	8
Other comprehensive income (loss), net	(43)	15	(28)
Postretirement benefits adjustments:			
Net actuarial gain (loss) and prior service cost	5	(2)	3
Reclassification to earnings[2]	20	(7)	13
Other comprehensive income (loss), net	25	(9)	16
Total other comprehensive income (loss), net	$ (6)	$ 18	$ 12
Year Ended April 30, 2019			
Currency translation adjustments:			
Net gain (loss) on currency translation	$ (16)	$ (11)	$ (27)
Reclassification to earnings	—	—	—
Other comprehensive income (loss), net	(16)	(11)	(27)
Cash flow hedge adjustments:			
Net gain (loss) on hedging instruments	69	(16)	53
Reclassification to earnings[1]	(6)	1	(5)
Other comprehensive income (loss), net	63	(15)	48
Postretirement benefits adjustments:			
Net actuarial gain (loss) and prior service cost	(41)	10	(31)
Reclassification to earnings[2]	33	(8)	25
Other comprehensive income (loss), net	(8)	2	(6)
Total other comprehensive income (loss), net	$ 39	$ (24)	$ 15
Year Ended April 30, 2020			
Currency translation adjustments:			
Net gain (loss) on currency translation	$ (88)	$ (6)	$ (94)
Reclassification to earnings	—	—	—
Other comprehensive income (loss), net	(88)	(6)	(94)
Cash flow hedge adjustments:			
Net gain (loss) on hedging instruments	61	(14)	47
Reclassification to earnings[1]	(23)	6	(17)
Other comprehensive income (loss), net	38	(8)	30
Postretirement benefits adjustments:			
Net actuarial gain (loss) and prior service cost	(119)	28	(91)
Reclassification to earnings[2]	18	(4)	14
Other comprehensive income (loss), net	(101)	24	(77)
Total other comprehensive income (loss), net	$ (151)	$ 10	$ (141)

[1]Pre-tax amount is classified as sales in the accompanying consolidated statements of operations.
[2]Pre-tax amount is classified as non-operating postretirement expense in the accompanying consolidated statements of operations.

17. Supplemental Information

The following table presents net sales by geography:

	2018	2019	2020
Net sales:			
United States	$ 1,529	$ 1,563	$ 1,690
United Kingdom	206	199	180
Germany	146	159	171
Australia	163	164	155
Mexico	162	166	155
Other	1,042	1,073	1,012
	$ 3,248	$ 3,324	$ 3,363

Net sales are attributed to countries based on where customers are located. See Note 8 for additional information about net sales, including net sales by product category.

Our two largest customers accounted for approximately 18% and 13% of consolidated net sales in 2020.

The net book value of property, plant, and equipment located outside the United States was $107 and $105 as of April 30, 2019 and 2020, respectively. Other long-lived assets located outside the United States are not significant.

We have concluded that our business constitutes a single operating segment.

18. Subsequent Event

On June 12, 2020, we entered into an agreement to sell assets related to the Early Times, Canadian Mist, and Collingwood brands (including intellectual property, inventories, and the Canadian Mist production assets) to Sazerac Company. The sale reflects the continued evolution of our portfolio strategy to focus on premium brands. We expect to recognize a gain on the sale at closing, which is currently expected to occur by October 31, 2020. The total carrying amount of the assets to be included in the sale is approximately 1% of our consolidated total assets.

Quarterly Financial Information (Unaudited)
(Expressed in millions, except per share amounts)

	Fiscal 2019					Fiscal 2020				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Net sales	$ 766	$ 910	$ 904	$ 744	$ 3,324	$ 766	$ 989	$ 899	$ 709	$ 3,363
Gross profit	523	590	571	482	2,166	498	619	557	453	2,127
Net income	200	249	227	159	835	186	282	231	128	827
Basic EPS	0.42	0.52	0.47	0.33	1.74	0.39	0.59	0.48	0.27	1.73
Diluted EPS	0.41	0.52	0.47	0.33	1.73	0.39	0.59	0.48	0.27	1.72
Cash dividends per share:										
Declared	0.3160	—	0.3320	—	0.6480	0.3320	—	0.3486	—	0.6806
Paid	0.1580	0.1580	0.1660	0.1660	0.6480	0.1660	0.1660	0.1743	0.1743	0.6806

Note: Quarterly amounts may not add to amounts for the year due to rounding. Further, quarterly earnings per share (EPS) amounts may not add to amounts for the year because quarterly and annual EPS calculations are performed separately.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) (our principal executive and principal financial officers), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of fiscal 2020. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures: (a) are effective to ensure that information required to be disclosed by the Company in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms; and (b) include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. There has been no change in our internal control over financial reporting during the quarter ended April 30, 2020, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting and Report of Independent Registered Public Accounting Firm. Management's report on our internal control over financial reporting as of April 30, 2020, and our independent registered public accounting firm's report on our internal control over financial reporting are set forth in "Item 8. Financial Statements and Supplementary Data."

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers, and Corporate Governance***

Information on our Executive Officers is included under the caption "Employees and Executive Officers" in Part I of this report. For the other information required by this item, see the following sections of our definitive proxy statement for the Annual Meeting of Stockholders to be held July 30, 2020, which information is incorporated into this report by reference: (a) "Proposal 1: Election of Directors" (for biographical information on directors and family relationships); (b) "Code of Conduct and Code of Ethics for Senior Financial Officers" (for information on our code of ethics); (c) "Selection of Directors" (for information on the procedures by which security holders may recommend nominees to the Company's Board of Directors); and (d) "Corporate Governance" (for information on our Audit Committee).

Item 11. ***Executive Compensation***

For the information required by this item, refer to the following sections of our definitive proxy statement for the Annual Meeting of Stockholders to be held July 30, 2020, which information is incorporated into this report by reference: (a) "Compensation Discussion and Analysis"; (b) "Compensation Tables"; (c) "Director Compensation"; (d) "Compensation Committee Interlocks and Insider Participation"; (e) "Compensation Committee Report"; and (f) "Pay Ratio Disclosure."

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

For equity compensation plan information, refer to "Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities." For the other information required by this item, refer to the section entitled "Stock Ownership" of our definitive proxy statement for the Annual Meeting of Stockholders to be held July 30, 2020, which information is incorporated into this report by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

For the information required by this item, refer to the following sections of our definitive proxy statement for the Annual Meeting of Stockholders to be held July 30, 2020, which information is incorporated into this report by reference: (a) "Certain Relationships and Related Transactions"; and (b) "Our Independent Directors."

Item 14. ***Principal Accounting Fees and Services***

For the information required by this item, refer to the following sections of our definitive proxy statement for the Annual Meeting of Stockholders to be held July 30, 2020, which information is incorporated into this report by reference: (a) "Fees Paid to Independent Registered Public Accounting Firm"; and (b) "Audit Committee Pre-Approval Policies and Procedures."

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

		Page
(a)(1)	Financial Statements	
	The following documents are included in Item 8 of this report:	
	Report of Independent Registered Public Accounting Firm	47
	Consolidated Statements of Operations	49
	Consolidated Statements of Comprehensive Income	50
	Consolidated Balance Sheets	51
	Consolidated Statements of Cash Flows	51
	Consolidated Statements of Stockholders' Equity	52
	Notes to Consolidated Financial Statements	53
(a)(2)	Financial Statement Schedule:	
	Schedule II – Valuation and Qualifying Accounts	84

We have omitted all other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission either because they are not required under the related instructions, because the information required is included in the consolidated financial statements and notes thereto, or because they do not apply.

(a)(3) *Exhibits:*

The following documents are filed with this report:

Exhibit Index

4.1	Description of Brown-Forman Corporation's Class A Common Stock, par value $0.15 per share, and Class B Common Stock, par value $0.15 per share.
4.2	Description of Brown-Forman Corporation's 1.200% Notes due 2026.
4.3	Description of Brown-Forman Corporation's 2.600% Notes due 2028.
21	Subsidiaries of the Registrant.
23	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
31.1	CEO Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2	CFO Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32	CEO and CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (not considered to be filed).
101	The following materials from Brown-Forman Corporation's Annual Report on Form 10-K for the fiscal year ended April 30, 2020, in Inline XBRL (eXtensible Business Reporting Language) format: (a) Consolidated Statements of Operations, (b) Consolidated Statements of Comprehensive Income, (c) Consolidated Balance Sheets, (d) Consolidated Statements of Cash Flows, (e) Consolidated Statements of Stockholders' Equity, and (f) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File in Inline XBRL format (included in Exhibit 101).

The following documents have been previously filed:

Exhibit Index

3.1	Restated Certificate of Incorporation of registrant, incorporated into this report by reference to Exhibit 3.1 of Brown-Forman Corporation's Quarterly Report on Form 10-Q for the quarter ended July 31, 2012, filed on September 5, 2012 (File No. 002-26821).

Exhibit Index

3.2	Certificate of Amendment of Restated Certificate of Incorporation of registrant, incorporated into this report by reference to Exhibit 3.1 of Brown-Forman Corporation's Form 8-K filed on August 9, 2016 (File No. 001-00123).
3.3	By-laws of registrant, as amended and restated effective May 21, 2020, incorporated into this report by reference to Exhibit 3.1 of Brown-Forman Corporation's Form 8-K filed on May 27, 2020 (File No. 001-00123).
4.4	Indenture dated as of April 2, 2007, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, incorporated into this report by reference to Exhibit 4.1 of Brown-Forman Corporation's Form 8-K filed on April 3, 2007 (File No. 002-26821).
4.5	First Supplemental Indenture dated as of December 13, 2010, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, incorporated into this report by reference to Exhibit 4.2 of Brown-Forman Corporation's Form S-3ASR Registration Statement filed on December 13, 2010 (File No. 333-171126).
4.6	Second Supplemental Indenture dated as of June 24, 2015, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, incorporated into this report by reference to Exhibit 4.3 of Brown-Forman Corporation's Form S-3ASR Registration Statement filed on June 24, 2015 (File No. 333-205183).
4.7	Form of 2.25% Note due 2023, incorporated into this report by reference to Exhibit 4.5 of Brown-Forman Corporation's Form 8-K filed on December 12, 2012 (File No. 002-26821).
4.8	Form of 1.200% Note due 2026, incorporated into this report by reference to Exhibit 4.5 of Brown-Forman Corporation's Form 8-K filed on July 8, 2016 (File No. 002-26821).
4.9	Form of 2.600% Note due 2028, incorporated into this report by reference to Exhibit 4.6 of Brown-Forman Corporation's Form 8-K filed on July 8, 2016 (File No. 002-26821).
4.10	Form of 3.500% Note due 2025, incorporated into this report by reference to Exhibit 4.5 of Brown-Forman Corporation's Form 8-K filed on March 26, 2018 (File No. 001-00123).
4.11	Form of 3.75% Note due 2043, incorporated into this report by reference to Exhibit 4.6 of Brown-Forman Corporation's Form 8-K filed on December 12, 2012 (File No. 002-26821).
4.12	Form of 4.00% Note due 2038, incorporated into this report by reference to Exhibit 4.6 of Brown-Forman Corporation's Form 8-K filed on March 26, 2018 (File No. 001-00123).
4.13	Form of 4.500% Notes due 2045, incorporated into this report by reference to Exhibit 4.5 of Brown-Forman Corporation's Form 8-K filed on June 29, 2015 (File No. 002-26821).
4.14	Officer's Certificate dated December 12, 2012, pursuant to Sections 1.01, 2.02, 3.01, and 3.03 of the Indenture dated as of April 2, 2007, as supplemented by the First Supplemental Indenture dated as of December 13, 2010, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, setting forth the terms of the 2.25% Notes due 2023, and the 3.75% Notes due 2043, incorporated into this report by reference to Exhibit 4.3 of Brown-Forman Corporation's Form 8-K filed on December 12, 2012 (File No. 002-26821).
4.15	Officer's Certificate dated June 29, 2015, pursuant to Sections 1.02, 2.02, 3.01 and 3.03 of the Indenture dated as of April 2, 2007, as supplemented by the First Supplemental Indenture dated as of December 13, 2010, and the Second Supplemental Indenture dated as of June 24, 2015, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, setting forth the terms of the 4.500% Notes due 2045, incorporated into this report by reference to Exhibit 4.4 of Brown-Forman Corporation's Form 8-K filed on June 29, 2015 (File No. 002-26821).
4.16	Officers' Certificate dated July 7, 2016, pursuant to Sections 1.01, 2.02, 3.01, and 3.03 of the Indenture dated as of April 2, 2007, as supplemented by the First Supplemental Indenture dated as of December 13, 2010, and the Second Supplemental Indenture dated as of June 24, 2015, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, setting forth the terms of the 1.200% Notes due 2026 and the 2.600% Notes due 2028, incorporated into this report by reference to Exhibit 4.4 of Brown-Forman Corporation's Form 8-K filed on July 8, 2016 (File No. 002-26821).
4.17	Officers' Certificate dated March 26, 2018, pursuant to Sections 1.02, 2.02, 3.01, and 3.03 of the Indenture dated April 2, 2007, as supplemented by the First Supplemental Indenture dated as of December 13, 2010, and the Second Supplemental Indenture dated as of June 24, 2015, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, setting forth the terms of the 3.500% Note due 2025 and the 4.000% Note due 2038, incorporated into this report by reference to Exhibit 4.4 of Brown-Forman Corporation's Form 8-K filed on March 26, 2018 (File No. 001-00123).
10.1	A description of the Brown-Forman Savings Plan, incorporated into this report by reference to page 10 of Brown-Forman Corporation's definitive proxy statement filed on June 27, 1996, in connection with its 1996 Annual Meeting of Stockholders (File No. 001-00123).*
10.2	Brown-Forman Corporation Nonqualified Savings Plan, incorporated into this report by reference to Exhibit 4.1 of Brown-Forman Corporation's Form S-8 Registration Statement filed on September 24, 2010 (File No. 333-169564).*
10.3	Brown-Forman Corporation 2004 Omnibus Compensation Plan, as amended, incorporated into this report by reference to Exhibit A of Brown-Forman Corporation's proxy statement filed on June 26, 2009, in connection with its 2009 Annual Meeting of Stockholders (File No. 002-26821).*

Exhibit Index

10.4	Form of Employee Stock Appreciation Right Award Agreement, incorporated into this report by reference to Exhibit 10(g) of Brown-Forman Corporation's Form 8-K filed on August 2, 2006 (File No. 002-26821).*
10.5	Form of Non-Employee Director Stock Appreciation Right Award Agreement, incorporated into this report by reference to Exhibit 10(i) of Brown-Forman Corporation's Form 8-K filed on August 2, 2006 (File No. 002-26821).*
10.6	2010 Form of Employee Stock-Settled Stock Appreciation Right Award Agreement, incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 8-K filed on July 23, 2010 (File No. 002-26821).*
10.7	2010 Form of Non-Employee Director Stock-Settled Stock Appreciation Right Award Agreement, incorporated into this report by reference to Exhibit 10.2 of Brown-Forman Corporation's Form 8-K filed on July 23, 2010 (File No. 002-26821).*
10.8	2010 Form of Restricted Stock Award Agreement, incorporated into this report by reference to Exhibit 10.3 of Brown-Forman Corporation's Form 8-K filed on July 23, 2010 (File No. 002-26821).*
10.9	2010 Form of Restricted Stock Unit Award Agreement, incorporated into this report by reference to Exhibit 10.4 of Brown-Forman Corporation's Form 8-K filed on July 23, 2010 (File No. 002-26821).*
10.10	Brown-Forman Corporation Amended and Restated Supplemental Executive Retirement Plan and First Amendment thereto, incorporated into this report by reference to Exhibit 10(a) of Brown-Forman Corporation's Annual Report on Form 10-K for the year ended April 30, 2010, filed on June 25, 2010 (File No. 002-26821).*
10.11	Second Amendment to the Brown-Forman Corporation Amended and Restated Supplemental Executive Retirement Plan, incorporated into this report by reference to Exhibit 10(a) of Brown-Forman Corporation's Quarterly Report on Form 10-Q for the quarter ended January 31, 2011, filed on March 9, 2011 (File No. 002-26821).*
10.12	Brown-Forman Corporation Amended and Restated Non-Employee Director Deferred Stock Unit Program, incorporated into this report by reference to Exhibit 10.2 of Brown-Forman Corporation's Form 8-K filed on July 26, 2013 (File No. 002-26821).*
10.13	Brown-Forman Corporation 2013 Omnibus Compensation Plan, incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 8-K filed on July 26, 2013 (File No. 002-26821).*
10.14	Form of Employee Stock-Settled Stock Appreciation Right Award Agreement, incorporated into this report by reference to Exhibit 10.3 of Brown-Forman Corporation's Form 8-K filed on July 26, 2013 (File No. 002-26821).*
10.15	Form of Restricted Stock Unit Award Agreement, incorporated into this report by reference to Exhibit 10.4 of Brown-Forman Corporation's Form 8-K filed on July 26, 2013 (File No. 002-26821).*
10.16	Form of Restricted Stock Award Agreement, incorporated into this report by reference to Exhibit 10.5 of Brown-Forman Corporation's Form 8-K filed on July 26, 2013 (File No. 002-26821).*
10.17	Form of Employee Stock-Settled Stock Appreciation Right Award Agreement, incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 8-K filed on August 1, 2016 (File No. 001-00123).*
10.18	Form of Performance-Based Restricted Stock Unit Award Agreement (Class A), incorporated into this report by reference to Exhibit 10.2 of Brown-Forman Corporation's Form 8-K filed on August 1, 2016 (File No. 001-00123).*
10.19	Form of Performance-Based Restricted Stock Unit Award Agreement (Class B), incorporated into this report by reference to Exhibit 10.3 of Brown-Forman Corporation's Form 8-K filed on August 1, 2016 (File No. 001-00123).*
10.20	Five-Year Credit Agreement, dated as of November 10, 2017, among Brown-Forman Corporation, certain borrowing subsidiaries and certain lenders party thereto, JPMorgan Chase Bank, N.A., PNC Bank, National Association and Wells Fargo Bank, National Association, as Co-Documentation Agents, U.S. Bank National Association, as Administrative Agent, and U.S. Bank National Association, Barclays Bank PLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Citigroup Global Markets Inc., as Co-Syndication Agents, Joint Lead Arrangers and Joint Bookrunners, incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 8-K filed on November 13, 2017 (File No. 001-00123).
10.21	Letter Agreement between Brown-Forman Corporation and Jill A. Jones dated May 14, 2018, incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 8-K filed on May 16, 2018 (File No. 001-00123).*
16	Letter from PricewaterhouseCoopers LLP to the Securities and Exchange Commission dated February 25, 2020, incorporated into this report by reference to Exhibit 16.1 of Brown-Forman Corporation's Form 8-K filed on February 25, 2020 (File No. 001-00123).

* *Indicates management contract, compensatory plan, or arrangement.*

Item 16. ***Form 10-K Summary***

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BROWN-FORMAN CORPORATION
(Registrant)

/s/ Lawson E. Whiting

By: Lawson E. Whiting
President and Chief Executive Officer

Date: June 19, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on June 19, 2020, as indicated:

/s/ Geo. Garvin Brown IV

By: Geo. Garvin Brown IV
Director, Chairman of the Board

/s/ Lawson E. Whiting

By: Lawson E. Whiting
Director, President and Chief Executive Officer of the Company (Principal Executive Officer)

/s/ Patrick Bousquet-Chavanne

By: Patrick Bousquet-Chavanne
Director

/s/ Campbell P. Brown

By: Campbell P. Brown
Director

/s/ Stuart R. Brown

By: Stuart R. Brown
Director

/s/ Bruce L. Byrnes

By: Bruce L. Byrnes
Director

/s/ John D. Cook

By: John D. Cook
Director

/s/ Marshall B. Farrer

By: Marshall B. Farrer
Director

/s/ Laura L. Frazier

By: Laura L. Frazier
Director

/s/ Kathleen M. Gutmann

By: Kathleen M. Gutmann
Director

/s/ Augusta Brown Holland

By: Augusta Brown Holland
Director

/s/ Michael J. Roney

By: Michael J. Roney
Director

/s/ Tracy L. Skeans

By: Tracy L. Skeans
Director

/s/ Michael A. Todman

By: Michael A. Todman
Director

/s/ Jane C. Morreau

By: Jane C. Morreau
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Kelli N. Brown

By: Kelli N. Brown
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Brown-Forman Corporation and Subsidiaries
Schedule II – Valuation and Qualifying Accounts
For the Years Ended April 30, 2018, 2019, and 2020
(Expressed in millions)

Col. A Description	Col. B Balance at Beginning of Period	Col. C(1) Additions Charged to Costs and Expenses	Col. C(2) Additions Charged to Other Accounts	Col. D Deductions	Col. E Balance at End of Period
2018					
Allowance for doubtful accounts	$ 7	$ —	$ —	$ —	$ 7
Deferred tax valuation allowance	$ 30	$ 3	$ 1	$ 5	$ 29
2019					
Allowance for doubtful accounts	$ 7	$ 1	$ —	$ 1 [(1)]	$ 7
Deferred tax valuation allowance	$ 29	$ 1	$ 1	$ 6	$ 25
2020					
Allowance for doubtful accounts	$ 7	$ 4	$ —	$ —	$ 11
Deferred tax valuation allowance	$ 25	$ 2	$ —	$ 5	$ 22

(1) Doubtful accounts written off, net of recoveries.

DESCRIPTION OF CAPITAL STOCK

General

The following is a description of the material terms of the capital stock of Brown-Forman Corporation (the "Company"). This description is not complete and is qualified by reference to the Company's restated certificate of incorporation (the "Certificate of Incorporation") and its amended and restated bylaws (the "Bylaws"). The Certificate of Incorporation and the Bylaws are filed as exhibits to the Company's Annual Report on Form 10-K and are qualified by reference to such documents. Additionally, the following description of certain provisions of Delaware law is not complete and is qualified by reference to the Delaware General Corporation Law ("DGCL").

Under the Certificate of Incorporation, the Company's authorized capital stock consists of 570,000,000 shares of common stock divided into (a) 170,000,000 shares of Class A Common Stock, $0.15 par value per share ("Class A Common Stock"), and (b) 400,000,000 shares of Class B Common Stock, $0.15 par value per share ("Class B Common Stock," and collectively with Class A Common Stock, "Common Stock").

Common Stock

Voting Rights

The holders of Class A Common Stock have full and exclusive voting powers. Each holder of Class A Common Stock is entitled to one vote for each share of Class A Common Stock held on all matters submitted to a vote of stockholders, except as otherwise expressly provided in the Certificate of Incorporation or required by applicable law. The Certificate of Incorporation does not provide for cumulative voting for the election of directors.

Holders of Class B Common Stock have no voting powers, except as provided by the laws of Delaware.

Dividend and Liquidation Rights

Dividends and Distributions. Holders of Common Stock are entitled to receive, when, and if declared by the board of directors, out of any assets legally available therefor, such dividends as may be declared from time to time by the board of directors.

Liquidation Rights. In the event of the liquidation, dissolution, or winding-up of the Company, the remaining assets legally available for distribution to stockholders shall be distributed ratably among the holders of Common Stock.

Other Rights. Holders of Common Stock have no preemptive rights and no right to convert their Common Stock into any other securities. The Common Stock is not subject to any redemption or sinking fund provisions.

Anti-Takeover Provisions

Certain provisions of the Certificate of Incorporation and the Bylaws and Delaware law could have an anti-takeover effect and could delay, discourage or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests, including attempts that might otherwise result in a premium being paid over the market price of the Company's Common Stock.

Certificate of Incorporation and Bylaw Provisions

The Certificate of Incorporation and the Bylaws contain provisions that could have the effect of delaying or preventing changes in control or changes in the Company's management without the consent of the Company's board of directors, including, among other things:

- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the right of the Company's board of directors to elect a director to fill a vacancy in the Company's board of directors, which prevents stockholders from being able to fill vacancies on the Company's board of directors;
- the requirement that a special meeting of stockholders may be called only by a majority vote of the Company's board of directors, the executive committee of the Company's board of directors, the chairman of the Company's board of directors (or the presiding chairman), the Company's president, or by the Company's

secretary at the request in writing of one or more stockholders owning a majority of the Company's Class A Common Stock, which could delay the ability of the Company's stockholders to force consideration of a proposal or to take action;
- the ability of the Company's board of directors, by majority vote, to amend the Bylaws, which may allow the Company's board of directors to take additional actions to prevent a hostile acquisition and inhibit the ability of an acquirer to amend the Bylaws to facilitate a hostile acquisition; and
- advance notice procedures with which stockholders must comply to nominate candidates to the Company's board of directors or to propose matters to be acted upon at a stockholders' meeting, which may preclude stockholders from bringing matters before a meeting of stockholders or from making nominations for directors at a meeting of stockholders if the proper procedures are not followed.

Delaware Law

The Company is subject to Section 203 of the DGCL, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon the closing of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned by (i) persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge, or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loss, advances, guarantees, pledges, or other financial benefits by or through the corporation.

In general, Section 203 defines an "interested stockholder" as an entity or person who, together with the person's affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

Transfer Agent and Registrar

The transfer agent and registrar for the Common Stock is Computershare Trust Company, N.A.

Listing

Class A Common Stock and Class B Common Stock is listed on the New York Stock Exchange under the symbols "BFA" and "BFB," respectively.

DESCRIPTION OF 1.200% NOTES DUE 2026

The following is a description of the material terms of the 1.200% notes due 2026 (the "2026 notes") of Brown-Forman Corporation (the "Company"). This description is not complete and is qualified by reference to the indenture (the "base indenture") dated as of April 2, 2007 between the Company and U.S. Bank National Association, as trustee, as supplemented by the first supplemental indenture dated as of December 13, 2010 and the second supplemental indenture dated as of June 24, 2015 (collectively with the base indenture, the "indenture"), and the Officer's Certificate dated as of July 7, 2016, pursuant to Section 1.01, 2.02, and 3.01 of the indenture, setting forth the terms of the 2.600% notes due 2028 and the 2026 notes (the "officer's certificate").

General

The Company issued the 2026 notes under the indenture. The 2026 notes are a series of debt securities issued under the indenture. The 2026 notes are governed by, and construed in accordance with, the laws of the State of New York.

The 2026 notes are listed on the New York Stock Exchange under the symbol "BF26."

U.S. Bank National Association acts as trustee for the 2026 notes. U.S. Bank National Association also serves as trustee under certain indentures related to other securities that the Company has issued or guaranteed.

Issuance in Euro

All payments of interest and principal, including payments made upon any redemption or repurchase of the 2026 notes, will be made in euro; provided that if the euro is unavailable to the Company due to the imposition of exchange controls or other circumstances beyond the Company's control or if the euro is no longer being used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the 2026 notes will be made in U.S. dollars until the euro is again available to the Company or so used. In such circumstances, the amount payable on any date in euro will be converted into U.S. dollars at the rate mandated by the Board of Governors of the Federal Reserve System as of the close of business on the second business day prior to the relevant payment date or, if the Board of Governors of the Federal Reserve System has not announced a rate of conversion, on the basis of the most recent U.S. dollar/euro exchange rate published in *The Wall Street Journal* on or prior to the second business day prior to the relevant payment date or, in the event *The Wall Street Journal* has not published such exchange rate, the rate will be determined in the Company's sole discretion on the basis of the most recently available market exchange rate for the euro.

Principal, Maturity and Interest

The 2026 notes were limited initially to €300 million in aggregate principal amount. The Company may re-open the 2026 notes and issue an unlimited aggregate principal amount of additional 2026 notes from time to time. Any such additional 2026 notes, together with the 2026 notes originally issued, will constitute a single series of 2026 notes under the indenture. No additional 2026 notes may be issued if an Event of Default (as defined below) has occurred with respect to the 2026 notes or if such additional 2026 notes will not be fungible with the previously issued 2026 notes for Federal income tax purposes. The Company issued the 2026 notes in denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Interest on the 2026 notes accrues at the rate of 1.200% per year. The Company pays interest on the 2026 notes annually in arrears on July 7 of each year. The Company makes each interest payment to the persons who are the registered holders of the 2026 notes on the immediately preceding June 23. Interest on the 2026 notes accrues from the last interest payment date on which interest was paid on the 2026 notes or, if no interest has been paid on the 2026 notes, from the date of original issue.

Interest on the 2026 notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the 2026 notes (or July 7, 2017, if no interest has been paid on the 2026 notes), to, but excluding, the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

If any interest payment date would otherwise be a day that is not a business day, such interest payment date will be postponed to the next date that is a business day. If the maturity date of the 2026 notes falls on a day that is not a business day, the related payment of principal and interest will be made on the next business day as if it were made on the date such payment

was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next business day. For these purposes, a "business day" is any day that is not a Saturday, Sunday or other day on which banking institutions in New York City, London or another place of payment on the 2026 notes are authorized or required by law to close and on which the Trans-European Automated Real-Time Gross Settlement Express Transfer system (the TARGET2 system), or any successor thereto, is open.

The 2026 notes will mature on July 7, 2026 unless the 2026 notes are previously redeemed or repurchased in whole.

Ranking

The Company's obligations to pay principal, interest, and premium, if any, on the 2026 notes are the Company's general unsecured senior obligations and rank equally with all of its other unsecured senior indebtedness from time to time outstanding. Because the creditors of the Company's subsidiaries have direct claims on the subsidiaries and their assets, the claims of holders of the Company's debt securities are "structurally subordinated" to any existing and future liabilities of the Company's subsidiaries. This means that the creditors of the Company's subsidiaries have priority in their claims on the assets of the Company's subsidiaries over the Company's creditors. In addition, a substantial portion of the Company's ordinary course liabilities, including accounts payable and accrued liabilities, are incurred by the Company's subsidiaries. The indenture does not contain any covenants or provisions that would afford the holders of the 2026 notes protection in the event of a highly leveraged or similar transaction.

Certain Covenants

Limitation on Liens

The indenture provides that if the Company or any of its Subsidiaries (as defined in the indenture) incurs, issues, assumes or guarantees any Indebtedness (as defined in the indenture) secured by a Mortgage (as defined in the indenture) on Principal Property (as defined in the indenture) of the Company or of any Subsidiary or on any shares of capital stock or Indebtedness (owed to the Company or any other Subsidiary) of any Subsidiary that owns Principal Property, the Company will secure, or cause such Subsidiary to secure, all outstanding 2026 notes equally and ratably with such secured Indebtedness, unless after giving effect thereto the aggregate amount of all such secured Indebtedness, together with all Attributable Debt (as defined in the indenture) of the Company and of its Subsidiaries in respect of sale and lease-back transactions involving Principal Properties (other than certain sale and lease-back transactions that are permitted under "Limitation on Sale and Leaseback Transactions") would constitute 15% or less of the Company's and its consolidated Subsidiaries' Consolidated Net Assets (as defined in the indenture) upon such incurrence, issuance, assumption or guarantee. This restriction will not apply in the case of:

- Mortgages affecting property of any person existing at the time such person becomes a Subsidiary or at the time it is acquired by the Company or a Subsidiary or arising thereafter under contractual commitments entered into prior to and not in contemplation of such person's becoming a Subsidiary or being acquired by the Company or a Subsidiary;
- Mortgages existing at the time of acquisition of the property affected by such Mortgage, or Mortgages incurred to secure payment of all or part of the purchase price of such property or to secure Indebtedness incurred prior to, at the time of, or within 180 days after, the acquisition of such property for the purpose of financing all or part of the purchase price of such property (provided such Mortgages are limited to such property and improvements to such property);
- Mortgages placed into effect prior to, at the time of, or within 180 days of completion of construction of new facilities (or any improvements to existing facilities) to secure all or part of the cost of construction or improvement of such facilities, or to secure Indebtedness incurred to provide funds for any such purpose (provided such Mortgages are limited to the property or portion thereof upon which the construction being so financed occurred and improvements the cost of construction of which is being so financed);
- Pledges or deposits in the ordinary course of business and in connection with bids, tenders, contracts or statutory obligations or to secure surety or performance bonds;
- Mortgages imposed by law, such as carriers', warehousemen's and mechanics' and materialmen's liens, arising in the ordinary course of business;
- Mortgages for taxes or assessments or governmental charges or levies, so long as such taxes or assessments or governmental charges or levies are not due and payable, or the same can be paid thereafter without penalty, or the same are being contested in good faith;

- minor encumbrances, easements or reservations that do not in the aggregate materially adversely affect the value of the properties or impair their use;
- Mortgages in respect of judgments that do not result in an event of default under the indenture;
- Mortgages that secure only debt owing by a Subsidiary to the Company or to a Subsidiary of the Company;
- Mortgages required by any contract or statute in order to permit the Company or a Subsidiary to perform any contract or subcontract made by it with or at the request of the United States of America or any state, or any department, agency, instrumentality or political subdivision of any of the foregoing or the District of Columbia, and Mortgages on property owned or leased by the Company or a Subsidiary (a) to secure any Indebtedness incurred for the purpose of financing (including any industrial development bond financing) all or any part of the purchase price or the cost of constructing, expanding or improving the property subject thereto (provided such Mortgages are limited to the property or portion thereof upon which the construction being so financed occurred and the improvements the cost of construction of which is being so financed), or (b) needed to permit the construction, improvement, attachment or removal of any equipment designed primarily for the purpose of air or water pollution control, provided that such Mortgages will not extend to other property or assets of the Company or any Subsidiary;
- landlords' liens on property held under lease;
- Mortgages, if any, in existence on April 2, 2007; and
- certain extensions, renewals, replacements or refundings of Mortgages referred to in the foregoing clauses.

Limitation on Sale and Lease-back Transactions

The indenture provides that neither the Company nor any of its Subsidiaries may enter into any sale and lease-back transaction involving Principal Property acquired or placed into service more than 180 days prior to such transaction, whereby such property has been or is to be sold or transferred by the Company or any Subsidiary, unless:

- the Company or such Subsidiary would at the time of entering into such transaction be entitled to create Indebtedness secured by a Mortgage on such property as described in "- Limitations on Liens" above in an amount equal to the Attributable Debt with respect to the sale and lease-back transaction without equally and ratably securing the outstanding 2026 notes; or
- the Company applies to the retirement or prepayment (other than any mandatory retirement or prepayment) of the Company's Funded Debt (as defined in the indenture), or to the acquisition, development or improvement of Principal Property, an amount equal to the net proceeds from the sale of the Principal Property so leased within 180 days of the effective date of any such sale and lease-back transaction, provided that the amount to be applied to the retirement or prepayment of our Funded Debt shall be reduced by the principal amount of any 2026 notes delivered by the Company to the trustee within 180 days after such sale and lease-back transaction for retirement and cancellation.

This restriction will not apply to any sale and lease-back transaction (i) involving the taking back of a lease for a period of three years or less; (ii) involving industrial development or pollution control financing; or (iii) between the Company and a Subsidiary or between Subsidiaries.

Merger, Consolidation or Sale of Assets

The indenture prohibits the Company from merging into or consolidating with any other corporation or selling, leasing or conveying substantially all of its assets and the assets of its Subsidiaries, taken as a whole, to any person, unless:

- either the Company is the continuing corporation or the successor corporation or the person that acquires by sale, lease or conveyance all or substantially all of the Company's or its Subsidiaries' assets is a corporation organized under the laws of the United States of America, any state thereof, or the District of Columbia, and expressly assumes the due and punctual payment of the principal of, and premium, if any, and interest on all the 2026 notes and the due and punctual performance and observance of every covenant and condition of the indenture to be performed or observed by the Company, by supplemental indenture satisfactory to the trustee, executed and delivered to the trustee by such corporation;
- immediately after giving effect to such transaction, no Event of Default described under the caption "Events of Default and Remedies" below or event which, after notice or lapse of time or both would become an Event of Default, has happened and is continuing; and

- the Company has delivered to the trustee an opinion of counsel stating that such transaction and such supplemental indenture comply with the indenture provisions and that the Company has complied with all conditions precedent in the indenture relating to such transaction.

Upon any consolidation or merger with or into any other person or any sale, conveyance, lease, or other transfer of all or substantially all of the Company's or its Subsidiaries' assets to any person, the successor corporation will succeed to, and be substituted for, the Company under the indenture and each outstanding 2026 note, and the Company will be relieved of all obligations and covenants under the indenture and each outstanding 2026 note to the extent the Company was the predecessor person.

Events of Default and Remedies

The following constitute "Events of Default" under the indenture governing the 2026 notes:

(1) default in paying interest on the 2026 notes when it becomes due and the default continues for a period of 30 days or more;

(2) default in paying principal, or premium, if any, on the 2026 notes when due;

(3) default is made in the payment of any sinking or purchase fund or analogous obligation when the same becomes due, and such default continues for 30 days or more;

(4) default in the performance, or breach, of any covenant in the indenture (other than defaults specified in clause (1), (2) or (3) above) and the default or breach continues for a period of 60 days or more after the Company receives written notice from the trustee or the Company and the trustee receive notice from the holders of at least 25% in aggregate principal amount of the outstanding 2026 notes;

(5) the Company defaults in the payment of any scheduled principal of or interest on any of the Company's Indebtedness or any Indebtedness of any of its Subsidiaries (other than the 2026 notes), aggregating more than $50 million in principal amount, when due and payable after giving effect to any applicable grace period;

(6) the Company defaults in the performance of any other term or provision of any of the Company's Indebtedness or any Indebtedness of any of its Subsidiaries (other than the 2026 notes) in excess of $50 million principal amount that results in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, and such acceleration has not been rescinded or annulled, or such Indebtedness has not been discharged, within a period of 15 days after there has been given to the Company by the trustee or to the Company and the trustee by the holders of at least 25% in aggregate principal amount of the 2026 notes then outstanding, a written notice specifying such default or defaults;

(7) one or more judgments, decrees, or orders is entered against the Company or any of its Significant Subsidiaries (as defined in the indenture) by a court from which no appeal may be or is taken for the payment of money, either individually or in the aggregate, in excess of $50 million, and the continuance of such judgment, decree, or order remains unsatisfied and in effect for any period of 45 consecutive days after the amount of the judgment, decree or order is due without a stay of execution; and

(8) certain events of bankruptcy, insolvency, reorganization, administration or similar proceedings with respect to the Company have occurred.

If an Event of Default (other than an Event of Default specified in clause (8) with respect to the Company) under the indenture occurs with respect to the 2026 notes and is continuing, then the trustee or the holders of at least 51% in principal amount of the outstanding 2026 notes may by written notice require the Company to repay immediately the entire principal amount of the outstanding 2026 notes, together with all accrued and unpaid interest and premium, if any.

If an Event of Default under the indenture specified in clause (8) with respect to the Company occurs and is continuing, then the entire principal amount of the outstanding 2026 notes will automatically become due and payable immediately without any declaration or other act on the part of the trustee or any holder.

After a declaration of acceleration, the holders of a majority in principal amount of outstanding 2026 notes may rescind this accelerated payment requirement if all existing Events of Default, except for nonpayment of the principal and interest on the 2026 notes that has become due solely as a result of the accelerated payment requirement, have been cured or waived and if the rescission of acceleration would not conflict with any judgment or decree. The holders of a majority in principal amount of the outstanding 2026 notes also have the right to waive past defaults, except a default in paying principal or interest on any

outstanding debt security, or in respect of a covenant or a provision that cannot be modified or amended without the consent of all holders of the 2026 notes.

Holders of at least 51% in principal amount of the outstanding 2026 notes may seek to institute a proceeding only after they have notified the trustee of a continuing Event of Default in writing and made a written request, and offered reasonable indemnity, to the trustee to institute a proceeding and the trustee has failed to do so within 60 days after it received this notice. In addition, within this 60-day period the trustee must not have received directions inconsistent with this written request by holders of a majority in principal amount of the outstanding 2026 notes. These limitations do not apply, however, to a suit instituted by a holder of a debt security for the enforcement of the payment of principal, interest or any premium on or after the due dates for such payment.

During the existence of an Event of Default, the trustee is required to exercise the rights and powers vested in it under the indenture and use the same degree of care and skill in its exercise as a prudent man would under the circumstances in the conduct of that person's own affairs. If an Event of Default has occurred and is continuing, the trustee is not under any obligation to exercise any of its rights or powers at the request or direction of any of the holders unless the holders have offered to the trustee reasonable security or indemnity. Subject to certain provisions, the holders of a majority in principal amount of the outstanding 2026 notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust, or power conferred on the trustee.

The trustee will, within 90 days after any default occurs, give notice of the default to the holders of the 2026 notes, unless the default was already cured or waived. Unless there is a default in paying principal, interest or any premium when due, the trustee can withhold giving notice to the holders if it determines in good faith that the withholding of notice is in the interest of the holders.

The indenture requires that the Company must deliver to the trustee within 120 days after the end of each fiscal year an officers' certificate stating whether such officers have knowledge of any default under the indenture and, if so, specifying such default and the nature thereof.

Modification and Waiver

The indenture or the 2026 notes may be amended or modified without the consent of any holder of 2026 notes in order to:

- evidence a successor to the trustee;
- cure ambiguities, defects or inconsistencies;
- provide for the assumption of the Company's obligations in the case of a merger or consolidation or transfer of all or substantially all of the Company's assets that complies with the covenant described above under "- Merger, Consolidation or Sale of Assets";
- make any change that would provide any additional rights or benefits to the holders of the 2026 notes;
- add guarantors or co-obligors with respect to the 2026 notes;
- secure the 2026 notes;
- establish the form or forms of 2026 notes;
- add additional Events of Default with respect to the 2026 notes;
- maintain the qualification of the indenture under the Trust Indenture Act; or
- make any change that does not adversely affect in any material respect the interests of any holder.

Other amendments and modifications of the indenture or the 2026 notes issued may be made with the consent of the holders of not less than a majority of the aggregate principal amount of the outstanding debt securities of each series affected by the amendment or modification. However, no modification or amendment may, without the consent of the holder of each outstanding 2026 note:

- reduce the principal amount, or extend the fixed maturity, of the 2026 notes;
- alter or waive the redemption or repayment provisions of the 2026 notes;
- change the currency in which principal, any premium or interest is paid;

- reduce the percentage in principal amount outstanding of 2026 notes that must consent to an amendment, supplement or waiver or consent to take any action;
- impair the right to institute suit for the enforcement of any payment on the 2026 notes;
- waive a payment default with respect to the 2026 notes or any guarantor;
- reduce the interest rate or extend the time for payment of interest on the 2026 notes;
- adversely affect the ranking of the 2026 notes; or
- release any guarantor or co-obligor from any of its obligations under its guarantee or the indenture, except in compliance with the terms of the indenture.

Satisfaction, Discharge and Covenant Defeasance

The Company may terminate its obligations under the indenture with respect to the outstanding 2026 notes, when:

- either:
  - all 2026 notes issued that have been authenticated and delivered have been delivered to the trustee for cancellation; or
  - all 2026 notes issued that have not been delivered to the trustee for cancellation have become due and payable, will become due and payable within one year, or are to be called for redemption within one year and the Company has made arrangements satisfactory to the trustee for the giving of notice of redemption by such trustee in the Company's name and at its expense, and in each case, the Company has irrevocably deposited or caused to be deposited with the trustee sufficient funds to pay and discharge the entire indebtedness on the 2026 notes;
- the Company has paid or caused to be paid all other sums then due and payable under the indenture; and
- the Company delivered to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent under the indenture relating to the satisfaction and discharge of the indenture have been complied with.

The Company may elect to have its obligations under the indenture discharged with respect to the outstanding 2026 notes ("legal defeasance"). Legal defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by the outstanding 2026 notes under the indenture, except for:

- the rights of holders of the 2026 notes to receive principal, interest and any premium when due;
- the Company's obligations with respect to the 2026 notes concerning issuing temporary 2026 notes, registration of transfer of 2026 notes, mutilated, destroyed, lost or stolen 2026 notes and the maintenance of an office or agency for payment for security payments held in trust;
- the rights, powers, trusts, duties and immunities of the trustee; and
- the defeasance provisions of the indenture.

In addition, the Company may elect to have its obligations released with respect to certain covenants in the indenture ("covenant defeasance"). If the Company so elects, any failure to comply with these obligations will not constitute a default or an Event of Default with respect to the 2026 notes. In the event covenant defeasance occurs, certain events, not including non-payment, bankruptcy and insolvency events, described under "Events of Default and Remedies" above will no longer constitute an Event of Default for the 2026 notes.

In order to exercise either legal defeasance or covenant defeasance with respect to outstanding 2026 notes:

- the Company must irrevocably have deposited or caused to be deposited with the trustee as trust funds for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to the benefits of the holders of the 2026 notes:
  - money in an amount;
  - U.S. government obligations (or equivalent government obligations in the case of 2026 notes denominated in other than U.S. dollars or a specified currency) that will provide, not later than one day before the due date of any payment, money in an amount; or

- a combination of money and U.S. government obligations (or equivalent government obligations, as applicable) in an amount, in each case sufficient, in the written opinion (with respect to U.S. or equivalent government obligations or a combination of money and U.S. or equivalent government obligations, as applicable) of a nationally recognized firm of independent public accountants to pay and discharge, and that will be applied by the trustee to pay and discharge, all of the principal, interest and premium, if any, at due date or maturity;

- in the case of legal defeasance, the Company has delivered to the trustee an opinion of counsel stating that, under then applicable Federal income tax law or a ruling published by the Internal Revenue Service, the holders of the 2026 notes will not recognize income, gain or loss for Federal income tax purposes as a result of the deposit, defeasance and discharge to be effected and will be subject to the same Federal income tax as would be the case if the deposit, defeasance and discharge did not occur;
- in the case of covenant defeasance, the Company has delivered to the trustee an opinion of counsel to the effect that the holders of the 2026 notes will not recognize income, gain or loss for Federal income tax purposes as a result of the deposit and covenant defeasance to be effected and will be subject to the same Federal income tax as would be the case if the deposit and covenant defeasance did not occur;
- no Event of Default or default with respect to the outstanding 2026 notes has occurred and is continuing at the time of such deposit after giving effect to the deposit or, in the case of legal defeasance, no default relating to bankruptcy or insolvency has occurred and is continuing at any time on or before the 91st day after the date of such deposit, it being understood that this condition is not deemed satisfied until after the 91st day;
- the legal defeasance or covenant defeasance will not cause the trustee to have a conflicting interest within the meaning of the Trust Indenture Act, assuming all 2026 notes were in default within the meaning of the Trust Indenture Act;
- the legal defeasance or covenant defeasance will not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company is a party;
- the legal defeasance or covenant defeasance will not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act of 1940, as amended, unless the trust is registered under the Investment Company Act of 1940, as amended, or exempt from registration;
- if the 2026 notes are to be redeemed prior to their maturity, notice of such redemption shall have been duly given; and
- the Company has delivered to the trustee an officers' certificate and an opinion of counsel stating that all conditions precedent with respect to the legal defeasance or covenant defeasance have been complied with.

Optional Redemption

The 2026 notes are redeemable at the Company's option at any time in whole or from time to time in part in €1,000 increments (provided that any remaining principal amount thereof shall be at least the minimum authorized denomination thereof). If the 2026 notes are redeemed before April 7, 2026 (three months prior to the maturity date, or the "par call date"), the redemption price will equal the greater of:

- 100% of the principal amount of the 2026 notes to be redeemed; and
- the sum of the present values of the remaining scheduled payments of principal and interest on the 2026 notes to be redeemed assuming the 2026 notes mature on the par call date (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis (ACTUAL/ACTUAL (ICMA)), at the Comparable Government Bond Rate (as defined below) plus 20 basis points.

If the 2026 notes are redeemed on or after the par call date, the redemption price for the 2026 notes will equal 100% of the principal amount of the 2026 notes being redeemed, plus accrued and unpaid interest to, but not including, the redemption date.

"*Comparable Government Bond*" means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by the Company, a German government bond whose maturity is closest to the par call date, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other German government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German government bonds selected by the Company, determine to be appropriate for determining the Comparable Government Bond Rate.

"*Comparable Government Bond Rate*" means the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the 2026 notes to be redeemed, if they were to be

purchased at such price on the third business day prior to the date fixed for redemption, would be equal to the gross redemption yield on such business day of the Comparable Government Bond on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank selected by the Company.

If less than all of the 2026 notes are to be redeemed, and the 2026 notes are global notes, the 2026 notes to be redeemed will be selected by Euroclear or Clearsteam in accordance with their standard procedures. If the 2026 notes to be redeemed are not global notes then held by Euroclear or Clearstream, the trustee will select the 2026 notes to be redeemed on a *pro rata* basis, by lot, or by any other method the trustee deems fair and appropriate. If the 2026 notes are listed on any national securities exchange, Euroclear or Clearstream will select 2026 notes in compliance with the requirements of the principal national securities exchange on which the 2026 notes are listed. Notwithstanding the foregoing, if less than all of the 2026 notes are to be redeemed, no 2026 notes of a principal amount of €100,000 or less shall be redeemed in part. If money sufficient to pay the redemption price on the 2026 notes (or portions thereof) to be redeemed on the redemption date is deposited with the paying agent on or before the redemption date and certain other conditions are satisfied, then on and after such redemption date, interest will cease to accrue on such 2026 notes (or such portion thereof) called for redemption.

Optional Redemption for Tax Reasons

The 2026 notes may be redeemed at our option in whole, but not in part, on not less than 15 nor more than 45 days' prior notice, at 100% of the principal amount, together with accrued and unpaid interest, if any, to, but excluding, the redemption date if, as a result of any change in, or amendment to, the laws, regulations or rulings of the United States (or any political subdivision or taxing authority thereof or therein having power to tax), or any change in official position regarding application or interpretation of those laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change, amendment, application or interpretation is announced and becomes effective on or after the original issue date with respect to the 2026 notes, the Company becomes or, based upon a written opinion of independent counsel selected by the Company, will become obligated to pay additional amounts as described below in "- Payment of Additional Amounts" and that obligation cannot be avoided by taking reasonable measures available to the Company, as determined by the Company in its sole discretion acting in good faith.

Payment of Additional Amounts

All payments of principal, interest, and premium, if any, in respect of the 2026 notes will be made free and clear of, and without withholding or deduction for, any present or future taxes, assessments, duties or governmental charges of whatever nature imposed, levied or collected by the United States (or any political subdivision or taxing authority thereof or therein having power to tax), unless such withholding or deduction is required by law or the official interpretation or administration thereof.

In addition, for so long as the 2026 notes are outstanding and the provisions of the Directive continue to have effect, the Company will maintain a paying agent in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to the Directive, or any law implementing or complying with or introduced in order to conform to such directive (so long as there is such a member state).

The Company will, subject to the exceptions and limitations set forth below, pay as additional interest in respect of the 2026 notes such additional amounts as are necessary in order that the net payment by the Company of the principal of, premium, if any, and interest in respect of the 2026 notes to a holder who is not a United States person (as defined below), after withholding or deduction for any present or future tax, assessment, duties or other governmental charge imposed by the United States (or any political subdivision or taxing authority thereof or therein having power to tax), will not be less than the amount provided in the 2026 notes to be then due and payable; provided, however, that the foregoing obligation to pay additional amounts shall not apply:

(1) to the extent any tax, assessment or other governmental charge would not have been imposed but for the holder (or the beneficial owner for whose benefit such holder holds such note), or a fiduciary, settlor, beneficiary, member or shareholder of the holder if the holder is an estate, trust, partnership or corporation, or a person holding a power over an estate or trust administered by a fiduciary holder, being considered as:

    a. being or having been engaged in a trade or business in the United States or having or having had a permanent establishment in the United States;

b. having a current or former connection with the United States (other than a connection arising solely as a result of the ownership of the 2026 notes, the receipt of any payment or the enforcement of any rights hereunder), including being or having been a citizen or resident of the United States;

c. being or having been a personal holding company, a passive foreign investment company or a controlled foreign corporation for U.S. Federal income tax purposes or a corporation that has accumulated earnings to avoid U.S. Federal income tax;

d. being or having been a "10-percent shareholder" of the Company as defined in section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended (the "Code") or any successor provision; or

e. being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business, as described in section 881(c)(3)(A) of the Code or any successor provision;

(2) to any holder that is not the sole beneficial owner of the 2026 notes, or a portion of the 2026 notes, or that is a fiduciary, partnership or limited liability company, but only to the extent that a beneficial owner with respect to the holder, a beneficiary or settlor with respect to the fiduciary, or a beneficial owner or member of the partnership or limited liability company would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment;

(3) to the extent any tax, assessment or other governmental charge that would not have been imposed but for the failure of the holder or any other person to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the 2026 notes, if compliance is required by statute, by regulation of the United States or any taxing authority therein or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

(4) to any tax, assessment or other governmental charge that is imposed otherwise than by withholding by the Company or a paying agent from the payment;

(5) to any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any 2026 notes, if such payment can be made without such withholding by any other paying agent;

(6) to any estate, inheritance, gift, sales, transfer, wealth, capital gains or personal property tax or similar tax, assessment or other governmental charge, or excise tax imposed on the transfer of 2026 notes;

(7) to any withholding or deduction that is imposed on a payment to an individual and that is required to be made pursuant to the Directive, or any law implementing or complying with or introduced in order to conform to, such directive;

(8) to any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any note as a result of the presentation of any note for payment (where presentation is required) by or on behalf of a holder of 2026 notes, if such payment could have been made without such withholding by presenting the relevant note to at least one other paying agent in a member state of the European Union;

(9) to the extent any tax, assessment or other governmental charge would not have been imposed but for the presentation by the holder of any note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later except to the extent that the beneficiary or holder thereof would have been entitled to the payment of additional amounts had such note been presented for payment on any day during such 30-day period;

(10) to any tax, assessment or other governmental charge imposed under sections 1471 through 1474 of the Code (or any amended or successor provisions), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to section 1471(b) of the Code or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code; or

(11) in the case of any combination of items (1), (2), (3), (4), (5), (6), (7), (8), (9) and (10).

The 2026 notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable to the 2026 notes. Except as specifically provided above, the Company is not required to make any payment for any tax, assessment or other governmental charge imposed by any government or a political subdivision or taxing authority of or in any government or political subdivision.

Mandatory Redemption; Sinking Fund

No mandatory redemption obligation is applicable to the 2026 notes. The 2026 notes are not subject to, nor have the benefit of, a sinking fund.

DESCRIPTION OF 2.600% NOTES DUE 2028

The following is a description of the material terms of the 2.600% notes due 2028 (the "2028 notes") of Brown-Forman Corporation (the "Company"). This description is not complete and is qualified by reference to the indenture (the "base indenture") dated as of April 2, 2007 between the Company and U.S. Bank National Association, as trustee, as supplemented by the first supplemental indenture dated as of December 13, 2010 and the second supplemental indenture dated as of June 24, 2015 (collectively with the base indenture, the "indenture"), and the Officer's Certificate dated as of July 7, 2016, pursuant to Section 1.01, 2.02, and 3.01 of the indenture, setting forth the terms of the 1.200% notes due 2026 and the 2028 notes (the "officer's certificate").

General

The Company issued the 2028 notes under the indenture. The 2028 notes are a series of debt securities issued under the indenture. The 2028 notes are governed by, and construed in accordance with, the laws of the State of New York.

The 2028 notes are listed on the New York Stock Exchange under the symbol "BF28."

U.S. Bank National Association acts as trustee for the 2028 notes. U.S. Bank National Association also serves as trustee under certain indentures related to other securities that the Company has issued or guaranteed.

Issuance in Sterling

All payments of interest and principal, including payments made upon any redemption or repurchase of the 2028 notes, will be made in sterling; provided that if the sterling is unavailable to the Company due to the imposition of exchange controls or other circumstances beyond the Company's control or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the 2028 notes will be made in U.S. dollars until the sterling is again available to the Company or so used. In such circumstances, the amount payable on any date in sterling will be converted into U.S. dollars at the rate mandated by the Board of Governors of the Federal Reserve System as of the close of business on the second business day prior to the relevant payment date or, if the Board of Governors of the Federal Reserve System has not announced a rate of conversion, on the basis of the most recent U.S. dollar/sterling exchange rate published in *The Wall Street Journal* on or prior to the second business day prior to the relevant payment date or, in the event *The Wall Street Journal* has not published such exchange rate, the rate will be determined in the Company's sole discretion on the basis of the most recently available market exchange rate for the sterling.

Principal, Maturity and Interest

The 2028 notes were limited initially to £300 million in aggregate principal amount. The Company may re-open the 2028 notes and issue an unlimited aggregate principal amount of additional 2028 notes from time to time. Any such additional 2028 notes, together with the 2028 notes originally issued, will constitute a single series of 2028 notes under the indenture. No additional 2028 notes may be issued if an Event of Default (as defined below) has occurred with respect to the 2028 notes or if such additional 2028 notes will not be fungible with the previously issued 2028 notes for Federal income tax purposes. The Company issued the 2028 notes in denominations of £100,000 and integral multiples of £1,000 in excess thereof.

Interest on the 2028 notes accrues at the rate of 2.600% per year. The Company pays interest on the 2028 notes annually in arrears on July 7 of each year. The Company makes each interest payment to the persons who are the registered holders of the 2028 notes on the immediately preceding June 23. Interest on the 2028 notes accrues from the last interest payment date on which interest was paid on the 2028 notes or, if no interest has been paid on the 2028 notes, from the date of original issue.

Interest on the 2028 notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the 2028 notes (or July 7, 2017, if no interest has been paid on the 2028 notes), to, but excluding, the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

If any interest payment date would otherwise be a day that is not a business day, such interest payment date will be postponed to the next date that is a business day. If the maturity date of the 2028 notes falls on a day that is not a business day, the related payment of principal and interest will be made on the next business day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next business day.

For these purposes, a "business day" is any day that is not a Saturday, Sunday or other day on which banking institutions in New York City, London or another place of payment on the 2028 notes are authorized or required by law to close and on which the Trans-European Automated Real-Time Gross Settlement Express Transfer system (the TARGET2 system), or any successor thereto, is open.

The 2028 notes will mature on July 7, 2028 unless the 2028 notes are previously redeemed or repurchased in whole.

Ranking

The Company's obligations to pay principal, interest, and premium, if any, on the 2028 notes are the Company's general unsecured senior obligations and rank equally with all of its other unsecured senior indebtedness from time to time outstanding. Because the creditors of the Company's subsidiaries have direct claims on the subsidiaries and their assets, the claims of holders of the Company's debt securities are "structurally subordinated" to any existing and future liabilities of the Company's subsidiaries. This means that the creditors of the Company's subsidiaries have priority in their claims on the assets of the Company's subsidiaries over the Company's creditors. In addition, a substantial portion of the Company's ordinary course liabilities, including accounts payable and accrued liabilities, are incurred by the Company's subsidiaries. The indenture does not contain any covenants or provisions that would afford the holders of the 2028 notes protection in the event of a highly leveraged or similar transaction.

Certain Covenants

Limitation on Liens

The indenture provides that if the Company or any of its Subsidiaries (as defined in the indenture) incurs, issues, assumes or guarantees any Indebtedness (as defined in the indenture) secured by a Mortgage (as defined in the indenture) on Principal Property (as defined in the indenture) of the Company or of any Subsidiary or on any shares of capital stock or Indebtedness (owed to the Company or any other Subsidiary) of any Subsidiary that owns Principal Property, the Company will secure, or cause such Subsidiary to secure, all outstanding 2028 notes equally and ratably with such secured Indebtedness, unless after giving effect thereto the aggregate amount of all such secured Indebtedness, together with all Attributable Debt (as defined in the indenture) of the Company and of its Subsidiaries in respect of sale and lease-back transactions involving Principal Properties (other than certain sale and lease-back transactions that are permitted under "Limitation on Sale and Leaseback Transactions") would constitute 15% or less of the Company's and its consolidated Subsidiaries' Consolidated Net Assets (as defined in the indenture) upon such incurrence, issuance, assumption or guarantee. This restriction will not apply in the case of:

- Mortgages affecting property of any person existing at the time such person becomes a Subsidiary or at the time it is acquired by the Company or a Subsidiary or arising thereafter under contractual commitments entered into prior to and not in contemplation of such person's becoming a Subsidiary or being acquired by the Company or a Subsidiary;
- Mortgages existing at the time of acquisition of the property affected by such Mortgage, or Mortgages incurred to secure payment of all or part of the purchase price of such property or to secure Indebtedness incurred prior to, at the time of, or within 180 days after, the acquisition of such property for the purpose of financing all or part of the purchase price of such property (provided such Mortgages are limited to such property and improvements to such property);
- Mortgages placed into effect prior to, at the time of, or within 180 days of completion of construction of new facilities (or any improvements to existing facilities) to secure all or part of the cost of construction or improvement of such facilities, or to secure Indebtedness incurred to provide funds for any such purpose (provided such Mortgages are limited to the property or portion thereof upon which the construction being so financed occurred and improvements the cost of construction of which is being so financed);
- Pledges or deposits in the ordinary course of business and in connection with bids, tenders, contracts or statutory obligations or to secure surety or performance bonds;
- Mortgages imposed by law, such as carriers', warehousemen's and mechanics' and materialmen's liens, arising in the ordinary course of business;
- Mortgages for taxes or assessments or governmental charges or levies, so long as such taxes or assessments or governmental charges or levies are not due and payable, or the same can be paid thereafter without penalty, or the same are being contested in good faith;

- minor encumbrances, easements or reservations that do not in the aggregate materially adversely affect the value of the properties or impair their use;
- Mortgages in respect of judgments that do not result in an event of default under the indenture;
- Mortgages that secure only debt owing by a Subsidiary to the Company or to a Subsidiary of the Company;
- Mortgages required by any contract or statute in order to permit the Company or a Subsidiary to perform any contract or subcontract made by it with or at the request of the United States of America or any state, or any department, agency, instrumentality or political subdivision of any of the foregoing or the District of Columbia, and Mortgages on property owned or leased by the Company or a Subsidiary (a) to secure any Indebtedness incurred for the purpose of financing (including any industrial development bond financing) all or any part of the purchase price or the cost of constructing, expanding or improving the property subject thereto (provided such Mortgages are limited to the property or portion thereof upon which the construction being so financed occurred and the improvements the cost of construction of which is being so financed), or (b) needed to permit the construction, improvement, attachment or removal of any equipment designed primarily for the purpose of air or water pollution control, provided that such Mortgages will not extend to other property or assets of the Company or any Subsidiary;
- landlords' liens on property held under lease;
- Mortgages, if any, in existence on April 2, 2007; and
- certain extensions, renewals, replacements or refundings of Mortgages referred to in the foregoing clauses.

Limitation on Sale and Lease-back Transactions

The indenture provides that neither the Company nor any of its Subsidiaries may enter into any sale and lease-back transaction involving Principal Property acquired or placed into service more than 180 days prior to such transaction, whereby such property has been or is to be sold or transferred by the Company or any Subsidiary, unless:

- the Company or such Subsidiary would at the time of entering into such transaction be entitled to create Indebtedness secured by a Mortgage on such property as described in "- Limitations on Liens" above in an amount equal to the Attributable Debt with respect to the sale and lease-back transaction without equally and ratably securing the outstanding 2028 notes; or
- the Company applies to the retirement or prepayment (other than any mandatory retirement or prepayment) of the Company's Funded Debt (as defined in the indenture), or to the acquisition, development or improvement of Principal Property, an amount equal to the net proceeds from the sale of the Principal Property so leased within 180 days of the effective date of any such sale and lease-back transaction, provided that the amount to be applied to the retirement or prepayment of our Funded Debt shall be reduced by the principal amount of any 2028 notes delivered by the Company to the trustee within 180 days after such sale and lease-back transaction for retirement and cancellation.

This restriction will not apply to any sale and lease-back transaction (i) involving the taking back of a lease for a period of three years or less; (ii) involving industrial development or pollution control financing; or (iii) between the Company and a Subsidiary or between Subsidiaries.

Merger, Consolidation or Sale of Assets

The indenture prohibits the Company from merging into or consolidating with any other corporation or selling, leasing or conveying substantially all of its assets and the assets of its Subsidiaries, taken as a whole, to any person, unless:

- either the Company is the continuing corporation or the successor corporation or the person that acquires by sale, lease or conveyance all or substantially all of the Company's or its Subsidiaries' assets is a corporation organized under the laws of the United States of America, any state thereof, or the District of Columbia, and expressly assumes the due and punctual payment of the principal of, and premium, if any, and interest on all the 2028 notes and the due and punctual performance and observance of every covenant and condition of the indenture to be performed or observed by the Company, by supplemental indenture satisfactory to the trustee, executed and delivered to the trustee by such corporation;
- immediately after giving effect to such transaction, no Event of Default described under the caption "Events of Default and Remedies" below or event which, after notice or lapse of time or both would become an Event of Default, has happened and is continuing; and

- the Company has delivered to the trustee an opinion of counsel stating that such transaction and such supplemental indenture comply with the indenture provisions and that the Company has complied with all conditions precedent in the indenture relating to such transaction.

Upon any consolidation or merger with or into any other person or any sale, conveyance, lease, or other transfer of all or substantially all of the Company's or its Subsidiaries' assets to any person, the successor corporation will succeed to, and be substituted for, the Company under the indenture and each outstanding 2028 note, and the Company will be relieved of all obligations and covenants under the indenture and each outstanding 2028 note to the extent the Company was the predecessor person.

Events of Default and Remedies

The following constitute "Events of Default" under the indenture governing the 2028 notes:

(1) default in paying interest on the 2028 notes when it becomes due and the default continues for a period of 30 days or more;

(2) default in paying principal, or premium, if any, on the 2028 notes when due;

(3) default is made in the payment of any sinking or purchase fund or analogous obligation when the same becomes due, and such default continues for 30 days or more;

(4) default in the performance, or breach, of any covenant in the indenture (other than defaults specified in clause (1), (2) or (3) above) and the default or breach continues for a period of 60 days or more after the Company receives written notice from the trustee or the Company and the trustee receive notice from the holders of at least 25% in aggregate principal amount of the outstanding 2028 notes;

(5) the Company defaults in the payment of any scheduled principal of or interest on any of the Company's Indebtedness or any Indebtedness of any of its Subsidiaries (other than the 2028 notes), aggregating more than $50 million in principal amount, when due and payable after giving effect to any applicable grace period;

(6) the Company defaults in the performance of any other term or provision of any of the Company's Indebtedness or any Indebtedness of any of its Subsidiaries (other than the 2028 notes) in excess of $50 million principal amount that results in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, and such acceleration has not been rescinded or annulled, or such Indebtedness has not been discharged, within a period of 15 days after there has been given to the Company by the trustee or to the Company and the trustee by the holders of at least 25% in aggregate principal amount of the 2028 notes then outstanding, a written notice specifying such default or defaults;

(7) one or more judgments, decrees, or orders is entered against the Company or any of its Significant Subsidiaries (as defined in the indenture) by a court from which no appeal may be or is taken for the payment of money, either individually or in the aggregate, in excess of $50 million, and the continuance of such judgment, decree, or order remains unsatisfied and in effect for any period of 45 consecutive days after the amount of the judgment, decree or order is due without a stay of execution; and

(8) certain events of bankruptcy, insolvency, reorganization, administration or similar proceedings with respect to the Company have occurred.

If an Event of Default (other than an Event of Default specified in clause (8) with respect to the Company) under the indenture occurs with respect to the 2028 notes and is continuing, then the trustee or the holders of at least 51% in principal amount of the outstanding 2028 notes may by written notice require the Company to repay immediately the entire principal amount of the outstanding 2028 notes, together with all accrued and unpaid interest and premium, if any.

If an Event of Default under the indenture specified in clause (8) with respect to the Company occurs and is continuing, then the entire principal amount of the outstanding 2028 notes will automatically become due and payable immediately without any declaration or other act on the part of the trustee or any holder.

After a declaration of acceleration, the holders of a majority in principal amount of outstanding 2028 notes may rescind this accelerated payment requirement if all existing Events of Default, except for nonpayment of the principal and interest on the 2028 notes that has become due solely as a result of the accelerated payment requirement, have been cured or waived and if the rescission of acceleration would not conflict with any judgment or decree. The holders of a majority in principal amount of the outstanding 2028 notes also have the right to waive past defaults, except a default in paying principal or interest on any

outstanding debt security, or in respect of a covenant or a provision that cannot be modified or amended without the consent of all holders of the 2028 notes.

Holders of at least 51% in principal amount of the outstanding 2028 notes may seek to institute a proceeding only after they have notified the trustee of a continuing Event of Default in writing and made a written request, and offered reasonable indemnity, to the trustee to institute a proceeding and the trustee has failed to do so within 60 days after it received this notice. In addition, within this 60-day period the trustee must not have received directions inconsistent with this written request by holders of a majority in principal amount of the outstanding 2028 notes. These limitations do not apply, however, to a suit instituted by a holder of a debt security for the enforcement of the payment of principal, interest or any premium on or after the due dates for such payment.

During the existence of an Event of Default, the trustee is required to exercise the rights and powers vested in it under the indenture and use the same degree of care and skill in its exercise as a prudent man would under the circumstances in the conduct of that person's own affairs. If an Event of Default has occurred and is continuing, the trustee is not under any obligation to exercise any of its rights or powers at the request or direction of any of the holders unless the holders have offered to the trustee reasonable security or indemnity. Subject to certain provisions, the holders of a majority in principal amount of the outstanding 2028 notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust, or power conferred on the trustee.

The trustee will, within 90 days after any default occurs, give notice of the default to the holders of the 2028 notes, unless the default was already cured or waived. Unless there is a default in paying principal, interest or any premium when due, the trustee can withhold giving notice to the holders if it determines in good faith that the withholding of notice is in the interest of the holders.

The indenture requires that the Company must deliver to the trustee within 120 days after the end of each fiscal year an officers' certificate stating whether such officers have knowledge of any default under the indenture and, if so, specifying such default and the nature thereof.

Modification and Waiver

The indenture or the 2028 notes may be amended or modified without the consent of any holder of 2028 notes in order to:

- evidence a successor to the trustee;
- cure ambiguities, defects or inconsistencies;
- provide for the assumption of the Company's obligations in the case of a merger or consolidation or transfer of all or substantially all of the Company's assets that complies with the covenant described above under "- Merger, Consolidation or Sale of Assets";
- make any change that would provide any additional rights or benefits to the holders of the 2028 notes;
- add guarantors or co-obligors with respect to the 2028 notes;
- secure the 2028 notes;
- establish the form or forms of 2028 notes;
- add additional Events of Default with respect to the 2028 notes;
- maintain the qualification of the indenture under the Trust Indenture Act; or
- make any change that does not adversely affect in any material respect the interests of any holder.

Other amendments and modifications of the indenture or the 2028 notes issued may be made with the consent of the holders of not less than a majority of the aggregate principal amount of the outstanding debt securities of each series affected by the amendment or modification. However, no modification or amendment may, without the consent of the holder of each outstanding 2028 note:

- reduce the principal amount, or extend the fixed maturity, of the 2028 notes;
- alter or waive the redemption or repayment provisions of the 2028 notes;
- change the currency in which principal, any premium or interest is paid;

- reduce the percentage in principal amount outstanding of 2028 notes that must consent to an amendment, supplement or waiver or consent to take any action;
- impair the right to institute suit for the enforcement of any payment on the 2028 notes;
- waive a payment default with respect to the 2028 notes or any guarantor;
- reduce the interest rate or extend the time for payment of interest on the 2028 notes;
- adversely affect the ranking of the 2028 notes; or
- release any guarantor or co-obligor from any of its obligations under its guarantee or the indenture, except in compliance with the terms of the indenture.

Satisfaction, Discharge and Covenant Defeasance

The Company may terminate its obligations under the indenture with respect to the outstanding 2028 notes, when:

- either:
  - all 2028 notes issued that have been authenticated and delivered have been delivered to the trustee for cancellation; or
  - all 2028 notes issued that have not been delivered to the trustee for cancellation have become due and payable, will become due and payable within one year, or are to be called for redemption within one year and the Company has made arrangements satisfactory to the trustee for the giving of notice of redemption by such trustee in the Company's name and at its expense, and in each case, the Company has irrevocably deposited or caused to be deposited with the trustee sufficient funds to pay and discharge the entire indebtedness on the 2028 notes;
- the Company has paid or caused to be paid all other sums then due and payable under the indenture; and
- the Company delivered to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent under the indenture relating to the satisfaction and discharge of the indenture have been complied with.

The Company may elect to have its obligations under the indenture discharged with respect to the outstanding 2028 notes ("legal defeasance"). Legal defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by the outstanding 2028 notes under the indenture, except for:

- the rights of holders of the 2028 notes to receive principal, interest and any premium when due;
- the Company's obligations with respect to the 2028 notes concerning issuing temporary 2028 notes, registration of transfer of 2028 notes, mutilated, destroyed, lost or stolen 2028 notes and the maintenance of an office or agency for payment for security payments held in trust;
- the rights, powers, trusts, duties and immunities of the trustee; and
- the defeasance provisions of the indenture.

In addition, the Company may elect to have its obligations released with respect to certain covenants in the indenture ("covenant defeasance"). If the Company so elects, any failure to comply with these obligations will not constitute a default or an Event of Default with respect to the 2028 notes. In the event covenant defeasance occurs, certain events, not including non-payment, bankruptcy and insolvency events, described under "Events of Default and Remedies" above will no longer constitute an Event of Default for the 2028 notes.

In order to exercise either legal defeasance or covenant defeasance with respect to outstanding 2028 notes:

- the Company must irrevocably have deposited or caused to be deposited with the trustee as trust funds for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to the benefits of the holders of the 2028 notes:
  - money in an amount;
  - U.S. government obligations (or equivalent government obligations in the case of 2028 notes denominated in other than U.S. dollars or a specified currency) that will provide, not later than one day before the due date of any payment, money in an amount; or

- a combination of money and U.S. government obligations (or equivalent government obligations, as applicable) in an amount, in each case sufficient, in the written opinion (with respect to U.S. or equivalent government obligations or a combination of money and U.S. or equivalent government obligations, as applicable) of a nationally recognized firm of independent public accountants to pay and discharge, and that will be applied by the trustee to pay and discharge, all of the principal, interest and premium, if any, at due date or maturity;

- in the case of legal defeasance, the Company has delivered to the trustee an opinion of counsel stating that, under then applicable Federal income tax law or a ruling published by the Internal Revenue Service, the holders of the 2028 notes will not recognize income, gain or loss for Federal income tax purposes as a result of the deposit, defeasance and discharge to be effected and will be subject to the same Federal income tax as would be the case if the deposit, defeasance and discharge did not occur;
- in the case of covenant defeasance, the Company has delivered to the trustee an opinion of counsel to the effect that the holders of the 2028 notes will not recognize income, gain or loss for Federal income tax purposes as a result of the deposit and covenant defeasance to be effected and will be subject to the same Federal income tax as would be the case if the deposit and covenant defeasance did not occur;
- no Event of Default or default with respect to the outstanding 2028 notes has occurred and is continuing at the time of such deposit after giving effect to the deposit or, in the case of legal defeasance, no default relating to bankruptcy or insolvency has occurred and is continuing at any time on or before the 91st day after the date of such deposit, it being understood that this condition is not deemed satisfied until after the 91st day;
- the legal defeasance or covenant defeasance will not cause the trustee to have a conflicting interest within the meaning of the Trust Indenture Act, assuming all 2028 notes were in default within the meaning of the Trust Indenture Act;
- the legal defeasance or covenant defeasance will not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company is a party;
- the legal defeasance or covenant defeasance will not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act of 1940, as amended, unless the trust is registered under the Investment Company Act of 1940, as amended, or exempt from registration;
- if the 2028 notes are to be redeemed prior to their maturity, notice of such redemption shall have been duly given; and
- the Company has delivered to the trustee an officers' certificate and an opinion of counsel stating that all conditions precedent with respect to the legal defeasance or covenant defeasance have been complied with.

Optional Redemption

The 2028 notes are redeemable at the Company's option at any time in whole or from time to time in part in £1,000 increments (provided that any remaining principal amount thereof shall be at least the minimum authorized denomination thereof). If the 2028 notes are redeemed before April 7, 2028 (three months prior to the maturity date, or the "par call date"), the redemption price will equal the greater of:

- 100% of the principal amount of the 2028 notes to be redeemed; and
- the sum of the present values of the remaining scheduled payments of principal and interest on the 2028 notes to be redeemed assuming the 2028 notes mature on the par call date (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis (ACTUAL/ACTUAL (ICMA)), at the Comparable Government Bond Rate (as defined below) plus 25 basis points.

If the 2028 notes are redeemed on or after the par call date, the redemption price for the 2028 notes will equal 100% of the principal amount of the 2028 notes being redeemed, plus accrued and unpaid interest to, but not including, the redemption date.

"*Comparable Government Bond*" means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by the Company, a United Kingdom government bond whose maturity is closest to the par call date, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other United Kingdom government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, United Kingdom government bonds selected by the Company, determine to be appropriate for determining the Comparable Government Bond Rate.

"*Comparable Government Bond Rate*" means the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the 2028 notes to be redeemed, if they were to be purchased at such price on the third business day prior to the date fixed for redemption, would be equal to the gross redemption yield on such business day of the Comparable Government Bond on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank selected by the Company.

If less than all of the 2028 notes are to be redeemed, and the 2028 notes are global notes, the 2028 notes to be redeemed will be selected by Euroclear or Clearsteam in accordance with their standard procedures. If the 2028 notes to be redeemed are not global notes then held by Euroclear or Clearstream, the trustee will select the 2028 notes to be redeemed on a *pro rata* basis, by lot, or by any other method the trustee deems fair and appropriate. If the 2028 notes are listed on any national securities exchange, Euroclear or Clearstream will select 2028 notes in compliance with the requirements of the principal national securities exchange on which the 2028 notes are listed. Notwithstanding the foregoing, if less than all of the 2028 notes are to be redeemed, no 2028 notes of a principal amount of £100,000 or less shall be redeemed in part. If money sufficient to pay the redemption price on the 2028 notes (or portions thereof) to be redeemed on the redemption date is deposited with the paying agent on or before the redemption date and certain other conditions are satisfied, then on and after such redemption date, interest will cease to accrue on such 2028 notes (or such portion thereof) called for redemption.

Optional Redemption for Tax Reasons

The 2028 notes may be redeemed at our option in whole, but not in part, on not less than 15 nor more than 45 days' prior notice, at 100% of the principal amount, together with accrued and unpaid interest, if any, to, but excluding, the redemption date if, as a result of any change in, or amendment to, the laws, regulations or rulings of the United States (or any political subdivision or taxing authority thereof or therein having power to tax), or any change in official position regarding application or interpretation of those laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change, amendment, application or interpretation is announced and becomes effective on or after the original issue date with respect to the 2028 notes, the Company becomes or, based upon a written opinion of independent counsel selected by the Company, will become obligated to pay additional amounts as described below in "- Payment of Additional Amounts" and that obligation cannot be avoided by taking reasonable measures available to the Company, as determined by the Company in its sole discretion acting in good faith.

Payment of Additional Amounts

All payments of principal, interest, and premium, if any, in respect of the 2028 notes will be made free and clear of, and without withholding or deduction for, any present or future taxes, assessments, duties or governmental charges of whatever nature imposed, levied or collected by the United States (or any political subdivision or taxing authority thereof or therein having power to tax), unless such withholding or deduction is required by law or the official interpretation or administration thereof.

In addition, for so long as the 2028 notes are outstanding and the provisions of the Directive continue to have effect, the Company will maintain a paying agent in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to the Directive, or any law implementing or complying with or introduced in order to conform to such directive (so long as there is such a member state).

The Company will, subject to the exceptions and limitations set forth below, pay as additional interest in respect of the 2028 notes such additional amounts as are necessary in order that the net payment by the Company of the principal of, premium, if any, and interest in respect of the 2028 notes to a holder who is not a United States person (as defined below), after withholding or deduction for any present or future tax, assessment, duties or other governmental charge imposed by the United States (or any political subdivision or taxing authority thereof or therein having power to tax), will not be less than the amount provided in the 2028 notes to be then due and payable; provided, however, that the foregoing obligation to pay additional amounts shall not apply:

(1) to the extent any tax, assessment or other governmental charge would not have been imposed but for the holder (or the beneficial owner for whose benefit such holder holds such note), or a fiduciary, settlor, beneficiary, member or shareholder of the holder if the holder is an estate, trust, partnership or corporation, or a person holding a power over an estate or trust administered by a fiduciary holder, being considered as:

a. being or having been engaged in a trade or business in the United States or having or having had a permanent establishment in the United States;

b. having a current or former connection with the United States (other than a connection arising solely as a result of the ownership of the 2028 notes, the receipt of any payment or the enforcement of any rights hereunder), including being or having been a citizen or resident of the United States;

c. being or having been a personal holding company, a passive foreign investment company or a controlled foreign corporation for U.S. Federal income tax purposes or a corporation that has accumulated earnings to avoid U.S. Federal income tax;

d. being or having been a "10-percent shareholder" of the Company as defined in section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended (the "Code") or any successor provision; or

e. being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business, as described in section 881(c)(3)(A) of the Code or any successor provision;

(2) to any holder that is not the sole beneficial owner of the 2028 notes, or a portion of the 2028 notes, or that is a fiduciary, partnership or limited liability company, but only to the extent that a beneficial owner with respect to the holder, a beneficiary or settlor with respect to the fiduciary, or a beneficial owner or member of the partnership or limited liability company would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment;

(3) to the extent any tax, assessment or other governmental charge that would not have been imposed but for the failure of the holder or any other person to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the 2028 notes, if compliance is required by statute, by regulation of the United States or any taxing authority therein or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

(4) to any tax, assessment or other governmental charge that is imposed otherwise than by withholding by the Company or a paying agent from the payment;

(5) to any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any 2028 notes, if such payment can be made without such withholding by any other paying agent;

(6) to any estate, inheritance, gift, sales, transfer, wealth, capital gains or personal property tax or similar tax, assessment or other governmental charge, or excise tax imposed on the transfer of 2028 notes;

(7) to any withholding or deduction that is imposed on a payment to an individual and that is required to be made pursuant to the Directive, or any law implementing or complying with or introduced in order to conform to, such directive;

(8) to any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any note as a result of the presentation of any note for payment (where presentation is required) by or on behalf of a holder of 2028 notes, if such payment could have been made without such withholding by presenting the relevant note to at least one other paying agent in a member state of the European Union;

(9) to the extent any tax, assessment or other governmental charge would not have been imposed but for the presentation by the holder of any note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later except to the extent that the beneficiary or holder thereof would have been entitled to the payment of additional amounts had such note been presented for payment on any day during such 30-day period;

(10) to any tax, assessment or other governmental charge imposed under sections 1471 through 1474 of the Code (or any amended or successor provisions), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to section 1471(b) of the Code or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code; or

(11) in the case of any combination of items (1), (2), (3), (4), (5), (6), (7), (8), (9) and (10).

The 2028 notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable to the 2028 notes. Except as specifically provided above, the Company is not required to make any payment for any tax, assessment or other governmental charge imposed by any government or a political subdivision or taxing authority of or in any government or political subdivision.

Mandatory Redemption; Sinking Fund

No mandatory redemption obligation is applicable to the 2028 notes. The 2028 notes are not subject to, nor have the benefit of, a sinking fund.

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

Name	Percentage of Securities Owned	State or Jurisdiction Of Incorporation
The 86 Company	100%	Delaware
Amercain Investments, C.V.	100% [1]	Netherlands
AMG Trading, L.L.C.	100%	Delaware
The BenRiach Distillery Company Limited	100% [2]	Scotland
BF FINCO, S. de R.L. de C.V.	100% [3]	Mexico
B-F Holding Hungary 2 Kft.	100% [4]	Hungary
B-F Korea, L.L.C.	100% [5]	Delaware
BFC Tequila Limited	100% [6]	Ireland
Brown-Forman Arrow Continental Europe, L.L.C.	100%	Kentucky
Brown-Forman Australia Pty. Ltd.	100% [5]	Australia
Brown-Forman Beverages Europe, Ltd.	100% [5]	United Kingdom
Brown-Forman Beverages Japan, L.L.C.	100%	Delaware
Brown-Forman Beverages North Asia, L.L.C.	100%	Delaware
Brown-Forman Beverages (Shanghai) Co., Ltd.	100% [7]	China
Brown-Forman Beverages Worldwide, Comercio de Bebidas Ltda.	100% [8]	Brazil
Brown-Forman Bulgaria, e.o.o.d.	100% [5]	Bulgaria
Brown-Forman Colombia S.A.S	100% [5]	Colombia
Brown-Forman Czechia, s.r.o.	100% [9]	Czech Republic
Brown-Forman Deutschland GmbH	100% [10]	Germany
Brown-Forman Distillery, Inc.	100%	Delaware
Brown-Forman Dutch Holding, B.V.	100% [5]	Netherlands
Brown-Forman Finland Oy	100% [5]	Finland
Brown-Forman France	100% [5]	France
Brown-Forman Greece E.P.E.	100% [11]	Greece
Brown-Forman Holding Mexico S.A. de C.V.	100% [12]	Mexico
Brown-Forman Hong Kong Ltd.	100% [13]	Hong Kong
Brown-Forman Hungary 1 Kft.	100% [14]	Hungary
Brown-Forman Hungary Kft.	100% [5]	Hungary
Brown-Forman India Private Limited	100% [15]	India
Brown-Forman International, Inc.	100%	Delaware
Brown-Forman Italy, Inc.	100%	Kentucky
Brown-Forman Korea Ltd.	100% [13]	Korea
Brown-Forman Latvia L.L.C.	100% [5]	Latvia
Brown-Forman Ljubljana Marketing, d.o.o	100% [5]	Slovenia
Brown-Forman Middle East FZ-LLC	100% [5]	United Arab Emirates
Brown-Forman Netherlands, B.V.	100% [16]	Netherlands
Brown-Forman New Zealand Limited	100%	New Zealand
Brown-Forman Polska Sp. z o.o.	100% [9]	Poland
Brown-Forman Ro S.R.L.	100% [11]	Romania
Brown-Forman Rus L.L.C.	100% [17]	Russia
Brown-Forman S1, d.o.o.	100% [5]	Serbia
Brown-Forman Scotland Limited	100% [4]	Scotland
Brown-Forman South Africa Pty Ltd.	100% [5]	South Africa
Brown-Forman Spain, S.L.	100% [5]	Spain
Brown-Forman Spirits (Shanghai) Co., Ltd.	100% [7]	China

Name	Percentage of Securities Owned	State or Jurisdiction Of Incorporation
Brown-Forman Spirits Trading, L.L.C.	100% [5]	Turkey
Brown-Forman Tequila Mexico, S. de R.L. de C.V.	100% [18]	Mexico
Brown-Forman Thailand, L.L.C.	100%	Delaware
Brown-Forman Worldwide, L.L.C.	100%	Delaware
Brown-Forman Worldwide (Shanghai) Co., Ltd.	100% [19]	China
Canadian Mist Distillers, Limited	100%	Ontario, Canada
Chambord Liqueur Royale de France	100%	France
Cosesa-BF S. de R.L. de C.V.	100% [21]	Mexico
Jack Daniel Distillery, Lem Motlow, Prop., Inc.	100% [22]	Tennessee
Jack Daniel's Properties, Inc.	100%	Delaware
Limited Liability Company Brown-Forman Ukraine	100%	Ukraine
Longnorth Limited	100% [16] [20]	Ireland
Magnolia Investments of Alabama, L.L.C.	100% [23]	Delaware
Slane Castle Irish Whiskey Homeplace Limited	100% [24]	Ireland
Slane Castle Irish Whiskey Limited	100% [5]	Ireland
Sonoma-Cutrer Vineyards, Inc.	100%	California
Valle de Amatitan, S.A. de C.V.	100% [18]	Mexico
Washington Investments, L.L.C.	100%	Kentucky

The companies listed above constitute all active subsidiaries in which Brown-Forman Corporation owns, either directly or indirectly, the majority of the voting securities. No other active affiliated companies are controlled by Brown-Forman Corporation.

(1) Owned 99.991% by Brown-Forman Hungary 1 Kft. and 0.009% by B-F Holding Hungary 2 Kft.

(2) Owned by Brown-Forman Scotland Limited.

(3) Owned 99% by Brown-Forman Dutch Holding B.V. and 1% by Brown-Forman Beverages Europe, Ltd.

(4) Owned by Brown-Forman Hungary 1 Kft.

(5) Owned by Brown-Forman Netherlands, B.V.

(6) Owned by Longnorth Limited.

(7) Owned by Brown-Forman Hong Kong Ltd.

(8) Owned 99% by Brown-Forman Corporation and 1% by Brown-Forman Distillery, Inc.

(9) Owned 81.8% by Brown-Forman Netherlands, B.V. and 18.2% by Brown-Forman Beverages Europe, Ltd.

(10) Owned by Brown-Forman Beverages Europe, Ltd.

(11) Owned 90% by Brown-Forman Netherlands B.V. and 10% Brown-Forman Dutch Holding B.V.

(12) Owned 52.01% by Brown-Forman Netherlands, B.V. and 47.99% by Brown-Forman Corporation.

(13) Owned by B-F Korea, L.L.C.

(14) Owned by AMG Trading, L.L.C.

(15) Owned 99.98% by Brown-Forman Netherlands B.V. and 0.02% Brown-Forman Dutch Holding B.V.

(16) Owned by Amercain Investments C.V.

(17) Owned 90% by Brown-Forman Netherlands B.V. and 10% Brown-Forman Deutschland GmbH.

(18) Owned 99% by Brown-Forman Holding Mexico S.A. de C.V. and 1% by Brown-Forman Distillery, Inc.

(19) Owned by Brown-Forman Beverages North Asia, L.L.C.

(20) Includes qualifying shares assigned to Brown-Forman Corporation.

(21) Owned 99.9972% by BF FINCO S. de R.L. de C.V. and 0.00277% by Brown-Forman Beverages Europe, Ltd.

(22) Owned by Jack Daniel's Properties, Inc.

(23) Owned by Jack Daniel Distillery, Lem Motlow, Prop., Inc.

(24) Owned by Slane Castle Irish Whiskey Limited.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-38649, 333-74567, 333-89294, 333-117630, 333-169564, and 333-190122) of Brown-Forman Corporation of our report dated June 19, 2020 relating to the financial statements and financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Louisville, Kentucky
June 19, 2020

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Lawson E. Whiting, certify that:

1. I have reviewed this Annual Report on Form 10-K of Brown-Forman Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 19, 2020

By: /s/ Lawson E. Whiting

Lawson E. Whiting

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Jane C. Morreau, certify that:

1. I have reviewed this Annual Report on Form 10-K of Brown-Forman Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 19, 2020

By: /s/ Jane C. Morreau

Jane C. Morreau

Executive Vice President and Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Brown-Forman Corporation ("the Company") on Form 10-K for the period ended April 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in the capacity as an officer of the Company, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 19, 2020

By: /s/ Lawson E. Whiting

Lawson E. Whiting

President and Chief Executive Officer

By: /s/ Jane C. Morreau

Jane C. Morreau

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certificate is being furnished solely for purposes of Section 906 and is not being filed as part of the Report.