Section 1: 10-Q (10-Q)

United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended July 31, 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 No. **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)

(502) 585-1100
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: August 31, 2020

Class A Common Stock (voting), $0.15 par value	169,091,412
Class B Common Stock (nonvoting), $0.15 par value	309,360,023

BROWN-FORMAN CORPORATION

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

BROWN-FORMAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars in millions, except per share amounts)

	Three Months Ended July 31,	
	2019	2020
Sales	$ 978	$ 987
Excise taxes	212	234
Net sales	766	753
Cost of sales	268	288
Gross profit	498	465
Advertising expenses	92	62
Selling, general, and administrative expenses	164	148
Gain on sale of business	—	(127)
Other expense (income), net	(6)	(5)
Operating income	248	387
Non-operating postretirement expense	1	1
Interest income	(2)	—
Interest expense	21	20
Income before income taxes	228	366
Income taxes	42	42
Net income	$ 186	$ 324
Earnings per share:		
Basic	$ 0.39	$ 0.68
Diluted	$ 0.39	$ 0.67

See notes to the condensed consolidated financial statements.

BROWN-FORMAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Dollars in millions)

	Three Months Ended July 31,	
	2019	2020
Net income	$ 186	$ 324
Other comprehensive income (loss), net of tax:		
Currency translation adjustments	(13)	62
Cash flow hedge adjustments	9	(45)
Postretirement benefits adjustments	3	7
Net other comprehensive income (loss)	(1)	24
Comprehensive income	$ 185	$ 348

See notes to the condensed consolidated financial statements.

BROWN-FORMAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in millions)

	April 30, 2020	July 31, 2020
Assets		
Cash and cash equivalents	$ 675	$ 908
Accounts receivable, less allowance for doubtful accounts of $11 and $12 at April 30 and July 31, respectively	570	721
Inventories:		
Barreled whiskey	1,092	1,074
Finished goods	320	352
Work in process	172	189
Raw materials and supplies	101	126
Total inventories	1,685	1,741
Other current assets	335	276
Total current assets	3,265	3,646
Property, plant and equipment, net	848	834
Goodwill	756	760
Other intangible assets	635	657
Deferred tax assets	15	58
Other assets	247	236
Total assets	$ 5,766	$ 6,191
Liabilities		
Accounts payable and accrued expenses	$ 517	$ 545
Dividends payable	—	84
Accrued income taxes	30	73
Short-term borrowings	333	389
Total current liabilities	880	1,091
Long-term debt	2,269	2,316
Deferred tax liabilities	177	156
Accrued pension and other postretirement benefits	297	297
Other liabilities	168	181
Total liabilities	3,791	4,041
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	2,708	2,849
Accumulated other comprehensive income (loss), net of tax	(547)	(523)
Treasury stock, at cost (6,323,000 and 6,089,000 shares at April 30 and July 31, respectively)	(258)	(248)
Total stockholders' equity	1,975	2,150
Total liabilities and stockholders' equity	$ 5,766	$ 6,191

See notes to the condensed consolidated financial statements.

BROWN-FORMAN CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in millions)

	Three Months Ended July 31, 2019	2020
Cash flows from operating activities:		
Net income	$ 186	$ 324
Adjustments to reconcile net income to net cash provided by operations:		
Gain on sale of business	—	(127)
Depreciation and amortization	18	19
Stock-based compensation expense	3	3
Deferred income tax provision	(9)	(43)
Other, net	1	(9)
Changes in assets and liabilities, net of business acquisitions and dispositions:		
Accounts receivable	(20)	(133)
Inventories	(100)	(57)
Other current assets	(4)	31
Accounts payable and accrued expenses	(34)	26
Accrued income taxes	35	45
Other operating assets and liabilities	(4)	12
Cash provided by operating activities	72	91
Cash flows from investing activities:		
Proceeds from sale of business	—	177
Acquisition of business, net of cash acquired	(22)	—
Additions to property, plant, and equipment	(21)	(15)
Cash provided by (used for) investing activities	(43)	162
Cash flows from financing activities:		
Proceeds from short-term borrowings, maturities greater than 90 days	—	159
Repayments of short-term borrowings, maturities greater than 90 days	—	(70)
Net change in short-term borrowings, maturities of 90 days or less	67	(34)
Payments of withholding taxes related to stock-based awards	(13)	(9)
Acquisition of treasury stock	(1)	—
Dividends paid	(79)	(83)
Cash used for financing activities	(26)	(37)
Effect of exchange rate changes on cash and cash equivalents	(3)	17
Net increase in cash and cash equivalents	—	233
Cash and cash equivalents, beginning of period	307	675
Cash and cash equivalents, end of period	$ 307	$ 908

See notes to the condensed consolidated financial statements.

In these notes, “we,” “us,” “our,” “Brown-Forman,” and the “Company” refer to Brown-Forman Corporation and its consolidated subsidiaries, collectively.

1. **Condensed Consolidated Financial Statements**

We prepared the accompanying unaudited condensed consolidated financial statements pursuant to the rules and regulations of the U.S. Securities and Exchange Commission for interim financial information. In accordance with those rules and regulations, we condensed or omitted certain information and disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). In our opinion, the accompanying financial statements include all adjustments, consisting only of normal recurring adjustments (unless otherwise indicated), necessary for a fair statement of our financial results for the periods presented in these financial statements. The results for interim periods are not necessarily indicative of future or annual results.

We suggest that you read these condensed financial statements together with the financial statements and footnotes included in our Annual Report on Form 10-K for the fiscal year ended April 30, 2020, as amended (2020 Form 10-K). We prepared the accompanying financial statements on a basis that is substantially consistent with the accounting principles applied in our 2020 Form 10-K.

2. **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:

	Three Months Ended July 31,	
(Dollars in millions, except per share amounts)	2019	2020
Net income available to common stockholders	$ 186	$ 324
Share data (in thousands):		
Basic average common shares outstanding	477,369	478,327
Dilutive effect of stock-based awards	2,719	2,102
Diluted average common shares outstanding	480,088	480,429
Basic earnings per share	$ 0.39	$ 0.68
Diluted earnings per share	$ 0.39	$ 0.67

We excluded common stock-based awards for approximately 362,000 shares and 34,000 shares from the calculation of diluted earnings per share for the three months ended July 31, 2019 and 2020, respectively. We excluded those awards because they were not dilutive for those periods under the treasury stock method.

3. **Inventories**

Inventories are valued at the lower of cost or net realizable value. Some of our consolidated inventories are valued using the last-in, first-out (LIFO) method, which we use for the majority of our U.S. inventories. If the LIFO method had not been used, inventories at current cost would have been $311 million higher than reported as of April 30, 2020, and $321 million higher than reported as of July 31, 2020. Changes in the LIFO valuation reserve for interim periods are based on a proportionate allocation of the estimated change for the entire fiscal year.

4. **Goodwill and Other Intangible Assets**

The following table shows the changes in goodwill (which includes no accumulated impairment losses) and other intangible assets during the three months ended July 31, 2020:

(Dollars in millions)	Goodwill	Other Intangible Assets
Balance at April 30, 2020	$ 756	$ 635
Sale of business (Note 14)	(4)	(1)
Foreign currency translation adjustment	8	23
Balance at July 31, 2020	$ 760	$ 657

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

5. **Commitments and 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 were recorded as of July 31, 2020.

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 million (subject to changes in foreign currency exchange rates). Both the fair value and carrying amount of the guaranty are insignificant. As of July 31, 2020, our actual exposure under the guaranty of the importer's obligation was approximately $3 million. We also have accounts receivable from that importer of approximately $6 million at July 31, 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.

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 million under the principle of commercial agency in the U.K., as well as additional compensation for the winding up of business conducted under the Agreement and for remitting the associated funds owed to us. From monthly settlements following the expiration of the Agreement, Bacardi withheld over £50 million owed to us, effectively bypassing the dispute resolution process under the Agreement.

In response to Bacardi's actions, we initiated a lawsuit on August 20, 2020, in the Commercial Court in the U.K. seeking reimbursement of the amounts wrongfully withheld. Shortly thereafter, Bacardi filed a demand for arbitration seeking a determination that it was entitled to compensation as a commercial agent and for additional compensation for the work completed following the expiration of the Agreement.

Since it was raised, we have disputed Bacardi's claim of commercial agency compensation and issued demands that Bacardi adhere to the dispute resolution process mandated by the Agreement and return the in excess of £50 million that Bacardi has wrongfully withheld from us. Given the early stages of the litigation and arbitration process, we are unable to estimate the range of reasonably possible loss, if any.

6. **Debt**

Our long-term debt (net of unamortized discount and issuance costs) consists of:

(Principal and carrying amounts in millions)	April 30, 2020	July 31, 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	324	352
2.60% senior notes, £300 principal amount, due July 7, 2028	369	388
4.00% senior notes, $300 principal amount, due April 15, 2038	294	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	488	488
	$ 2,269	$ 2,316

Our short-term borrowings of $333 million as of April 30, 2020, and $389 million as of July 31, 2020, consisted primarily of borrowings under our commercial paper program.

(Dollars in millions)	April 30, 2020	July 31, 2020
Commercial paper	$333	$377
Average interest rate	1.29%	0.54%
Average remaining days to maturity	73	66

7. **Stockholders' Equity**

The following table shows the changes in stockholders' equity by quarter during the three months ended July 31, 2019:

(Dollars in millions)	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	AOCI	Treasury Stock	Total
Balance at April 30, 2019	$ 25	$ 47	$ —	$ 2,238	$ (363)	$ (300)	$ 1,647
Adoption of ASU 2018-02				43	(43)		—
Net income				186			186
Net other comprehensive income (loss)					(1)		(1)
Declaration of cash dividends				(158)			(158)
Acquisition of treasury stock						(1)	(1)
Stock-based compensation expense			3				3
Stock issued under compensation plans						16	16
Loss on issuance of treasury stock issued under compensation plans			(2)	(27)			(29)
Balance at July 31, 2019	$ 25	$ 47	$ 1	$ 2,282	$ (407)	$ (285)	$ 1,663

The following table shows the changes in stockholders' equity by quarter during the three months ended July 31, 2020:

(Dollars in millions)	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	AOCI	Treasury Stock	Total
Balance at April 30, 2020	$ 25	$ 47	$ —	$ 2,708	$ (547)	$ (258)	$ 1,975
Net income				324			324
Net other comprehensive income (loss)					24		24
Declaration of cash dividends				(167)			(167)
Stock-based compensation expense			3				3
Stock issued under compensation plans						10	10
Loss on issuance of treasury stock issued under compensation plans			(3)	(16)			(19)
Balance at July 31, 2020	$ 25	$ 47	$ —	$ 2,849	$ (523)	$ (248)	$ 2,150

The following table shows the change in each component of accumulated other comprehensive income (AOCI), net of tax, during the three months ended July 31, 2020:

(Dollars in millions)	Currency Translation Adjustments	Cash Flow Hedge Adjustments	Postretirement Benefits Adjustments	Total AOCI
Balance at April 30, 2020	$ (302)	$ 60	$ (305)	$ (547)
Net other comprehensive income (loss)	62	(45)	7	24
Balance at July 31, 2020	$ (240)	$ 15	$ (298)	$ (523)

The following table shows the cash dividends declared per share on our Class A and Class B common stock during the three months ended July 31, 2020:

Declaration Date	Record Date	Payable Date	Amount per Share
May 21, 2020	June 8, 2020	July 1, 2020	$0.1743
July 23, 2020	September 4, 2020	October 1, 2020	$0.1743

8. Net Sales

The following table shows our net sales by geography:

(Dollars in millions)	Three Months Ended July 31, 2019	Three Months Ended July 31, 2020
United States	$ 374	$ 387
Developed International[1]	205	231
Emerging[2]	133	107
Travel Retail[3]	32	13
Non-branded and bulk[4]	22	15
Total	$ 766	$ 753

[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, and France.

[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:

	Three Months Ended July 31,	
(Dollars in millions)	2019	2020
Whiskey[1]	$ 600	$ 595
Tequila[2]	68	68
Wine[3]	39	41
Vodka[4]	26	19
Rest of portfolio	11	15
Non-branded and bulk[5]	22	15
Total	$ 766	$ 753

[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, the Woodford Reserve family of brands, GlenDronach, BenRiach, Glenglassaugh, the Old Forester family of brands, Slane Irish Whiskey, and Coopers' Craft. Also includes the Early Times, Canadian Mist, and Collingwood brands, which we divested on July 31, 2020 (Note 14).

[2]Includes el Jimador, the Herradura family of brands, New Mix, Pepe Lopez, and Antiguo.

[3]Includes Korbel Champagnes 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**

The following table shows the components of the net cost of pension and other postretirement benefits recognized for our U.S. benefit plans. Information about similar international plans is not presented due to immateriality.

	Three Months Ended July 31,	
(Dollars in millions)	2019	2020
Pension Benefits:		
Service cost	$ 6	$ 7
Interest cost	8	6
Expected return on plan assets	(12)	(12)
Amortization of net actuarial loss	5	7
Net cost	$ 7	$ 8
Other Postretirement Benefits:		
Interest cost	$ 1	$ 1
Amortization of prior service cost (credit)	(1)	(1)
Net cost	$ —	$ —

10. **Income Taxes**

Our consolidated interim effective tax rate is based on our expected annual operating income, statutory tax rates, and income tax laws in the various jurisdictions where we operate. Significant or unusual items, including adjustments to accruals for tax uncertainties, are recognized in the fiscal quarter in which the related event or a change in judgment occurs. The effective tax rate of 11.6% for the three months ended July 31, 2020, was lower than the expected tax rate of 21.0% on ordinary income for the full fiscal year primarily due to a deferred tax benefit related to an intercompany transfer of assets and excess tax benefits related to stock-based compensation. The effective tax rate of 11.6% for the three months ended July 31, 2020, was lower than the effective tax rate of 18.2% for the three months ended July 31, 2019, primarily due to a deferred tax benefit related to an intercompany transfer of assets. Our expected tax rates include current fiscal year additions for existing tax contingency items.

Historically, we have asserted that the undistributed earnings of our foreign subsidiaries are reinvested indefinitely outside the United States. Therefore, no income taxes have been provided for any outside basis differences inherent in these subsidiaries other than those subject to the one-time repatriation tax. During fiscal 2020, we changed our indefinite reinvestment assertion with respect to current year earnings and prior year undistributed earnings for select foreign subsidiaries (but not for their other outside basis differences). No further changes have been made to our indefinite reinvestment assertion.

11. **Derivative Financial Instruments and Hedging Activities**

Our multinational business exposes us to global market risks, including the effect of fluctuations in foreign 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 foreign 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 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 $1,026 million at April 30, 2020 and $986 million at July 31, 2020. As of July 31, 2020, the maximum term of our outstanding derivative contracts was 36 months.

We also use foreign currency-denominated debt to help manage our foreign currency exchange risk. As of July 31, 2020, $646 million of our foreign currency-denominated debt instruments were designated as net investment hedges. 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 take physical 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 tables present the pre-tax impact that changes in the fair value of our derivative instruments and non-derivative hedging instruments had on AOCI and earnings:

		Three Months Ended July 31,	
(Dollars in millions)	Classification	2019	2020
Currency derivatives designated as cash flow hedges:			
Net gain (loss) recognized in AOCI	n/a	$ 15	$ (49)
Net gain (loss) reclassified from AOCI into earnings	Sales	4	11
Currency derivatives not designated as hedging instruments:			
Net gain (loss) recognized in earnings	Sales	$ —	$ (6)
Net gain (loss) recognized in earnings	Other income (expense), net	1	8
Foreign currency-denominated debt designated as net investment hedge:			
Net gain (loss) recognized in AOCI	n/a	$ 23	$ (39)
Total amounts presented in the accompanying condensed consolidated statements of operations for line items affected by the net gains (losses) shown above:			
Sales		$ 978	$ 987
Other income (expense), net		6	5

We expect to reclassify $14 million of deferred net gains on cash flow hedges recorded in AOCI as of July 31, 2020, to earnings during the next 12 months. 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:

		April 30, 2020		July 31, 2020	
(Dollars in millions)	Classification	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Designated as cash flow hedges:					
Currency derivatives	Other current assets	$ 49	$ (1)	$ 19	$ (2)
Currency derivatives	Other assets	30	—	4	(1)
Currency derivatives	Accrued expenses	—	—	2	(3)
Currency derivatives	Other liabilities	—	—	3	(8)
Not designated as hedges:					
Currency derivatives	Other current assets	—	—	4	—
Currency derivatives	Other assets	—	—	—	—
Currency derivatives	Accrued expenses	—	(2)	—	—
Currency derivatives	Other liabilities	—	—	—	—

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 $2 million at April 30, 2020, and $5 million at July 31, 2020.

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 (i.e., 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:

(Dollars in millions)	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, 2020					
Derivative assets	$ 79	$ (1)	$ 78	$ —	$ 78
Derivative liabilities	(3)	1	(2)	—	(2)
July 31, 2020					
Derivative assets	32	(8)	24	(1)	23
Derivative liabilities	(14)	8	(6)	1	(5)

No cash collateral was received or pledged related to our derivative contracts as of April 30, 2020, or July 31, 2020.

12. **Fair Value Measurements**

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

	April 30, 2020		July 31, 2020	
(Dollars in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and cash equivalents	$ 675	$ 675	$ 908	$ 908
Currency derivatives	78	78	24	24
Liabilities				
Currency derivatives	2	2	6	6
Short-term borrowings	333	333	389	389
Long-term debt	2,269	2,486	2,316	2,757

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). No material nonrecurring fair value measurements were required during the periods presented in these financial statements.

13. **Other Comprehensive Income**

The following tables show the components of net other comprehensive income (loss):

(Dollars in millions)	Three Months Ended July 31, 2019 Pre-Tax	Tax	Net	Three Months Ended July 31, 2020 Pre-Tax	Tax	Net
Currency translation adjustments:						
Net gain (loss) on currency translation	$ (8)	$ (5)	$ (13)	$ 53	$ 9	$ 62
Reclassification to earnings	—	—	—	—	—	—
Other comprehensive income (loss), net	(8)	(5)	(13)	53	9	62
Cash flow hedge adjustments:						
Net gain (loss) on hedging instruments	15	(3)	12	(49)	12	(37)
Reclassification to earnings[1]	(4)	1	(3)	(11)	3	(8)
Other comprehensive income (loss), net	11	(2)	9	(60)	15	(45)
Postretirement benefits adjustments:						
Net actuarial gain (loss) and prior service cost	—	—	—	—	—	—
Reclassification to earnings[2]	4	(1)	3	10	(3)	7
Other comprehensive income (loss), net	4	(1)	3	10	(3)	7
Total other comprehensive income (loss), net	$ 7	$ (8)	$ (1)	$ 3	$ 21	$ 24

[1]Pre-tax amount is classified as sales in the accompanying condensed consolidated statements of operations.
[2]For three months ended July 31, 2019, the pre-tax amount of $4 is classified as non-operating postretirement expense in the accompanying condensed consolidated statements of operations. For three months ended July 31, 2020, $6 of the pre-tax amount is classified as non-operating postretirement expense; $4 of the pretax amount is classified in gain on sale of business.

14. **Gain on Sale of Business**

On July 31, 2020, we sold the Early Times, Canadian Mist, and Collingwood brands for $177 million in cash (subject to a post-closing inventory adjustment). The sale reflects the continued evolution of our portfolio strategy to focus on premium spirits brands. The total book value of the related business assets included in the sale was $50 million, consisting largely of inventories, the Canadian Mist production assets, and intellectual property. As a result of the sale, we recognized a pre-tax gain of $127 million during the first quarter of fiscal 2021.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis in conjunction with both our unaudited condensed consolidated financial statements and related notes included in Part I, Item 1 of this Quarterly Report and our 2020 Form 10-K, as amended (2020 Form 10-K). Note that the results of operations for the three months ended July 31, 2020, do not necessarily indicate what our operating results for the full fiscal year will be. In this Item, "we," "us," "our," "Brown-Forman," and the "Company" refer to Brown-Forman Corporation and its consolidated subsidiaries, collectively.

Presentation Basis

Non-GAAP Financial Measures

We use certain 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, and (c) estimated net change in distributor inventories. 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 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). By excluding non-comparable periods, we therefore include the effects of acquired and divested brands only to the extent that results are comparable year over year.

  In fiscal 2020, we acquired 100% of the voting interests in The 86 Company, which owns Fords Gin. During the first quarter of fiscal 2021, we sold our Early Times, Canadian Mist, and Collingwood brands and related assets, which resulted in a one-time pre-tax gain of $127 million. See Note 14 to the Condensed Consolidated Financial Statements for details. This adjustment removes (a) transaction and integration costs related to the acquisition and divestiture, (b) operating activity for The 86 Company for the non-comparable period, which is activity in the first quarter of fiscal 2021, and (c) the gain on sale of Early Times, Canadian Mist, and Collingwood. We believe that these adjustments allow for us to better understand our underlying results on a comparable basis.

- *"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.

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 the 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 Period Comparisons." We have consistently applied the adjustments within our reconciliations in arriving at each non-GAAP measure.

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

Definitions

<u>Aggregations</u>.

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 product category. We define our geographic and brand aggregations below.

Geographic Aggregations.

In “Results of Operations - Fiscal 2021 Year-to-Date Highlights,” we provide supplemental information for our largest markets ranked by percentage of total fiscal 2020 net sales. In addition to markets that are 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, and France. 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 2021 Year-to-Date Highlights,” we provide supplemental information for our largest brands ranked by percentage of total fiscal 2020 net sales. In addition to brands that are 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), GlenDronach, BenRiach, Glenglassaugh, the Old Forester family of brands (Old Forester), Slane Irish Whiskey, and Coopers’ Craft. Also includes the Early Times, Canadian Mist, and Collingwood brands, which we divested on July 31, 2020. See Note 14 to the Condensed Consolidated Financial Statements for details.
    - *“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 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, Jack Daniel’s Whiskey & Seltzer, 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. Consumer takeaway refers to the purchase of product by consumers from retail outlets, including products purchased through e-premise channels, 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.

Important Information on Forward-Looking Statements:

This report contains 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, Item 1A. Risk Factors of our 2020 Form 10-K, those described in Part II, Item 1A of this report, 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

Overview

COVID-19

COVID-19 negatively affected our results in the fourth quarter of fiscal 2020 and continued to impact our results for the three months ended July 31, 2020. The impact continues to be concentrated in (a) the on-premise as a result of the restrictions in the channel (representing nearly 20% of our business), (b) our Travel Retail channel as a result of travel bans and other restrictions, and (c) our emerging markets. Solid off-premise gains across many of our developed markets, which reflected an increase in at-home consumption and strong growth in the e-premise channel, offset the significant reduction in sales in the on-premise, Travel Retail, and emerging markets. While the financial impact of COVID-19 on our results is difficult to measure, it has had an impact on our operating income and business operations. We discuss the effect of COVID-19 on our results where relevant below.

Despite the ongoing effects resulting from COVID-19 on our results in the first quarter, we believe we remain in a strong financial position, and 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 Financial Condition” below for details.

Fiscal 2021 Year-to-Date Highlights

- We delivered reported net sales of $753 million, a decrease of 2% compared to the same period last year. Excluding an estimated net decrease in distributor inventories, we grew underlying net sales 3%. Net sales for our markets and brands were affected by COVID-19 during the first quarter of fiscal 2021. Underlying growth was driven by (a) JD RTDs, (b) the continued launch of JDTA, (c) our tequila brands, and (d) our premium bourbon brands, led by Woodford Reserve. Declines of JDTW due to the adverse affect of COVID-19 partially offset this underlying growth. From a geographic perspective, the United States led the underlying net sales growth with developed international markets also contributing. These gains were partially offset by a decline in the underlying net sales in our Travel Retail channel, our used barrel sales, and emerging markets.
- We delivered reported operating income of $387 million, an increase of 56% compared to the same period of last year. Excluding (a) the gain on sale of Early Times, Canadian Mist, and Collingwood, (b) an estimated net decrease in distributor inventories, and (c) the positive effect of foreign exchange, underlying operating income grew 15%.
- We delivered diluted earnings per share of $0.67, an increase of 73% compared to the same period last year, including an estimated $0.19 per share benefit from the gain on sale of Early Times, Canadian Mist, and Collingwood and an $0.08 per share benefit from a discrete tax item recognized during the quarter related to an intercompany transfer of assets.

Summary of Operating Performance

(Dollars in millions)	Three Months Ended July 31, 2019	2020	Reported Change	Underlying Change[1]
Net sales	$ 766	$ 753	(2%)	3%
Cost of sales	268	288	7%	12%
Gross profit	498	465	(7%)	(1%)
Advertising	92	62	(33%)	(34%)
SG&A	164	148	(10%)	(10%)
Gain on sale of business	—	(127)	NA	—%
Other expense (income), net	(6)	(5)	(26%)	(66%)
Operating income	248	387	56%	15%
Total operating expenses[2]	*$ 250*	*$ 205*	*(18 %)*	*(17 %)*
As a percentage of net sales[3]				
Gross profit	*64.9 %*	*61.7 %*	*(3.2)pp*	
Operating income	*32.4 %*	*51.4 %*	*19.0 pp*	
Non-operating postretirement expense	$ 1	$ 1	28%	
Interest expense, net	$ 19	$ 20	4%	
Effective tax rate	*18.2 %*	*11.6 %*	*(6.6)pp*	
Diluted earnings per share	$ 0.39	$ 0.67	73%	

Note: Totals may differ due to rounding

[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).

Fiscal 2021 Outlook

We continue to face substantial uncertainty related to the evolving COVID-19 pandemic, its effect on the global economy, and ultimately its effect on the consumers of our brands. Our ability to make, ship, and market our brands to our consumers has not been materially impacted by COVID-19, and we do not expect that to change. How we sell our brands looks different due to COVID-19, but we do not expect a material limit on our ability to sell our brands to our consumers. We 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 and low visibility on recovery, and consistent with our 2020 Form 10-K, we are not able to provide quantitative guidance for fiscal 2021 at this time. From a qualitative perspective, we believe that (a) the Travel Retail channel will not recover during this fiscal year, (b) the timing and strength of the on-premise channel recovery will depend on a variety of factors, but will likely not be at full capacity by the fiscal-year end, and (c) our emerging markets will remain down for the fiscal year. Our gross margin will likely remain under pressure for the year driven by the expectation of higher input cost and mix shifts. However, where our gross margin ultimately lands will depend not only on the volumes of our business, but the mix of our business by geography, portfolio, channel, and size.

We believe we are well positioned to invest effectively as the recovery occurs. We expect overall operating expenses, notably our advertising investments, to accelerate as the year-over-year rate of declines seen in the first quarter of fiscal 2021 will not be sustained throughout the year. Also, as previously announced, we plan to make a $20 million contribution to the Brown-Forman Foundation during fiscal 2021. We will remain agile, diligent, focused, and disciplined on our investments as the environment continues to evolve.

We expect our full-year effective tax rate to be in the range of 17% to 19%.

Results of Operations – Fiscal 2021 Year-to-Date Highlights

Market Highlights

The following table provides supplemental information for our largest markets for the three months ended July 31, 2020, compared to the same period last year. We discuss results of the markets most affecting our performance below the table. Unless otherwise indicated, all related commentary is for the three months ended July 31, 2020, compared to the same period last year.

Top Markets[1]

Three months ended July 31, 2020	Net Sales % Change vs. 2020			
Geographic area[2]	Reported	Foreign Exchange	Est. Net Chg in Distributor Inventories	Underlying[3]
United States	**3%**	**—%**	**5%**	**9%**
Developed International	**13%**	**(5%)**	**5%**	**12%**
United Kingdom	46%	(25%)	2%	24%
Germany	20%	(3%)	—%	17%
Australia	29%	—%	—%	28%
France	22%	(3%)	—%	19%
Rest of Developed International	(24%)	—%	13%	(10%)
Emerging	**(20%)**	**10%**	**7%**	**(3%)**
Mexico	9%	21%	—%	29%
Poland	1%	5%	—%	6%
Russia	(33%)	6%	(11%)	(38%)
Rest of Emerging	(36%)	7%	15%	(14%)
Travel Retail	**(59%)**	**—%**	**(5%)**	**(63%)**
Non-branded and bulk	**(31%)**	**(1%)**	**—%**	**(32%)**
Total	**(2%)**	**—%**	**5%**	**3%**

Note: Results may differ due to rounding

[1]"Top Markets" are ranked based on percentage of total fiscal 2020 net sales. See 2020 Form 10-K "Results of Operations - Fiscal 2020 Market Highlights" and Note 8 to the Consolidated Financial Statements.
[2]See "Definitions" above for definitions of market aggregations presented here.
[3]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 affected by COVID-19 during the first quarter of fiscal 2021. See "Overview - COVID-19" above for more information around the impact of COVID-19 on our results.

- **United States.** Reported net sales increased 3%, while underlying net sales grew 9% after adjusting for an estimated net decrease in distributor inventories (following the April 2020 distributor inventory build due to the uncertainty around potential supply chain disruptions resulting from COVID-19). The underlying net sales gains were led by (a) JD RTDs, fueled by strong consumer demand for Jack Daniel's Country Cocktails and the launch of new spirit-based RTD products; (b) our premium bourbons, led by Woodford Reserve and Old Forester, supported by strong consumer takeaway trends; (c) the continued launch of JDTA; (d) volumetric growth of JDTH; (e) volumetric growth and higher prices of Korbel Champagne; and (f) our tequilas, due to higher prices and volumes of el Jimador and Herradura. This growth was partially offset by lower net sales of JDTW reflecting unfavorable channel mix resulting from COVID-19 related restrictions in the on-premise channel.

- **Developed International.** Reported net sales increased 13%, while underlying net sales grew 12% after adjusting for the positive effect of foreign exchange and an estimated net decrease in distributor inventories. Underlying net sales growth was led by Australia, the United Kingdom, Germany, and France, partially offset by declines in Spain.

    - The United Kingdom's underlying net sales growth was driven by the launch of JDTA and volumetric growth of JDTH and JDTW. Favorable comparisons to the first quarter of fiscal 2020 also affected the current-year growth rate.

- Germany’s underlying net sales growth was fueled by the volumetric gains of JD RTDs due to strong consumer demand along with the launch of JDTA, partially offset by JDTW declines. Favorable comparisons to the first quarter of fiscal 2020 also affected the current year growth rate.
- Australia’s underlying net sales growth was driven by higher volumes of JD RTDs fueled by strong consumer demand.
- France’s underlying net sales growth was driven by higher volumes of JDTW and JDTH along with the launch of JDTA.
- Underlying net sales in the Rest of Developed International declined led by lower JDTW volumes in Spain reflecting COVID-19 related closures in this heavily on-premise focused market.

- **Emerging.** Reported net sales decreased 20%, while underlying net sales declined 3% after adjusting for the negative effect of foreign exchange and an estimated net decrease in distributor inventories. Underlying net sales declines were led by Russia, Southeast Asia, sub-Saharan Africa, and India as COVID-19 had an adverse effect on results in the first quarter. These declines were partially offset by growth in Mexico and Brazil.
  - Mexico’s underlying net sales growth was fueled by higher volumes of New Mix supported by increased demand and shelf space as a result of the temporary supply disruption of the beer industry due to COVID-19 related shutdowns. This growth was partially offset by lower volumes and unfavorable mix of Herradura.
  - Poland’s underlying net sales growth was driven by higher volumes of Finlandia and the launch of JDTA. Favorable comparisons to the first quarter of fiscal 2020 also affected the current year growth rate.
  - Russia’s underlying net sales declines were driven by lower volumes of Finlandia and JDTW. Difficult comparisons to the first quarter of fiscal 2020 coupled with the adverse affect of COVID-19 also affected the current year results.
  - Underlying net sales in the Rest of Emerging declined due to broad-based volume declines of JDTW, partially offset by growth of JDTW in Brazil.
- **Travel Retail.** Reported net sales declined 59%, while underlying net sales were down 63% after adjusting for an estimated net increase in distributor inventories. The underlying net sales decline was driven by lower volumes of JDTW, Woodford Reserve, and Finlandia due to the unprecedented implementation of travel bans and other restrictions resulting from COVID-19.
- **Non-branded and bulk** reported net sales declined 31%, while underlying net sales decreased 32% after adjusting for the positive effect of foreign exchange. Lower volumes and prices for used barrels drove the reduction compared to the same period last year.

Brand Highlights

The following table provides supplemental information for our largest brands for the three months ended July 31, 2020, compared to the same period last year. We discuss results of the brands most affecting our performance below the table. Unless otherwise indicated, all related commentary is for the three months ended July 31, 2020, compared to the same period last year.

Major Brands

Three months ended July 31, 2020	Volumes	Net Sales % Change vs 2020				
Product category / brand family / brand[1]	**9L Depletions[1]**	**Reported**	**Acquisitions and Divestitures**	**Foreign Exchange**	**Est. Net Chg in Distributor Inventories**	**Underlying[2]**
Whiskey	14%	(1%)	—%	—%	5%	4%
Jack Daniel's family of brands	15%	(2%)	—%	—%	5%	3%
JDTW	(7%)	(17%)	—%	—%	7%	(10%)
Jack Daniel's RTD/RTP	38%	35%	—%	2%	—%	37%
JDTH	17%	21%	—%	(2%)	(3%)	16%
Gentleman Jack	17%	17%	—%	—%	(3%)	14%
JDTF	—%	(10%)	—%	—%	7%	(3%)
Other Jack Daniel's whiskey brands	157%	83%	—%	(4%)	18%	97%
Woodford Reserve	15%	11%	—%	—%	4%	14%
Tequila	69%	—%	—%	8%	8%	16%
el Jimador	3%	(2%)	—%	3%	10%	11%
Herradura	(22%)	(25%)	—%	2%	7%	(16%)
Wine	7%	3%	—%	—%	7%	10%
Vodka (Finlandia)	(20%)	(27%)	—%	3%	(1%)	(24%)
Rest of Portfolio	(5%)	38%	(4%)	(30%)	(7%)	(4%)
Non-branded and bulk	NA	(31%)	—%	(1%)	—%	(32%)

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 affected by COVID-19 during the first quarter of fiscal 2021. See "Overview - COVID-19" above for more information around the impact of COVID-19 on our results.

- **Whiskey** brand's reported net sales declined 1%, while underlying net sales grew 4% after adjusting for an estimated net decrease in distributor inventories. The underlying net sales gain was driven by the growth of JD RTDs, the continued launch of JDTA, and higher volumes of JDTH and Woodford Reserve, partially offset by declines of JDTW.
    - The **Jack Daniel's family of brands** grew underlying net sales driven by JD RTDs, the continued launch of JDTA, and higher volumes of JDTH, partially offset by declines of JDTW.
        - The underlying net sales decline for **JDTW** was driven by (a) lower volumes in emerging markets and Travel Retail reflecting the unprecedented implementation of travel bans and other restrictions related to COVID-19 and (b) unfavorable channel mix in the United States and our international developed markets resulting from COVID-19 related restrictions in the on-premise channel.
        - The increase in underlying net sales growth for **Jack Daniel's RTD/RTP** was fueled by volumetric gains in the United States (including the launch of new spirit-based RTD products), Australia, and Germany.
        - **JDTH** increased underlying net sales fueled by higher volumes in the United States, the United Kingdom, and France. This growth was partially offset by declines in Travel Retail due to the unprecedented implementation of travel bans and other restrictions resulting from COVID-19.

        - **Gentleman Jack** increased underlying net sales with volumetric growth, partially offset by unfavorable channel mix in the United States resulting from COVID-19 related restrictions in the on-premise channel.

        - The underlying net sales decline of **JDTF** was driven by unfavorable mix in the United States resulting from COVID-19 related restrictions in the on-premise channel.

        - The underlying net sales growth of **Other Jack Daniel's whiskey brands** was fueled by the continued launch of JDTA led by the United States, the United Kingdom, France, and Germany.

    - **Woodford Reserve** grew underlying net sales fueled by volumetric growth in the United States, partially offset by lower volumes in Travel Retail reflecting the unprecedented implementation of travel bans and other restrictions related to COVID-19.

- **Tequila** brands reported net sales were flat, while underlying net sales grew 16% after adjusting for the negative effect of foreign exchange and an estimated net decrease in distributor inventories. Underlying net sales growth was fueled by higher volumes of New Mix supported by increased demand and shelf space as a result of the temporary supply disruption of the beer industry due to COVID-19 related shutdowns in Mexico.

    - **el Jimador** grew underlying net sales driven by volumetric growth and higher prices in the United States and Mexico.

    - The underlying net sales decline of **Herradura** was driven by lower volumes and unfavorable mix in Mexico, partially offset by higher prices, favorable product mix, and higher volumes in the United States.

- Reported net sales for our **Wine** business grew 3%, while underlying net sales grew 10% after adjusting for an estimated net decrease in distributor inventories. The increase in underlying net sales was driven by volumetric growth and higher prices of Korbel Champagne in the United States, partially offset by declines of Sonoma-Cutrer in the United States reflecting COVID-19 related restrictions in the on-premise channel where this brand is focused.

- Reported net sales for **Finlandia** declined 27%, while underlying net sales decreased 24% after adjusting for the negative effect of foreign exchange and an estimated net increase in distributor inventories. The decrease in underlying net sales was due to the adverse effect of COVID-19, which drove volume declines in Russia and Travel Retail.

- **Rest of portfolio** reported net sales increased 38%, while underlying net sales declined 4% after adjusting for (a) the positive effect of foreign exchange, (b) an estimated net increase in distributor inventories, and (c) the effect of our acquisition of The 86 Company (Fords Gin). The decrease in underlying net sales was driven primarily by declines in the United Kingdom for Chambord.

- **Non-branded and bulk** reported net sales declined 31%, while underlying net sales decreased 32% after adjusting for the positive effect of foreign exchange. Lower volumes and prices for used barrels drove the reduction compared to the same period last year.

Year-Over-Year Period Comparisons

COVID-19 affected our results during the first quarter of fiscal 2021. See “Overview - COVID-19” above for more information around the impact of COVID-19 on our results.

Net Sales

Percentage change versus the prior year period ended July 31	**3 Months**
Change in reported net sales	(2%)
Estimated net change in distributor inventories	5%
Change in underlying net sales	3%
Change in underlying net sales attributed to:	
Volume	*22 %*
Price/mix	*(19 %)*

Note: Results may differ due to rounding

For the three months ended July 31, 2020, net sales were $753 million, a decrease of $13 million, or 2%, compared to the same period last year. After adjusting reported net sales for an estimated net decrease in distributor inventories primarily in the United States (following the April 2020 distributor inventory build due to the uncertainty around potential supply chain disruptions resulting from COVID-19), underlying net sales grew 3% compared to the same period last year. The increase in underlying net sales comprised 22% volume growth and 19% unfavorable price/mix. Volume growth was led by New Mix, JDTA, JD RTDs, JDTH, and Woodford Reserve, partially offset by declines of JDTW and Finlandia. The unfavorable price/mix was driven by faster growth from our lower-priced brands (New Mix and JD RTDs) and unfavorable channel mix (primarily for JDTW) in the United States and our international developed markets resulting from COVID-19 related restrictions in the on-premise channel. See “Results of Operations - Fiscal 2021 Year-to-Date Highlights” above for further details on underlying net sales for the three months ended July 31, 2020.

Cost of Sales

Percentage change versus the prior year period ended July 31	**3 Months**
Change in reported cost of sales	7%
Foreign exchange	1%
Estimated net change in distributor inventories	4%
Change in underlying cost of sales	12%
Change in underlying cost of sales attributed to:	
Volume	*22 %*
Cost/mix	*(10 %)*

Note: Results may differ due to rounding

Cost of sales of $288 million for the three months ended July 31, 2020, increased $20 million, or 7%, when compared to the same period last year. Underlying cost of sales increased 12% after adjusting for an estimated net decrease in distributor inventories and the positive effect of foreign exchange. The increase in underlying cost of sales for the three months ended July 31, 2020, was driven by higher volumes (New Mix and JD RTDs) and increased costs (primarily agave), partially offset by a shift in portfolio mix toward our lower-cost brands (New Mix and JD RTDs).

Gross Profit

Percentage change versus the prior year period ended July 31	**3 Months**
Change in reported gross profit	(7%)
Estimated net change in distributor inventories	5%
Change in underlying gross profit	(1%)

Note: Results may differ due to rounding

Gross Margin

For the period ended July 31	**3 months**
Prior year gross margin	64.9%
Price/mix	(1.1%)
Cost	(2.4%)
Foreign exchange	0.3%
Change in gross margin	(3.2%)
Current year gross margin	61.7%

Note: Results may differ due to rounding

Gross profit of $465 million decreased $33 million, or 7%, for the three months ended July 31, 2020, compared to the same period last year. Underlying gross profit declined 1% after adjusting for an estimated net decrease in distributor inventories. Gross margin for the three months ended July 31, 2020, decreased to 61.7%, down 3.2 percentage points from 64.9% in the same period last year. The decrease in gross margin was driven by higher input costs (primarily agave) and an unfavorable shift in channel and portfolio mix resulting from COVID-19 related restrictions in the on-premise channel.

Operating Expenses

Percentage change versus the prior year period ended July 31

3 Months	**Reported**	**Acquisitions and Divestitures**	**Foreign Exchange**	**Underlying**
Advertising	(33%)	(1%)	—%	(34%)
SG&A	(10%)	—%	1%	(10%)
Total operating expenses[1]	**(18%)**	**(1%)**	**1%**	**(17%)**

Note: Results may differ due to rounding

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

Operating expenses totaled $205 million, down $45 million, or 18%, for the three months ended July 31, 2020, compared to the same period last year. Underlying operating expenses were down 17% after adjusting for the effect of our acquisition of The 86 Company (Fords Gin) and the positive effect of foreign exchange.

- Reported advertising expense declined 33% for the three months ended July 31, 2020, while underlying advertising expense decreased 34% after adjusting for the effect of our acquisition of The 86 Company (Fords Gin). The decrease in underlying advertising expense was driven by a change in the timing of spend and a reduction in our investment behind on-premise channel activities and various events and sponsorships that were canceled in the first quarter of fiscal 2021 due to COVID-19.

- Reported SG&A expense declined 10% for the three months ended July 31, 2020, and underlying SG&A expense also declined 10% after adjusting for the positive effect of foreign exchange. The decrease in underlying SG&A expense was driven by lower discretionary spend (including hiring and travel freezes) as COVID-19 continued to affect our results.

Operating Income

Percentage change versus the prior year period ended July 31	**3 Months**
Change in reported operating income	56%
Acquisitions and divestitures	(51%)
Foreign exchange	(1%)
Estimated net change in distributor inventories	11%
Change in underlying operating income	15%

Note: Results may differ due to rounding

Operating income of $387 million increased $139 million, or 56%, for the three months ended July 31, 2020, compared to the same period last year. Underlying operating income grew 15% after adjusting for (a) the gain on sale of Early Times, Canadian Mist, and Collingwood; (b) the effect of our acquisition of The 86 Company (Fords Gin); (c) an estimated net decrease in distributor inventories; and (d) the positive effect of foreign exchange. Operating margin increased 19.0 percentage points to

51.4% for the three months ended July 31, 2020, from 32.4% in the same period last year. The gain on sale of Early Times, Canadian Mist, and Collingwood contributed 16.5 percentage points to this increase.

The **effective tax rate** for the three months ended July 31, 2020, was 11.6% compared to 18.2% for the same period last year. The decrease in our effective tax rate for the three months ended July 31, 2020, was driven primarily by a deferred tax benefit related to an intercompany transfer of assets.

Diluted earnings per share of $0.67 in the three months ended July 31, 2020, increased 73% from the $0.39 reported for the same period last year, including an estimated $0.19 per share benefit from the gain on sale of Early Times, Canadian Mist, and Collingwood and an $0.08 per share benefit from a discrete tax item recognized during the quarter related to an intercompany transfer of assets.

Liquidity and Financial Condition

Cash flows. Cash and cash equivalents increased $233 million during the three months ended July 31, 2020. Cash provided by operations of $91 million was up $19 million from the same period last year, primarily reflecting lower working capital requirements.

Cash provided by investing activities was $162 million for the three months ended July 31, 2020, an increase of $205 million compared to the same period last year. The increase primarily reflects the proceeds of $177 million from our divestiture of the Early Times, Canadian Mist, and Collingwood brands (in July 2020) and our acquisition of The 86 Company for $22 million (in July 2019).

Cash used for financing activities was $37 million during the three months ended July 31, 2020, compared to $26 million for the same period last year. The $11 million change was largely attributable to a $12 million decline in net proceeds from short-term borrowings.

The impact on cash and cash equivalents as a result of exchange rate changes was an increase of $17 million for the three months ended July 31, 2020, compared to a decrease of $3 million for the same period last year.

Liquidity. We generate strong cash flows from operations, which enables us to meet current obligations, fund capital expenditures, pay 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 affected our results of operations. 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. 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.

Cash and cash equivalents were $675 million at April 30, 2020, and $908 million at July 31, 2020. As of July 31, 2020, approximately 43% 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 should we decide to repatriate additional cash held by other foreign subsidiaries, we may be required 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. In order to create a liquidity buffer, we have borrowed in excess of our immediate needs, and for longer maturities than usual. For outstanding commercial paper balances, interest rates, and days to maturity at April 30, 2020 and July 31, 2020, please see Note 6 to the Condensed Consolidated Financial Statements. The average balances, interest rates and original maturities during the periods ended July 31, 2019 and 2020, are presented below.

	Three Months Average July 31,	
(Dollars in millions)	2019	2020
Commercial paper outstanding	$336	$360
Interest rate	2.56%	0.93%
Average days to maturity at issuance	32	103

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, under extreme market conditions, one or more participating banks may not be able to fund its commitments under our credit facility.

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. 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.

On July 1, 2020, we paid a regular quarterly cash dividend of $0.1743 per share on our Class A and Class B common stock. On July 23, 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 September 4, 2020, will receive the dividend on October 1, 2020.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We face market risks arising from changes in foreign currency exchange rates, commodity prices, and interest rates. Foreign currency fluctuations affect our net investments in foreign subsidiaries and foreign currency-denominated cash flows. Commodity price changes can affect our production and supply chain costs. 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. 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. Since April 30, 2020, there have been no material changes to the market risks faced by us or to our risk management program.

Item 4. 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 (Exchange Act)), as of the end of the period covered by this report. 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 the 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 most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. 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 legal proceedings will have, individually or in the aggregate, a material adverse effect on our financial position, results of operations, or liquidity.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risks and uncertainties discussed in Part I, Item 1A. Risk Factors in our 2020 Form 10-K, which could materially adversely affect our business, financial condition, or future results. The information presented below updates, and should be read in conjunction with, the risk factors disclosed in our 2020 Form 10-K. Otherwise, except as presented below, there have been no material changes to the risk factors disclosed in our 2020 Form 10-K.

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, including computer viruses and other malicious codes, ransomware, unauthorized access attempts, denial of service attacks, phishing, social engineering, hacking, and other types of attacks, 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 employees, stockholders, customers, suppliers, consumers, and others. For example, in July 2020, we discovered a data breach incident involving malware and related behaviors that resulted in unauthorized access to our IT networks. We do not believe this incident had or will have any significant impacts on our business operations, financial results, systems and processes, or the effectiveness of our internal control environment; however, any failure of our IT systems, networks, or service providers to function properly, or the 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, could cause us to 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, former employees, stockholders, customers, suppliers, consumers, or others. 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, to repair or replace networks and IT systems, which could require a significant amount of time, or to respond to claims from employees, former employees, stockholders, customers, suppliers, consumers or others or pay significant fines to regulatory agencies. As a result of the COVID-19 pandemic, a greater number of our employees are working remotely and accessing our technology infrastructure 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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following documents are filed with this report:

10.1	Fiscal 2021 Form of Performance-Based Restricted Stock Unit Award Agreement (Class A)
10.2	Fiscal 2021 Form of Performance-Based Restricted Stock Unit Award Agreement (Class B)
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 Quarterly Report on Form 10-Q for the quarter ended July 31, 2020, in Inline XBRL (eXtensible Business Reporting Language) format: (a) Condensed Consolidated Statements of Operations, (b) Condensed Consolidated Statements of Comprehensive Income, (c) Condensed Consolidated Balance Sheets, (d) Condensed Consolidated Statements of Cash Flows, and (e) Notes to the Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File in Inline XBRL format (included in Exhibit 101).

SIGNATURES

Pursuant to the requirements 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)

Date:	September 2, 2020	By:	/s/ Jane C. Morreau
			Jane C. Morreau Executive Vice President and Chief Financial Officer (On behalf of the Registrant and as Principal Financial Officer)

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Section 2: EX-10.1 (EXHIBIT 10.1)

Exhibit 10.1

BROWN-FORMAN
2013 OMNIBUS COMPENSATION PLAN
PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD

SUMMARY	
Participant:	
Award Date:	
Performance Period	
Target Number of RSUs:	
Threshold Number of RSUs:	**50% of Target**
Maximum Number of RSUs:	**150% of Target**

THIS PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD, effective as of the Award Date set forth above, represents a grant of Restricted Stock Units ("***RSUs***"), by Brown-Forman Corporation, a Delaware corporation (the "***Company***"), under the Company's 2013 Omnibus Compensation Plan (the "***Plan***") to the employee of the Company or an Affiliate named above ("***Participant***"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Plan.

1. Grant of Restricted Stock Units. The Company hereby grants to the Participant that number of RSUs set forth in the table above. Each RSU represents the right to receive one share of the Company's Class A Common Stock, $0.15 par value per share, ("***Share(s)***") subject to the additional terms and conditions set forth in this Performance-Based Restricted Stock Unit Award (the "***Award***") and the Plan. The RSUs are granted pursuant to Section 7.3 of the Plan as "market value units" ("***MVUs***"), and for purposes of the Plan, shall be designated and treated as MVUs under the Plan.

2. Performance-Based Vesting. The number of Shares, if any, that may be issued pursuant to the terms of this Award will be calculated based on the attainment, as determined by the Compensation Committee , of the performance goals described in Exhibit A to this Award (the "***Performance Goals***") over the Performance Period, which number of Shares may be equal to all or a portion, including none, of the Maximum Number of RSUs set forth above. Promptly following the completion of the Performance Period (and no later than 75 days following the end of the Performance Period), the Compensation Committee will review and certify in writing (i) whether, and to what extent, the Performance Goals for the Performance Period have been achieved, and (ii) the number of RSUs (rounded up to the nearest whole number), if any, that will vest (or, in the case of vesting under Section 4.1 or Section 4.3, will be eligible to vest) as of the date of such certification (the "***Certification Date***"), based on the extent to which the Performance Goals have been satisfied (any such number of RSUs, the "***Realized RSUs***"). Furthermore, notwithstanding achievement of the Performance Goals at the minimum level or above for the Performance Period, the Compensation Committee reserves the right to adjust the Realized RSUs downward, including to zero, in its sole discretion. The Compensation Committee's determinations pursuant to this Section 2 shall be final, conclusive and binding.

3. Forfeiture. A Participant may not vest in a number of RSUs in excess of the Realized RSUs. Accordingly, any RSUs that do not become Realized RSUs in accordance with Section 2 shall be forfeited and immediately cancelled as of the Certification Date. In addition, except as provided in Section 4 or in Section 5 below, the Participant must remain continuously employed by the Company or an Affiliate (the "***Employer***") from the Award Date and extending through to the last day of the Performance Period in order to vest in the Realized RSUs. Accordingly, if the Participant remains continuously employed by the Employer through the last day of the Performance Period, the Participant shall vest in the Realized RSUs on the Certification

Date. If the Participant terminates employment with the Employer prior to the last day of the Performance Period, unless otherwise provided in Section 4 or in Section 5, such Participant will forfeit all right, title and interest in the RSUs. If Section 4 or 5 below applies to the Participant and the Participant becomes vested in a prorated number of Realized RSU or prorated Target Number of RSUs, the balance of the Award that does not thereby become vested shall be forfeited and immediately canceled.

Notwithstanding anything to the contrary herein, if the Participant is terminated by the Company for Cause, whether or not during or following the Performance Period, then the Award shall be immediately forfeited and no RSUs shall become vested on the Certification Date.

4. Termination of Employment. In the event the Participant does not remain continuously employed by the Employer until the last day of the Performance Period, the following rules will apply:

4.1 Retirement. If the Participant terminates employment by reason of Retirement during the first fiscal year of the Performance Period, (i) the Participant's RSUs shall continue until the Certification Date as if such Participant continued to be employed by the Employer, and (ii) if the Compensation Committee's certification of the Performance Goals on the Certification Date produces Realized RSUs, then the Participant shall vest in a prorated number of the Realized RSUs on the Certification Date. For purposes of the preceding sentence, in determining the Participant's prorated Realized RSUs, the Participant's Realized RSUs shall be reduced to the number of RSUs determined by multiplying the total Realized RSUs under the Award by a fraction, the numerator of which is the number of whole months worked during the first fiscal year of the Performance Period prior to the Participant's Retirement and the denominator of which is 12. If the Participant terminates employment by reason of Retirement during the second or third fiscal years of the Performance Period, (i) the Participant's RSUs shall continue until the Certification Date as if such Participant continued to be employed by the Employer, and (ii) if the Compensation Committee's certification of the Performance Goals on the Certification Date produces Realized RSUs, then the Participant shall vest in such Realized RSUs (without proration) on the Certification Date. For purposes of this Section 4.1, "Retirement" means termination of employment, other than by the Employer for Cause, on or after reaching age 55 with at least five full years of service, or on or after reaching age 65 with any amount of service.

4.2 Death/Disability. If the Participant terminates employment by reason of death or Disability during the first fiscal year of the Performance Period, the Participant shall immediately vest in a prorated Target Number of RSUs. For purposes of the preceding sentence, in determining the Participant's prorated Target Number of RSUs, the Target Number of RSUs shall be reduced to the number of RSUs determined by multiplying the Participant's Target Number of RSUs by a fraction, the numerator of which is the number of whole months worked during the first fiscal year of the Performance Period prior to the Participant's termination and the denominator of which is 12. If the Participant terminates employment by reason of death or Disability during the second or third fiscal years of the Performance Period, the Participant shall immediately vest in the Target Number of RSUs. For purposes of this Section 4.2, "Disability" shall be determined by the Plan Administrator in its sole discretion, in accordance with Section 2.16 of the Plan.

4.3. Involuntary Termination without Cause. If the Participant is involuntarily terminated by the Employer without Cause during the first fiscal year of the Performance Period, (i) the Participant's RSUs shall continue until the Certification Date as if such Participant continued to be employed by the Employer, and (ii) if the Compensation Committee's certification of the Performance Goals on the Certification Date produces Realized RSUs, then the Participant shall vest in a prorated number of the Realized RSUs on the Certification Date. For purposes of the preceding sentence, in determining the Participant's prorated Realized RSUs, the Participant's Realized RSUs shall be reduced to the number of RSUs determined by multiplying the total Realized RSUs under the Award by a fraction, the numerator of which is the number of whole months worked during the first fiscal year of the Performance Period prior to the Participant's involuntary termination without Cause and the denominator of which is 12. If the Participant is involuntarily terminated by the Employer without Cause during the second or third fiscal years of the Performance Period, (i) the Participant's RSUs shall continue until the Certification Date as if such Participant continued to be employed by the Employer, and (ii) if the Compensation Committee's certification of the Performance Goals on the Certification Date produces Realized RSUs, then the Participant shall vest in such Realized RSUs (without proration) on the Certification Date.

5. Change in Control. Upon the occurrence of a Change in Control, as defined in the Plan, the RSUs shall be treated in accordance with Article 11 of the Plan; provided however, that if within one year following a Change of Control, a termination of employment by the Employer without Cause or by the Participant within 60 days after an event constituting a Constructive Discharge occurs during the Performance Period, the Participant shall immediately vest in the Target Number of RSUs, or if the Participant's termination of employment occurs in the first fiscal year of the Performance Period, shall vest in a prorated Target Number of RSUs, determined by multiplying the Target Number of RSUs by a fraction, the numerator of which is the number of months worked during the first fiscal year of the Performance Period prior to the Participant's termination of employment and the denominator of which is 12.

6. Non-Competition. In consideration of receiving the Award and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Participant agrees that, from the Award Date until the one-year anniversary of the Participant's voluntary resignation as an employee of the Company, the Participant shall not, anywhere in the United States, be an executive officer, board member, 1% or greater owner or partner in, or employee of a beverage alcohol company that materially competes with the Company. If the Participant fails to comply with this limitation prior to the Certification Date, then notwithstanding any other provisions of this Agreement, including Sections 4 and 5, the Award shall immediately be forfeited.

Any provision, or any part of any provision, of this Section 6 found by a court (or an arbitrator or other adjudicator, if applicable) to be unreasonably broad or otherwise unenforceable in any respect (including with respect to geographic area, duration, or scope) shall be modified to render it enforceable to the maximum extent permitted by law and enforced as modified.

7. Severance Recipients and Release of Claims. Notwithstanding the provisions in the Plan or this Award to the contrary, any Participant who otherwise would become vested in any portion of the RSU Award pursuant to Section 4.1, Section 4.2 or Section 4.3, and who is also eligible to receive a cash severance payment from the Employer, shall, as a condition of becoming so vested, receiving the Shares which are to be delivered pursuant to this Award and receiving such cash severance payment, be required to execute a general release waiving all claims, if any, arising from the Participant's employment or termination from employment that such Participant may have against the Employer and its employees, agents and affiliates. The Participant's failure to execute such a general release or to allow an executed release to become irrevocable in accordance with its terms shall render this Award null and void, and the RSUs hereunder shall be forfeited and immediately canceled.

8. Issuance of Shares; Delivery. The issuance of the Shares with respect to the Participant's vested RSUs, if any, will be evidenced in such manner as the Company, in its discretion, deems appropriate, including, without limitation, book entry, registration or issuance of one or more share certificates. The number of Shares represented by the Participant's vested RSUs, if any, will be delivered to the Participant within 60 days of vesting, with the delivery date within such period to be determined by the Company in its sole discretion.

9. Rights as a Stockholder. The Participant has no rights as a stockholder, including, but not limited to, the right to receive regular quarterly dividends or dividend equivalents or to vote on stockholder issues, with respect to the RSUs. Applicable stockholder rights accrue only upon the delivery of the Shares subsequent to the vesting of the RSUs in accordance with the terms of this Award. However, dividend equivalents will be accrued on the Award if and to the extent the Company declares an ordinary cash or stock dividend on the Shares during either the second fiscal year or third fiscal year of the Performance Period based on the dividend yields for each such year as determined by the Compensation Committee in its sole discretion, and the number of vested Shares delivered to the Participant in respect of the Realized RSUs shall be increased to reflect such dividend equivalents. In addition, if, after the last day of the Performance Period the Company declares an ordinary cash or stock dividend on the Shares, and the record date for such dividend precedes delivery of the vested Shares to the Participant in respect of the Realized RSUs, then the Participant shall be entitled to a cash payment in an amount equivalent in value of the dividends that would have been payable to the Participant for each Share delivered to the Participant under this Award upon delivery of Participant's vested Shares.

10. Non-Transferability of RSUs. Until the delivery of the Shares with respect to the RSUs in accordance with terms of this Award, the RSUs may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated by the Participant. Any attempt by the Participant to do so shall render this Award null and void, and the RSUs thereunder shall be forfeited and immediately cancelled.

11. Recapitalization. If there is any change in the Company's equity capitalization through the declaration of stock dividends, a recapitalization, stock splits, or through merger, consolidation, exchange of Shares, or otherwise, or in the event of an extraordinary dividend or other corporate transaction, the Plan Administrator shall adjust the number and class of Shares subject to this Award (including by making a different kind or class of securities subject to the Award), or take other action pursuant to Section 4.4 of the Plan, to prevent dilution or enlargement of the Participant's rights.

12. Beneficiary Designation. The Participant, if employed in the United States, may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Award is to be paid in case of his or her death before he or she receives any vested benefit. Each such designation shall revoke all prior designations by the Participant, shall be in a form prescribed by the Company, and will be effective only when delivered during the Participant's lifetime to the Company at its executive offices, addressed to the attention of the Compensation Department in Louisville, Kentucky. Absent a Participant's proper and timely designation of a beneficiary under this Section 12, any vested benefit payable under this Award upon the Participant's death shall be paid to the Participant's surviving spouse, or, if none, to the Participant's estate.

13. Continuation of Employment. This Award shall not confer upon the Participant any right to continued employment by the Employer, nor shall this Award interfere in any way with the Employer's right to terminate the Participant's employment at any time. A transfer of the Participant's employment between the Employer and any of its subsidiaries, or between any divisions or subsidiaries of the Employer shall not be deemed a termination of employment for purposes of the vesting of the RSUs.

14. Tax Consequences. By accepting this Award, the Participant acknowledges that (i) the Participant (and not the Company) shall be responsible for any tax liability that may arise as a result of this Award and/or its vesting and the issuance of Shares in connection therewith; (ii) he or she understands that the Company may deduct or withhold a number of Shares, not to exceed 50% of the fair market value of Shares to be delivered pursuant to the vesting of this Award, or require the Participant to remit cash to the Company, sufficient to, except as next described, satisfy the minimum Federal, state, local and foreign taxes (including the Participant's FICA obligation) required by law to be withheld with respect to the delivery of Shares pursuant to the vesting of this Award and/or delivery of Shares as a result of vesting; and (iii) he or she is encouraged to consult with a qualified tax advisor concerning the RSUs. In the case of the Share withholding described in the preceding sentence, the Company may instead choose to withhold an amount of Shares greater than the minimum, up to the amount required to satisfy the Participant's maximum individual tax rate, provided updated accounting standards are in effect that would provide the same treatment for the increased withholding as provided for minimum withholding. In addition, the Compensation Committee, in its sole discretion, may permit the Participant to enter into a "same day sale" commitment with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a "***FINRA Dealer***"), whereby the Participant irrevocably elects to sell a portion of the Shares to be delivered pursuant to the vesting of this Award, not to exceed 50% of the fair market value of the Shares, to satisfy withholding obligations and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the withholding obligations directly to the Company.

15. Data Privacy. As a condition of the grant of the RSUs, the Participant consents to the collection, use, and transfer of personal data as described in this paragraph. The Participant understands that the Company and its Affiliates hold certain personal information about the Participant, including his or her name, home address and telephone number, date of birth, social security number or equivalent, salary, nationality, job title, ownership interests or directorships held in the Company or its Affiliates, and details of all equity awards or other entitlements to Shares awarded, cancelled, exercised, vested or unvested ("***Data***"). The Participant further understands that the Company and its Affiliates will transfer Data amongst themselves as necessary for the purposes of implementation, administration, and management of his or her participation in the Plan, and that the Company and any of its Affiliates may each further transfer Data to any third parties assisting the Company in the implementation, administration, and management of the Plan. The Participant authorizes them to receive, possess, use, retain, and transfer such Data as may be required for the administration of the Plan or the subsequent holding of Shares on his or her behalf, in electronic or other form, for the purposes of implementing, administering, and managing his or her participation in the Plan, including any requisite transfer to a broker or other third party with whom he or she may elect to deposit any Shares acquired under the Plan. The Participant understands that he or she may, at any time, view such Data or require any necessary amendments to the Data.

16. Miscellaneous.

16.1 This Award and the Participant's rights under it are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules as the Plan Administrator may adopt. The Plan Administrator may, in its sole discretion, administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and the RSUs, all of which shall be binding upon the Participant.

16.2 Subject to the provisions of the Plan and any applicable law (including Section 409A of the Code), the Board may terminate, amend, or modify the Plan; provided, however, that no such termination, amendment, or modification of the Plan may in any way adversely affect the Participant's rights under this Award, without the written consent of the Participant.

16.3 This Award shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. The Participant agrees to take all steps necessary to comply with all Federal and state securities laws applicable to this Award.

16.4 The Company's obligations under the Plan and this Award shall bind any successor to the Company, whether succession results from a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

16.5 To the extent not preempted by Federal law, this Award shall be governed by, and construed in accordance with, the laws of the State of Delaware.

16.6 This Award is subject to the terms of the Plan and Administrative Guidelines promulgated under it from time to time. In the event of a conflict between this document and the Plan, the Plan as well as any determinations made by the Plan Administrator as authorized by the Plan, shall govern.

16.7 The parties acknowledge and agree that, to the extent applicable, this Award shall be interpreted in accordance with, and the parties agree to use their best efforts to achieve timely compliance with or exemption from, Section 409A of the Code and the Treasury Regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Grant Date. Notwithstanding any provision of this Award to the contrary, in the event that the Company determines that any compensation or benefits payable or provided under this Award may be subject to Section 409A of the Code, the Company may adopt such limited amendments to this Award and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Company reasonably determines are necessary or appropriate to (i) exempt the compensation and benefits payable under this Award from Section 409A of the Code and/or preserve the intended tax treatment of the compensation and benefits provided with respect to this Award or (ii) comply with the requirements of Section 409A of the Code. Although the Company intends to take such actions so as to allow the Award to avoid adverse tax treatment pursuant to Section 409A of the Code and otherwise, the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on the Participant.

16.8 Notwithstanding any other provision of this Award, to the extent the delivery of the Shares represented by this Award is treated as non-qualified deferred compensation subject to Section 409A of the Code, then (a) no delivery of such shares shall be made upon a Participant's termination of employment unless such termination of employment constitutes a "separation from service" within the meaning of Section 1.409A-1(h) of the Treasury Regulations and (b) if the Participant is deemed at the time of his termination of employment to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed delivery of the Shares to which the Participant is entitled under this Award, and which is deliverable to the Participant due to his or her termination of employment, is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such delivery of shares shall not be made to the Participant prior to the earlier of (x) the expiration of the six-month period measured from the date of the Participant's "separation from service" with the Employer (as such term is defined in Section 1.409A-1(h) of the Treasury Regulations) or (y) the date of the Participant's death. The determination of whether the

Participant is a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his separation from service shall be made by the Company in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Section 1.409A-1 (i) of the Treasury Regulations and any successor provision thereto).

16.9 THIS AWARD IS SUBJECT TO THE BROWN-FORMAN CORPORATION INCENTIVE COMPENSATION RECOUPMENT POLICY. BY ACCEPTING THIS GRANT, THE PARTICIPANT ACKNOWLEDGES THAT HE OR SHE HAS BEEN PROVIDED WITH A COPY OF SUCH INCENTIVE COMPENSATION RECOUPMENT POLICY AND UNDERSTANDS THE TERMS AND CONDITIONS THEREOF.

This Award is subject to the terms and conditions hereof.

BROWN-FORMAN CORPORATION

By: Kirsten Hawley
Senior Vice President,
Chief Human Resources and Corporate Communications Officer

EXHIBIT A
PERFORMANCE GOALS

The number of Realized RSUs will be determined based on the Company's total shareholder return relative to its peer companies. Specifically, the Peer Group Relative Performance during the Performance Period shall determine the percentage of Target Number of RSUs that become Realized RSUs, as described in the table below:

Peer Group Relative Performance	**Percentage of Target Number of RSUs that become Realized RSUs**
30th percentile or below	50%
55th percentile	100%
80th percentile	150%

Performance between the indicated percentiles of Peer Group Relative Performance will be determined using linear interpolation.

Notwithstanding the foregoing, if, as of close of the Performance Period, the Company fails to achieve its adjusted operating income metric determined by the Compensation Committee at or prior to the Award Date in respect of the Performance Period, the number of Realized RSUs shall equal zero (*i.e*. no RSUs shall vest pursuant to the Award).

Definitions

"***Company TSR Percentage***" means the compounded annual growth rate, expressed as a percentage (rounded to the nearest tenth of a percent (0.1%)), in the value per share of Class B Common Stock during the Performance Period due to the appreciation in the price per share of Class B Common Stock and dividends declared during the Performance Period, assuming dividends are reinvested. In determining the starting and ending prices per share to perform the calculation in the preceding sentence, the average price per share for the 60 trading days immediately prior to the first and last days of the Performance Period, as applicable, shall be used.

"***Peer Group Companies***" shall mean the companies constituting the Standard & Poor's Consumer Staples Index.

"***Peer Group Relative Performance***" means the Company TSR Percentage compared to the Peer Group TSR Percentages, expressed as a percentile ranking against the Peer Group Companies.

"***Peer Group TSR Percentage***" means the compounded annual growth rate, expressed as a percentage (rounded to the nearest tenth of a percent (0.1%)), of each of the Peer Group Companies during the Performance Period, calculated in a manner consistent with the Company TSR Percentage from publicly available information.

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Section 3: EX-10.2 (EXHIBIT 10.2)

Exhibit 10.2

BROWN-FORMAN
2013 OMNIBUS COMPENSATION PLAN
PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD

SUMMARY	
Participant:	
Award Date:	
Performance Period	
Target Number of RSUs:	
Threshold Number of RSUs:	**50% of Target**
Maximum Number of RSUs:	**150% of Target**

THIS PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD, effective as of the Award Date set forth above, represents a grant of

Restricted Stock Units ("***RSUs***"), by Brown-Forman Corporation, a Delaware corporation (the "***Company***"), under the Company's 2013 Omnibus Compensation Plan (the "***Plan***") to the employee of the Company or an Affiliate named above ("***Participant***"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Plan.

1. Grant of Restricted Stock Units. The Company hereby grants to the Participant that number of RSUs set forth in the table above. Each RSU represents the right to receive one share of the Company's Class B Common Stock, $0.15 par value per share, ("***Share(s)***") subject to the additional terms and conditions set forth in this Performance-Based Restricted Stock Unit Award (the "***Award***") and the Plan. The RSUs are granted pursuant to Section 7.3 of the Plan as "market value units" ("***MVUs***"), and for purposes of the Plan, shall be designated and treated as MVUs under the Plan.

2. Performance-Based Vesting. The number of Shares, if any, that may be issued pursuant to the terms of this Award will be calculated based on the attainment, as determined by the Compensation Committee, of the performance goals described in Exhibit A to this Award (the "***Performance Goals***") over the Performance Period, which number of Shares may be equal to all or a portion, including none, of the Maximum Number of RSUs set forth above. Promptly following the completion of the Performance Period (and no later than 75 days following the end of the Performance Period), the Compensation Committee will review and certify in writing (i) whether, and to what extent, the Performance Goals for the Performance Period have been achieved, and (ii) the number of RSUs (rounded up to the nearest whole number), if any, that will vest (or, in the case of vesting under Section 4.1 or Section 4.3, will be eligible to vest) as of the date of such certification (the "***Certification Date***"), based on the extent to which the Performance Goals have been satisfied (any such number of RSUs, the "***Realized RSUs***"). Furthermore, notwithstanding achievement of the Performance Goals at the minimum level or above for the Performance Period, the Compensation Committee reserves the right to adjust the Realized RSUs downward, including to zero, in its sole discretion. The Compensation Committee's determinations pursuant to this Section 2 shall be final, conclusive and binding.

3. Forfeiture. A Participant may not vest in a number of RSUs in excess of the Realized RSUs. Accordingly, any RSUs that do not become Realized RSUs in accordance with Section 2 shall be forfeited and immediately cancelled as of the Certification Date. In addition, except as provided in Section 4 or in Section 5 below, the Participant must remain continuously employed by the Company or an Affiliate (the "***Employer***") from the Award Date and extending through to the last day of the Performance Period in order to vest in the Realized RSUs. Accordingly, if the Participant remains continuously employed by the Employer through the last day of the Performance Period, the Participant shall vest in the Realized RSUs on the Certification

Date. If the Participant terminates employment with the Employer prior to the last day of the Performance Period, unless otherwise provided in Section 4 or in Section 5, such Participant will forfeit all right, title and interest in the RSUs. If Section 4 or 5 below applies to the Participant and the Participant becomes vested in a prorated number of Realized RSU or prorated Target Number of RSUs, the balance of the Award that does not thereby become vested shall be forfeited and immediately canceled.

Notwithstanding anything to the contrary herein, if the Participant is terminated by the Company for Cause, whether or not during or following the Performance Period, then the Award shall be immediately forfeited and no RSUs shall become vested on the Certification Date.

4. Termination of Employment. In the event the Participant does not remain continuously employed by the Employer until the last day of the Performance Period, the following rules will apply:

4.1 Retirement. If the Participant terminates employment by reason of Retirement during the first fiscal year of the Performance Period, (i) the Participant's RSUs shall continue until the Certification Date as if such Participant continued to be employed by the Employer, and (ii) if the Compensation Committee's certification of the Performance Goals on the Certification Date produces Realized RSUs, then the Participant shall vest in a prorated number of the Realized RSUs on the Certification Date. For purposes of the preceding sentence, in determining the Participant's prorated Realized RSUs, the Participant's Realized RSUs shall be reduced to the number of RSUs determined by multiplying the total Realized RSUs under the Award by a fraction, the numerator of which is the number of whole months worked during the first fiscal year of the Performance Period prior to the Participant's Retirement and the denominator of which is 12. If the Participant terminates employment by reason of Retirement during the second or third fiscal years of the Performance Period, (i) the Participant's RSUs shall continue until the Certification Date as if such Participant continued to be employed by the Employer, and (ii) if the Compensation Committee's certification of the Performance Goals on the Certification Date produces Realized RSUs, then the Participant shall vest in such Realized RSUs (without proration) on the Certification Date. For purposes of this Section 4.1, "Retirement" means termination of employment, other than by the Employer for Cause, on or after reaching age 55 with at least five full years of service, or on or after reaching age 65 with any amount of service.

4.2 Death/Disability. If the Participant terminates employment by reason of death or Disability during the first fiscal year of the Performance Period, the Participant shall immediately vest in a prorated Target Number of RSUs. For purposes of the preceding sentence, in determining the Participant's prorated Target Number of RSUs, the Target Number of RSUs shall be reduced to the number of RSUs determined by multiplying the Participant's Target Number of RSUs by a fraction, the numerator of which is the number of whole months worked during the first fiscal year of the Performance Period prior to the Participant's termination and the denominator of which is 12. If the Participant terminates employment by reason of death or Disability during the second or third fiscal years of the Performance Period, the Participant shall immediately vest in the Target Number of RSUs. For purposes of this Section 4.2, "Disability" shall be determined by the Plan Administrator in its sole discretion, in accordance with Section 2.16 of the Plan.

4.3. Involuntary Termination without Cause. If the Participant is involuntarily terminated by the Employer without Cause during the first fiscal year of the Performance Period, (i) the Participant's RSUs shall continue until the Certification Date as if such Participant continued to be employed by the Employer, and (ii) if the Compensation Committee's certification of the Performance Goals on the Certification Date produces Realized RSUs, then the Participant shall vest in a prorated number of the Realized RSUs on the Certification Date. For purposes of the preceding sentence, in determining the Participant's prorated Realized RSUs, the Participant's Realized RSUs shall be reduced to the number of RSUs determined by multiplying the total Realized RSUs under the Award by a fraction, the numerator of which is the number of whole months worked during the first fiscal year of the Performance Period prior to the Participant's involuntary termination without Cause and the denominator of which is 12. If the Participant is involuntarily terminated by the Employer without Cause during the second or third fiscal years of the Performance Period, (i) the Participant's RSUs shall continue until the Certification Date as if such Participant continued to be employed by the Employer, and (ii) if the Compensation Committee's certification of the Performance Goals on the Certification Date produces Realized RSUs, then the Participant shall vest in such Realized RSUs (without proration) on the Certification Date.

5. Change in Control. Upon the occurrence of a Change in Control, as defined in the Plan, the RSUs shall be treated in accordance with Article 11 of the Plan; provided however, that if within one year following a Change of Control, a termination of employment by the Employer without Cause or by the Participant within 60 days after an event constituting a Constructive Discharge occurs during the Performance Period, the Participant shall immediately vest in the Target Number of RSUs, or if the Participant's termination of employment occurs in the first fiscal year of the Performance Period, shall vest in a prorated Target Number of RSUs, determined by multiplying the Target Number of RSUs by a fraction, the numerator of which is the number of months worked during the first fiscal year of the Performance Period prior to the Participant's termination of employment and the denominator of which is 12.

6. Non-Competition. In consideration of receiving the Award and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Participant agrees that, from the Award Date until the one-year anniversary of the Participant's voluntary resignation as an employee of the Company, the Participant shall not, anywhere in the United States, be an executive officer, board member, 1% or greater owner or partner in, or employee of a beverage alcohol company that materially competes with the Company. If the Participant fails to comply with this limitation prior to the Certification Date, then notwithstanding any other provisions of this Award, including Sections 4 and 5, the Award shall immediately be forfeited.

Any provision, or any part of any provision, of this Section 6 found by a court (or an arbitrator or other adjudicator, if applicable) to be unreasonably broad or otherwise unenforceable in any respect (including with respect to geographic area, duration, or scope) shall be modified to render it enforceable to the maximum extent permitted by law and enforced as modified.

7. Severance Recipients and Release of Claims. Notwithstanding the provisions in the Plan or this Award to the contrary, any Participant who otherwise would become vested in any portion of the RSU Award pursuant to Section 4.1, Section 4.2 or Section 4.3, and who is also eligible to receive a cash severance payment from the Employer, shall, as a condition of becoming so vested, receiving the Shares which are to be delivered pursuant to this Award and receiving such cash severance payment, be required to execute a general release waiving all claims, if any, arising from the Participant's employment or termination from employment that such Participant may have against the Employer and its employees, agents and affiliates. The Participant's failure to execute such a general release or to allow an executed release to become irrevocable in accordance with its terms shall render this Award null and void, and the RSUs hereunder shall be forfeited and immediately canceled.

8. Issuance of Shares; Delivery. The issuance of the Shares with respect to the Participant's vested RSUs, if any, will be evidenced in such manner as the Company, in its discretion, deems appropriate, including, without limitation, book entry, registration or issuance of one or more share certificates. The number of Shares represented by the Participant's vested RSUs, if any, will be delivered to the Participant within 60 days of vesting, with the delivery date within such period to be determined by the Company in its sole discretion.

9. Rights as a Stockholder. The Participant has no rights as a stockholder, including, but not limited to, the right to receive regular quarterly dividends or dividend equivalents or to vote on stockholder issues, with respect to the RSUs. Applicable stockholder rights accrue only upon the delivery of the Shares subsequent to the vesting of the RSUs in accordance with the terms of this Award. However, dividend equivalents will be accrued on the Award if and to the extent the Company declares an ordinary cash or stock dividend on the Shares during either the second fiscal year or third fiscal year of the Performance Period based on the dividend yields for each such year as determined by the Compensation Committee in its sole discretion, and the number of vested Shares delivered to the Participant in respect of the Realized RSUs shall be increased to reflect such dividend equivalents. In addition, if, after the last day of the Performance Period the Company declares an ordinary cash or stock dividend on the Shares, and the record date for such dividend precedes delivery of the vested Shares to the Participant in respect of the Realized RSUs, then the Participant shall be entitled to a cash payment in an amount equivalent in value of the dividends that would have been payable to the Participant for each Share delivered to the Participant under this Award upon delivery of Participant's vested Shares.

10. Non-Transferability of RSUs. Until the delivery of the Shares with respect to the RSUs in accordance with terms of this Award, the RSUs may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated by the Participant. Any attempt by the Participant to do so shall render this Award null and void, and the RSUs thereunder shall be forfeited and immediately cancelled.

11. Recapitalization. If there is any change in the Company's equity capitalization through the declaration of stock dividends, a recapitalization, stock splits, or through merger, consolidation, exchange of Shares, or otherwise, or in the event of an extraordinary dividend or other corporate transaction, the Plan Administrator shall adjust the number and class of Shares subject to this Award (including by making a different kind or class of securities subject to the Award), or take other action pursuant to Section 4.4 of the Plan, to prevent dilution or enlargement of the Participant's rights.

12. Beneficiary Designation. The Participant, if employed in the United States, may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under this Award is to be paid in case of his or her death before he or she receives any vested benefit. Each such designation shall revoke all prior designations by the Participant, shall be in a form prescribed by the Company, and will be effective only when delivered during the Participant's lifetime to the Company at its executive offices, addressed to the attention of the Compensation Department in Louisville, Kentucky. Absent a Participant's proper and timely designation of a beneficiary under this Section 12, any vested benefit payable under this Award upon the Participant's death shall be paid to the Participant's surviving spouse, or, if none, to the Participant's estate.

13. Continuation of Employment. This Award shall not confer upon the Participant any right to continued employment by the Employer, nor shall this Award interfere in any way with the Employer's right to terminate the Participant's employment at any time. A transfer of the Participant's employment between the Employer and any of its subsidiaries, or between any divisions or subsidiaries of the Employer shall not be deemed a termination of employment for purposes of the vesting of the RSUs.

14. Tax Consequences. By accepting this Award, the Participant acknowledges that (i) the Participant (and not the Company) shall be responsible for any tax liability that may arise as a result of this Award and/or its vesting and the issuance of Shares in connection therewith; (ii) he or she understands that the Company may deduct or withhold a number of Shares, not to exceed 50% of the fair market value of the Shares to be delivered pursuant to the vesting of this Award, or require the Participant to remit cash to the Company, sufficient to, except as next described, satisfy the minimum Federal, state, local and foreign taxes (including the Participant's FICA obligation) required by law to be withheld with respect to the delivery of Shares pursuant to the vesting of this Award and/or delivery of Shares as a result of vesting; and (iii) he or she is encouraged to consult with a qualified tax advisor concerning the RSUs. In the case of the Share withholding described in the preceding sentence, the Company may instead choose to withhold an amount of Shares greater than the minimum, up to the amount required to satisfy the Participant's maximum individual tax rate, provided updated accounting standards are in effect that would provide the same treatment for the increased withholding as provided for minimum withholding. In addition, the Compensation Committee, in its sole discretion, may permit the Participant to enter into a "same day sale" commitment with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a "***FINRA Dealer***"), whereby the Participant irrevocably elects to sell a portion of the Shares to be delivered pursuant to the vesting of this Award, not to exceed 50% of the fair market value of the Shares, to satisfy withholding obligations and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the withholding obligations directly to the Company.

15. Data Privacy. As a condition of the grant of the RSUs, the Participant consents to the collection, use, and transfer of personal data as described in this paragraph. The Participant understands that the Company and its Affiliates hold certain personal information about the Participant, including his or her name, home address and telephone number, date of birth, social security number or equivalent, salary, nationality, job title, ownership interests or directorships held in the Company or its Affiliates, and details of all equity awards or other entitlements to Shares awarded, cancelled, exercised, vested or unvested ("***Data***"). The Participant further understands that the Company and its Affiliates will transfer Data amongst themselves as necessary for the purposes of implementation, administration, and management of his or her participation in the Plan, and that the Company and any of its Affiliates may each further transfer Data to any third parties assisting the Company in the implementation, administration, and management of the Plan. The Participant authorizes them to receive, possess, use, retain, and transfer such Data as may be required for the administration of the Plan or the subsequent holding of Shares on his or her behalf, in electronic or other form, for the purposes of implementing, administering, and managing his or her participation in the Plan, including any requisite transfer to a broker or other third party with whom he or she may elect to deposit any Shares acquired under the Plan. The Participant understands that he or she may, at any time, view such Data or require any necessary amendments to the Data.

16. Miscellaneous.

16.1 This Award and the Participant's rights under it are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules as the Plan Administrator may adopt. The Plan Administrator may, in its sole discretion, administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and the RSUs, all of which shall be binding upon the Participant.

16.2 Subject to the provisions of the Plan and any applicable law (including Section 409A of the Code), the Board may terminate, amend, or modify the Plan; provided, however, that no such termination, amendment, or modification of the Plan may in any way adversely affect the Participant's rights under this Award, without the written consent of the Participant.

16.3 This Award shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. The Participant agrees to take all steps necessary to comply with all Federal and state securities laws applicable to this Award.

16.4 The Company's obligations under the Plan and this Award shall bind any successor to the Company, whether succession results from a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

16.5 To the extent not preempted by Federal law, this Award shall be governed by, and construed in accordance with, the laws of the State of Delaware.

16.6 This Award is subject to the terms of the Plan and Administrative Guidelines promulgated under it from time to time. In the event of a conflict between this document and the Plan, the Plan as well as any determinations made by the Plan Administrator as authorized by the Plan, shall govern.

16.7 The parties acknowledge and agree that, to the extent applicable, this Award shall be interpreted in accordance with, and the parties agree to use their best efforts to achieve timely compliance with or exemption from, Section 409A of the Code and the Treasury Regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Grant Date. Notwithstanding any provision of this Award to the contrary, in the event that the Company determines that any compensation or benefits payable or provided under this Award may be subject to Section 409A of the Code, the Company may adopt such limited amendments to this Award and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Company reasonably determines are necessary or appropriate to (i) exempt the compensation and benefits payable under this Award from Section 409A of the Code and/or preserve the intended tax treatment of the compensation and benefits provided with respect to this Award or (ii) comply with the requirements of Section 409A of the Code. Although the Company intends to take such actions so as to allow the Award to avoid adverse tax treatment pursuant to Section 409A of the Code and otherwise, the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on the Participant.

16.8 Notwithstanding any other provision of this Award, to the extent the delivery of the Shares represented by this Award is treated as non-qualified deferred compensation subject to Section 409A of the Code, then (a) no delivery of such shares shall be made upon a Participant's termination of employment unless such termination of employment constitutes a "separation from service" within the meaning of Section 1.409A-1(h) of the Treasury Regulations and (b) if the Participant is deemed at the time of his termination of employment to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed delivery of the Shares to which the Participant is entitled under this Award, and which is deliverable to the Participant due to his or her termination of employment, is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such delivery of shares shall not be made to the Participant prior to the earlier of (x) the expiration of the six-month period measured from the date of the Participant's "separation from service" with the Employer (as such term is defined in Section 1.409A-1(h) of the Treasury Regulations) or (y) the date of the Participant's death. The determination of whether the

Participant is a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his separation from service shall be made by the Company in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Section 1.409A-1 (i) of the Treasury Regulations and any successor provision thereto).

16.9 THIS AWARD IS SUBJECT TO THE BROWN-FORMAN CORPORATION INCENTIVE COMPENSATION RECOUPMENT POLICY. BY ACCEPTING THIS GRANT, THE PARTICIPANT ACKNOWLEDGES THAT HE OR SHE HAS BEEN PROVIDED WITH A COPY OF SUCH INCENTIVE COMPENSATION RECOUPMENT POLICY AND UNDERSTANDS THE TERMS AND CONDITIONS THEREOF.

This Award is subject to the terms and conditions hereof.

BROWN-FORMAN CORPORATION

By: Kirsten Hawley
Senior Vice President,
Chief Human Resources and Corporate Communications Officer

EXHIBIT A
PERFORMANCE GOALS

The number of Realized RSUs will be determined based on the Company's total shareholder return relative to its peer companies. Specifically, the Peer Group Relative Performance during the Performance Period shall determine the percentage of Target Number of RSUs that become Realized RSUs, as described in the table below:

Peer Group Relative Performance	**Percentage of Target Number of RSUs that become Realized RSUs**
30th percentile or below	50%
55th percentile	100%
80th percentile	150%

Performance between the indicated percentiles of Peer Group Relative Performance will be determined using linear interpolation.

Definitions

"***Company TSR Percentage***" means the compounded annual growth rate, expressed as a percentage (rounded to the nearest tenth of a percent (0.1%)), in the value per share of Class B Common Stock during the Performance Period due to the appreciation in the price per share of Class B Common Stock and dividends declared during the Performance Period, assuming dividends are reinvested. In determining the starting and ending prices per share to perform the calculation in the preceding sentence, the average price per share for the 60 trading days immediately prior to the first and last days of the Performance Period, as applicable, shall be used.

"***Peer Group Companies***" shall mean the companies constituting the Standard & Poor's Consumer Staples Index.

"***Peer Group Relative Performance***" means the Company TSR Percentage compared to the Peer Group TSR Percentages, expressed as a percentile ranking against the Peer Group Companies.

"***Peer Group TSR Percentage***" means the compounded annual growth rate, expressed as a percentage (rounded to the nearest tenth of a percent (0.1%)), of each of the Peer Group Companies during the Performance Period, calculated in a manner consistent with the Company TSR Percentage from publicly available information.

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Section 4: EX-31.1 (EXHIBIT 31.1)

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 Quarterly Report on Form 10-Q 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: September 2, 2020

By: /s/ Lawson E. Whiting
Lawson E. Whiting
President and Chief Executive Officer

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Section 5: EX-31.2 (EXHIBIT 31.2)

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 Quarterly Report on Form 10-Q 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: September 2, 2020

By: /s/ Jane C. Morreau
Jane C. Morreau
Executive Vice President and Chief Financial Officer

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Section 6: EX-32 (EXHIBIT 32)

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 Quarterly Report of Brown-Forman Corporation ("the Company") on Form 10-Q for the period ended July 31, 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: September 2, 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.

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