BROWN-FORMAN

Enduring Spirits.

BOLD PERSPECTIVES.

2022 INTEGRATED ANNUAL REPORT

OUR GLOBAL Perspective

5,200
EMPLOYEES
on 6 continents

170+
COUNTRIES
where our brands are sold

51%
OF SALES
outside the U.S.

25+
PRODUCTION FACILITIES
around the world

BOLD THINKING. INNOVATIVE IDEAS.
Diverse Points Of View.

All have been enabling our business to endure and thrive for more than 150 years.

Today is no different, and the opportunities before us have never been more exciting.

We believe we have positioned our iconic brands and portfolio to align with changing market and consumer preferences. We're pursuing abundant opportunities to grow our business across the globe and to do so with our values at the forefront.

It's not just our spirits and wines that are strong in character and complexity. It's our people who bring bold perspectives and will drive our next generation of growth, delivering positive environmental, social, and business impact.

In this year's report, we invite you to hear directly from some of these individuals about how we're transforming opportunity into value for our enduring spirits.

NOTHING BETTER.
In The Market.

Dear Shareholders,

The theme of this year's integrated annual report is "Enduring Spirits. Bold Perspectives."

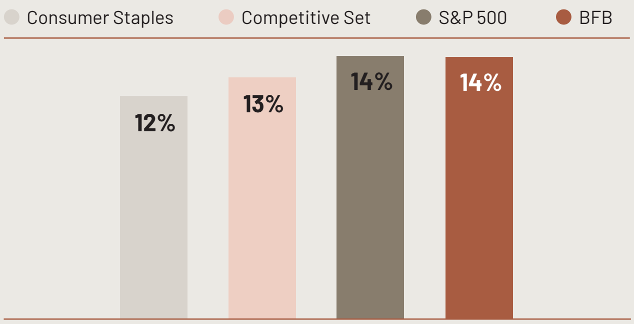
The first of those two sentiments — Enduring Spirits — was borrowed from our 2009 annual report. It was used then to describe a fiscal year that tested our resolve, while also reaffirming that Brown-Forman is a resilient business that can grow and prosper even under the most challenging circumstances. While the circumstances differ, much of the same holds true for fiscal 2022, when our portfolio of brands experienced very strong consumer demand despite difficult and ever-changing business conditions.

The second phrase — Bold Perspectives — honors the people of Brown-Forman and the innovative thinking, creative ideas, and diverse viewpoints that have helped us to flourish since our founding in 1870. Our dedicated people, our long-term shareholders, and our valued business partners enable our brands and our company to excel. They thrive in challenging circumstances and, in doing so, give our company character and complexity, purpose and perseverance, agility and authenticity.

It is the unique combination of our Enduring Spirits and our Bold Perspectives that made fiscal 2022 one of the most notable in Brown-Forman's recorded history. This year, even amongst the many challenges of the pandemic, supply chain disruptions, and geopolitical uncertainty, Brown-Forman delivered reported net sales growth of 14% (17% organic) and reported operating income growth of 3% (27% organic).*

** In this report, we present both reported (GAAP) and organic (non-GAAP) changes in certain measures, or line items, of the statements of operations. We use these measures as supplements to (not substitutes for) our results of operations and other measures reported under GAAP. To calculate these measures, we adjust, as applicable for (a) acquisitions and divestitures, (b) foreign exchange, (c) impairment charges, and (d) a commitment to the Brown-Forman Foundation. Please refer to the section labeled "Non-GAAP Financial Measures" in Form 10-K of the enclosed report for additional information.*

Delivering Top-Tier Returns for Shareholders Over the Past Decade



Source: Factset, 10-year CAGR through April 30, 2022, in local currency, assuming dividends reinvested. Note — Competitive Set is a weighted average based upon each competitor's last 12 months' sales

Our ability to deliver very strong double-digit top-line and bottom-line organic growth in fiscal 2022 is the result of many years of thoughtful, strategic planning combined with creative problem solving and agility under pressure. With our focus on the long term, we made a conscious and, some may say, bold decision to invest in building consumer demand and driving sales of our premium and super-premium brands, even as challenging headwinds applied continued pressure on our margins and operating income. In fiscal 2022, Jack Daniel's Tennessee Whiskey saw reported net sales growth of 20% (23% organic), and Woodford Reserve, Herradura, el Jimador, and our 152-year old founding brand, Old Forester, also delivered double-digit reported and organic net sales growth.

Even if you were to look back from the start of the pandemic, when the on-premise channel virtually shut down around the world, Brown-Forman and our people never faltered. We delivered an average of 6%* reported net sales growth for the three-year period through fiscal 2022, in line with our long-term growth ambitions. Importantly, this growth came from across the globe, with the U.S. averaging 7%* reported net sales growth alongside strong performances from our international developed markets and emerging markets, which grew reported net sales at an average rate of 7%* and 6%*, respectively.

**Compound annual growth rate*

It is for these reasons, and so many more, that we believe Brown-Forman continues to be a sound, reliable, and attractive investment for our shareholders as we continue to deliver top-tier returns over the long term.

Yet what makes Brown-Forman truly remarkable is that we have delivered more than just sound business performance; we have done it by living a spirit of commitment to our people, our communities, and our environment. Earlier this year, the Brown-Forman Foundation announced a $50 million financial commitment in support of five organizations in west Louisville, home to our company's headquarters, to advance educational opportunities from early childhood through adult learning. We renewed our commitment to the United Nations Global Compact, and continue to make steady progress against our elevated environmental commitments. We remained steadfast in our dedication to responsible consumption through our internal Pause campaign and partnership with organizations like the International Alliance for Responsible Drinking. And, remarkably, we achieved our Many Spirits, One Brown-Forman 2030 ambition to have 40% female representation among our senior leaders, eight years ahead of schedule.

As I close, I do so with great admiration and respect for the people of Brown-Forman, whose tremendous passion for our business is the overriding reason for our success. To my colleagues across the organization, thank you for the many talents that underline our results and the countless contributions that drive our growth. To my Executive Leadership Team, including those who will retire soon and those who are new to the team, thank you for guiding this organization with equal parts care, competence, compassion, and courage.

Finally, to our Board of Directors, valued investors, and all those around the world who have maintained support and belief in Brown-Forman through the uncertainty of the last few years, I am forever grateful for your confidence and your trust. I hope the pages of this report reaffirm for you what they have for me. Brown-Forman endures because of the strength of our brands, the consistency of our performance, and the spirit of our timeless values. Brown-Forman thrives because of the bold people and bold perspectives that courageously propel us forward, generation after generation. There is, without question, "Nothing Better in the Market."

With respect and appreciation,

LAWSON E. WHITING
President and Chief Executive Officer

TO ENDURE.
And Be Bold.

Dear Shareholders,

The introduction of the word “bold” into our vocabulary, alongside the more familiar notion of enduring, defines our approach to both leadership and decision-making within Brown-Forman. This year’s integrated annual report focuses on how bold decision-making shaped not only this fiscal year, but also the choices that have served our shareholders, employees, and communities across 15 decades.

Reflecting upon this past year, I’m struck by how being bold has long defined who we are as a company. We were bold when we put whiskey in a sealed glass bottle as a promise of quality and consistency, bold when we survived U.S. Prohibition with a medicinal permit, and bold when we quickly converted a still at the Jack Daniel Distillery to make ethanol needed for hand sanitizer in the fight against COVID-19, just to share a few examples.

Being bold has clearly made us stronger, more resilient, and better equipped to deliver strong financial performance today and to continue investing in our brands, people, and communities for the future. It has enabled us to seize immediate growth opportunities while also being committed to the long-term health and endurance of our company.

During this fiscal year, we made bold investments in our brands to ensure their long-term relevance and success. We protected and accelerated their positive momentum despite significant challenges in our industry and society. We increased our marketing investment and shared more stories with more consumers across the globe. Our campaigns — Jack Daniel’s “Make It Count,” Woodford Reserve’s “Spectacle for the Senses,” Herradura’s “Extraordinary Awaits,” and Old Forester’s “Never Gets Old” — have strengthened our connections with billions of consumers with their messages of quality, excellence, and enriching life.

We also made bold investments in our people and their capabilities as brand-builders. We expanded our emerging brands group into Europe, successfully accelerating growth across our super-premium portfolio. We established an integrated marketing center of excellence, bringing together the talent, creativity, and connection points needed to meet consumers in new ways and novel places. These bold investments in capabilities ensure our people will have the skills they need to reach their fullest potential and deliver their best ideas to the business.

Being bold means making investments in our communities to create opportunities for others. In our hometown of Louisville, we initiated a $50 million investment to advance educational opportunities from "cradle through career" over the next decade. This commitment will offer the space and security for five highly respected partners to help transform our community and make a long-lasting difference in the lives of those in it.

Being bold also means rewarding our shareholders for their enduring support over the years, decades, and generations by declaring a special cash dividend of $1 per share, a total of approximately $480 million, on our Class A and Class B common stock. As a proud Dividend Aristocrat, we marked the 38th consecutive year of dividend increases and 78th year of quarterly dividend payments at the company.

To both endure and be bold is what makes Brown-Forman special. We value diversity of thought and perspective. We care as much about each other and the world around us as we do about making and marketing the world's best spirits. We believe in a long-held sentiment, passed down through the generations, that "no one of us is as smart as all of us." Like the making of our bold spirits, we blend a diversity of ingredients and inspiration, balancing tradition and new possibilities, applying timeless values to timely issues, and looking toward the distant horizon while also seeing and securing opportunities around the next corner.

"Being bold also means rewarding our shareholders for their enduring support over the years, decades, and generations by declaring a special cash dividend of $1 per share, a total of approximately $480 million, on our Class A and Class B common stock. As a proud Dividend Aristocrat, we marked the 38th consecutive year of dividend increases and 78th year of quarterly dividend payments at the company."

As you will read in the pages of this report, we are emboldened in our commitments to diversity and inclusion, environmental sustainability, alcohol responsibility, and community relations. These environmental, social, and governance (ESG) topics are integrated into our Board agenda and company strategy.

You will also see how our solid corporate governance underpins our endurance. We thoughtfully leverage the wisdom of our Brown family directors with the perspectives of our independent directors, both of whom remain steadfast in their support of our independence. This year we will say farewell to Patrick Bousquet-Chavanne, with deep appreciation for his 17 years of dedicated Board service to Brown-Forman and our shareholders, while welcoming Jan Singer and her consumer, retail, and brand-building expertise and perspective to the Board of Directors.

As I pause to consider this initial year in a new role, I feel overwhelming gratitude. I am grateful for the quality of our Board of Directors, company leaders, brand builders, spirit makers, and the entire Brown-Forman community. I'm grateful for how generously you share your gifts and talents, all in service of creating long-term value for our shareholders and enriching the lives of our many stakeholders. I am truly grateful for each of you, and the role you have, in making our company bolder and better each day.

CAMPBELL P. BROWN
Chair of the Board

A GOVERNANCE MODEL. For The Future.

For more than a century, Brown-Forman has remained an independent, family-controlled, and publicly traded company. We enjoy a strong relationship with our family shareholders, the Brown family. Along with our independent directors, four members of the family — representing our founder's fifth generation of descendants — serve on our Board.

Long-term growth demands a long-term perspective. We view our status as a family-controlled, publicly traded company as a distinct competitive advantage. Brown family shareholders bring a long-term ownership perspective to the Board and the company — one that is essential to our growth and independence and that aligns with our sustainability and responsibility commitments, as well as long-term shareholder interests.

This perspective has enabled the company to deliver industry-leading returns on invested capital and has made Brown-Forman a reliable source for growth with a long-term commitment to all of our shareholders.

We are proud to be a member of the prestigious S&P 500 Dividend Aristocrats Index, having paid regular quarterly cash dividends for 78 years and increased the dividend for 38 consecutive years. Over the past 10 years, we have returned $7.1 billion in cash to shareholders with $2.9 billion in regular dividends and $2.4 billion in share repurchases. We have also paid $1.8 billion in special dividends, which includes the special cash dividend of $1 per share, or approximately $480 million, on our class A and Class B common stock, that was declared in fiscal 2022.

We believe our capital allocation philosophy and strategic priorities will continue to drive superior returns for years to come.

BROWN-FORMAN/BROWN FAMILY Shareholders Committee

Pictured: Clay Kannapell, Cary Brown, Martin Brown Jr., Robinson Brown IV, McCauley Adams, Dace Polk Brown, Owsley Brown III, Campbell P. Brown, Sandra Frazier, Garvin Deters, Tammy Godwin, and Tanya Carrico. Not pictured: Jim Joy, Elaine Musselman, and Lawson Whiting. Also Pictured: Members of the Next Gen Committee, Keo Brown, Charles Joy, and Davis Kannapell.

BROWN-FORMAN Board of Directors


Patrick Bousquet-Chavanne, President and CEO, Americas, eShopWorld (3,5)


Campbell P. Brown, Chair of the Board, Brown-Forman Corporation (1,5,*,#)


Stuart R. Brown, Managing Partner, Typha Partners, LLC (#)


John D. Cook, Director Emeritus, McKinsey & Company (1,2,4,5)


Marshall B. Farrer, SVP, President, Europe, Brown-Forman Corporation (#)


Augusta Brown Holland, Founding Partner, Haystack Partners LLC (#)


Michael J. Roney, Retired Chief Executive Officer, Bunzl plc (4,5)


Jan E. Singer, Former Chief Executive Officer, J.Crew (3)


Tracy L. Skeans, Chief Operating Officer and Chief People Officer, Yum! Brands, Inc. (3,4)


Michael A. Todman, Retired Vice Chairman, Whirlpool Corporation (3,5)


Lawson E. Whiting, President and Chief Executive Officer, Brown-Forman Corporation (1,*)

(1) Member of Executive Committee of the Board of Directors, (2) Lead Independent Director, (3) Member of Audit Committee, (4) Member of Compensation Committee, (5) Member of Corporate Governance and Nominating Committee, (*) Member of Brown-Forman/Brown Family Shareholders Committee, (#) Member of the Brown Family

BROWN-FORMAN Executive Leadership Team


Lawson E. Whiting, President and Chief Executive Officer


Matias Bentel, SVP, Chief Brands Officer


Leanne D. Cunningham, SVP, Chief Financial Officer


Ralph E. de Chabert, SVP, Chief Corporate Citizenship Officer


Marshall B. Farrer, SVP, President, Europe


Matthew E. Hamel, EVP, General Counsel


Kirsten M. Hawley, SVP, Chief People, Places, and Communications Officer


John V. Hayes, SVP, President, USA and Canada


Thomas W. Hinrichs, SVP, President, Emerging International


Timothy M. Nall, SVP, Chief Global Supply Chain and Technology Officer

ENDURING BRANDS.
Bold Innovation.

Brown-Forman's business is resilient, our portfolio is solid, and our performance in fiscal 2022 was very strong.

Even in a challenging and volatile environment, including supply chain disruptions and the ongoing pandemic, we have experienced strong growth over the past two years. We believe that several recent headwinds are becoming tailwinds. For example, after more than three years, tariffs on American whiskey in the European Union and United Kingdom were finally lifted. These tariffs disproportionately impacted Brown-Forman, as the largest exporter of American whiskey, and we believe their removal will restore a level playing field for American whiskey in Europe. We also continued to mitigate supply chain impacts related to glass availability and saw improvement in this area as we ended the fiscal year.

The spirits business continues to be a highly attractive one. Based on International Wine and Spirits Record (IWSR) 2021 data, spirits continued to gain value share from beer and wine and now comprise 40% of the beverage alcohol category and are forecast to continue gaining share over the next five years. We continue to see strong consumer demand in both the American whiskey and tequila categories, as well as the ready-to-drink (RTD) category, where our portfolio is well-positioned in terms of brand popularity. The gradual return of travel, as well as the reopening of bars, pubs, and restaurants in many parts of the world, has led to a resurgence of on-premise consumption, further enhancing our results. We are strategically poised to capitalize on these trends, with a portfolio of strong brands in dynamic, growing categories.

Elevating Our Premium Offerings

Throughout the pandemic and during this period of inflation, when people may be less inclined to spend money on travel and other forms of entertainment, spirits remain an affordable, everyday luxury. Even as consumers return to on-premise purchasing, the routines they established in the early days of the pandemic have remained, such as mixing cocktails at home, ordering beverage alcohol to be delivered, or trading up to more premium spirits brands.

In addition, newer generations of legal-drinking-age consumers have a strong interest in many aspects of health and wellness. This translates into increased preferences for consuming less, but higher-quality, spirits.

Our portfolio, which consists largely of premium and super-premium brands, is benefiting from — and responding to — these trends. Woodford Reserve is the world's top-selling super-premium American whiskey by volume and value, according to IWSR 2021 data.*

We are optimistic about future growth for our other super-premium American whiskey brands, including Gentleman Jack and Jack Daniel's Single Barrel, as well as GlenDronach, Benriach, and Glenglassaugh single malt scotches, Tequila Herradura, Slane Irish whiskey, and Fords Gin. We have grown the number of employees dedicated to our emerging super-premium brands in Europe, Australia, and China, and deepened investments in digital marketing and e-commerce capabilities.

Our portfolio is well-positioned, and our business is beginning to benefit from price increases on a number of our brands in the U.S., including Jack Daniel's Tennessee Whiskey. We are seeing this new pricing reflected in U.S. market data. Based on the latest Nielsen data, Brown-Forman is outpacing total distilled spirits pricing growth and is a pricing leader.

Delivering Convenience and Originality

Amid the increasing prominence of spirits compared to other beverage alcohol categories, we are starting to see a blurring of categories themselves, such as beer, wine, and spirits being packaged and delivered in new ways.

RTD products are helping meet this convergence of premiumization, convenience, and innovation. In the past five years, RTDs have been the fastest-growing beverage alcohol category and are expected to grow faster than Total Distilled Spirits through 2026, based on forecasts from IWSR 2021. We believe that this category has strong, lasting potential, especially in some of our largest markets outside the U.S., including Australia, Germany, Mexico, and the U.K.

Given that we have been investing in RTDs for nearly 30 years, we are well-positioned to be a leader in this segment of the market. In fiscal 2022, we added Part Time Rangers to our RTD portfolio in Australia and expanded our distribution of Jack Daniel's spirit-based cocktails in the U.S. Jack Daniel's Can Cocktails have experienced rapid growth and strong consumer interest since being introduced in 2020.

**IWSR provides a global spirits pricing segmentation methodology based on retail shelf price that provides the beverage alcohol industry with common points of reference. The actual price paid by a consumer varies by country, but, as an example, in the United States a premium brand is defined as having a retail price between $22.50-$29.99 USD. A super-premium brand is priced between $30-$44.99 USD.*

JACK DANIEL'S: A LONG LEGACY AND A BOLD FUTURE

Today, Jack Daniel's Tennessee Whiskey is the largest premium spirit brand in the world by volume based on IWSR 2021. In fiscal 2022, the brand's iconic expression saw a 20% increase in reported net sales (+23% organic), and Jack Daniel's Tennessee Honey, Jack Daniel's Tennessee Fire, and Jack Daniel's Tennessee Apple brands collectively delivered double-digit reported and organic net sales growth. This performance was remarkable and led the company's performance.

While Jack Daniel's transcends the whiskey category, there is still significant opportunity for its growth both geographically and in relation to other top whiskey brands. Over the past 10 years, the super-premium+ whiskey category has more than doubled to reach almost $19 billion in value and is expected to increase by almost 50% over the next five years, based on IWSR 2021. Gentleman Jack, Jack Daniel's Single Barrel, and the recently launched Jack Daniel's Bonded Tennessee Whiskey and Triple Mash Blended Straight Whiskey have the opportunity to capture their share of this large, growing market, and we're confident in our strategy to do so.

HOW WE GROW A BRAND OVER 150 YEARS OLD AT A DOUBLE-DIGIT RATE

Sophia Angelis,
SVP, Managing Director,
Jack Daniel's Brands

Q: Brown-Forman's vision is to build Jack Daniel's into the world's most valuable and iconic premium spirit brand. How do you plan to do this?
A: Jack Daniel's is already the number one premium spirit brand globally, and our goal is to maintain that position, in addition to continuously reinforcing the brand's iconic status with consumers. We are focusing on three strategic priorities: grow Jack Daniel's Tennessee Whiskey, accelerate the premiumization of the portfolio, and expand to new consumers and occasions. The key enablers to do that are: development of relevant, meaningful, engaging, and consumer-centric messaging; investment in broad reach in order to drive penetration; brand portfolio development, including an impactful innovation pipeline; and, finally, pricing leadership to drive long-term value growth.

Q: What does bold perspectives mean to you?
A: To be willing to take a fresh approach on one of the most iconic brands in the world. In October 2021, we effectively relaunched a 150-year-old brand, honoring its legacy, but also looking to the future, capturing the hearts and minds of the next generation of consumers. To help us do that, we embarked on a new partnership with best-in-class creative agency Energy BBDO and launched a "globally led, locally infused" creative development model new to Brown-Forman. This led to the first truly global campaign for Jack Daniel's and the doubling of media spend to support its launch. To date, our research indicates positive shifts in brand awareness and association in just a short time, as well as broad appeal across multicultural groups.

Q: Where are you finding opportunities to innovate?
A: While Jack Daniel's is an iconic brand that has stood the test of time, we continue to develop, broaden, and strengthen the Jack Daniel's portfolio of brands in order to be best placed to leverage long-term growth. We innovate across the portfolio. Jack Daniel's Tennessee Honey and Jack Daniel's Tennessee Apple, at 2.8 million 9L cases combined, are among the most successful innovations in the history of Brown-Forman. With our RTD portfolio, we innovate across flavors, ingredients, and formats. These new offerings are already finding new audiences in the U.S. with the national launch of our spirit-based Jack Daniel's RTDs and, in emerging markets such as India and Brazil, with our super-premium portfolio. We leverage the 150 years of being masters of our craft and the deep experience of whiskey making by Chris Fletcher (Master Distiller) and Lexie Amacher-Phillips (Assistant Distiller) to launch new super-premium expressions such as Jack Daniel's Bonded Tennessee Whiskey and Triple Mash Blended Straight Whiskey.

A RECORD YEAR FOR A STRONG BRAND.

JACK DANIEL'S TENNESSEE WHISKEY

20% reported net sales growth in fiscal 2022

Most Valuable Global Spirits Brand Line — IWSR 2021

14 million 9L cases sold in fiscal 2022

Largest premium spirit brand by volume in the world — IWSR 2021

American Whiskey projected to continue taking share from Total Distilled Spirits — IWSR 2021

Jack Daniel's 10-Year-Old Launched First Age-Stated Whiskey In Over 100 Years

#81 Most Valuable Brand in the World — Interbrand 2021

MORE BRAND STRENGTH.
More Diversified Growth.

Less than 10 years ago, Brown-Forman's growth was driven largely by the Jack Daniel's family of brands. Today, that growth is shared across many brands as a result of the deliberate and purposeful shaping of our portfolio over time. Here are a few highlights from across our portfolio in fiscal 2022.

AMERICAN WHISKEY

Brown-Forman is the global leader in American whiskey with four of the top 10 brands in the category. The category increased 10% in the past year, according to IWSR 2021 data, with Brown-Forman outpacing this growth. Woodford Reserve, which again grew reported net sales by double digits, is the world's number-one super-premium American whiskey by volume and value, based on IWSR 2021. The brand celebrated its 25th anniversary in 2021 and was named World Whisky Brand Champion of 2021 by The Spirits Business. In addition, fiscal 2022 marked Woodford Reserve's fifth year as Presenting Sponsor of the Kentucky Derby, which has become a major platform for the brand. Old Forester continues to contribute double-digit reported net sales growth, and the Old Forester 117 expression was named number four on Vinepair's 50 Best Spirits of 2021.

TEQUILA

Tequila is one of the fastest-growing spirits categories, and Herradura and el Jimador remain among the category's best-known brands. Globally, Herradura and el Jimador grew reported net sales by 29% and 27%, respectively, during the year. In the U.S., our tequila brands delivered solid double-digit reported net sales growth, with even faster growth internationally. These authentic brands align well with Brown-Forman's portfolio of spirits deeply tied to tradition and place. Our premium tequila brand, Herradura, is benefiting from premiumization trends. We are expanding our distillation operations in Mexico to support the continued growth of our tequila brands.

GIN

Fords Gin has benefited from the reopening of the on-premise channel, growing reported net sales by double digits. Fords is a bartenders' favorite and has won 28 awards in the last five years, including a coveted Double Gold medal at the 2020 San Francisco World's Spirits Competition and the number five ranking on Vinepair's 50 Best Spirits of 2021. We continue to seed this brand in markets across the globe, including the U.K., Germany, France, and Australia, with many more to come.

SCOTCH AND IRISH WHISKEY

Among the more recent additions to our portfolio, Slane Irish Whiskey and the GlenDronach, Benriach, and Glenglassaugh single malt scotches are well-positioned in categories where we have enjoyed consistent double-digit growth for over the last 10 years. Our scotch brands, in particular, are highly regarded by whiskey lovers around the world.

The GlenDronach announced the limited release of its first-ever 50-Year-Old Single Malt, the Highland distillery's oldest and rarest whisky to date. Distilled in 1971, this expression represents a milestone in the near 200-year history of The GlenDronach Distillery. Only a small number of casks were chosen to reach such a celebrated age, and just 198 bottles were available worldwide. Meanwhile, Slane Irish Whiskey named its first Master Distiller, Gearóid Cahill, and launched a limited-edition whiskey that celebrates 40 years of Slane Castle's musical history.

A WORLD OF Opportunity.

Though our heritage goes back generations in the U.S., we also have a world of opportunity in global markets. In fact, it's just been in the past 30 years that Brown-Forman began our international expansion. Yet, today, we are a global company, with slightly more than half of our net sales coming from outside the U.S. and Jack Daniel's worldwide leadership firmly established. Our opportunity is to build upon this position as we extend our broader portfolio globally.

United States

Brown-Forman's home market in the U.S. remains the most valuable spirits market in the world. Our long-term net sales ambition for achieving mid-single-digit growth is based on an expectation of continued growth in the U.S. The U.S. business delivered low-double-digit reported and organic net sales growth in the fiscal year, driven by volume growth for Jack Daniel's Tennessee Whiskey and the continued reopening of the on-premise channel. In addition, the premiumization trend benefited our premium bourbons led by Woodford Reserve and Old Forester, as well as Herradura and el Jimador. Premium+ tequila is among the fastest-growing spirits categories and continues to gain share. Beyond the spirits categories, we are pleased to say that Sonoma-Cutrer returned to growth as the reopening of the on-premise channel drove an increase in volume.

Developed International Markets

In fiscal 2022, Brown-Forman's developed international markets, which include Germany, Australia, the U.K., and France, delivered double-digit reported and organic net sales growth, led by the continuous momentum of the Jack Daniel's family of brands. Our emerging brands model has helped drive this performance, allowing us to expand the footprint of our super-premium+ brands, such as Woodford Reserve, in Europe. Specific country highlights include:

- **Australia —** Increased brand investment behind super-premium brands and expanding premium RTD portfolio, which grew market share in fiscal 2022.
- **U.K. and Germany —** Added organizational resources and incremental marketing investments to elevate emerging brands in these key markets, increasing the footprint of these brands and leading to high-single-digit reported (strong double-digit organic) net sales growth.
- **Korea —** Growth is being led by a consumer shift from local to international brands, particularly whiskey brands, which is benefiting products that include Jack Daniel's Tennessee Honey.

Emerging International Markets

Emerging international markets, including Mexico, Brazil, Chile, Poland, Turkey, and Southeast Asia, are in varying states of recovery from the pandemic, yet were able to deliver strong double-digit reported net sales growth. Medium-term trends and our recent performance indicate that these markets will continue to be an increasingly important part of our long-term growth. Fiscal 2022 highlights include:

- **Mexico —** Increased market share and double-digit growth of full-strength tequilas (Herradura and el Jimador) as premiumization trends continue.
- **Brazil, Turkey, and Chile —** Strong growth for Jack Daniel's Tennessee Whiskey and flavors, including Jack Daniel's Tennessee Apple.
- **Poland —** Growth led by Jack Daniel's Tennessee Whiskey and Finlandia Vodka.

In fiscal 2022, Russia represented 1% of our reported net sales. In response to the Russian invasion of Ukraine in late February 2022, we suspended our sales and marketing efforts in Russia. We continue to monitor the situation to determine if, and when, we may be able to reestablish our presence at some point in the future.

Thomas Hinrichs,
SVP, President,
Emerging International

Perspective

THE ADVANTAGES OF OWNED DISTRIBUTION

Q: How do you determine which route to consumer is best for a market?

A: We use a variety of perspectives. Beyond laws and regulations, we consider the size of opportunity in the market — what it takes to serve customers and compete effectively. We then consider the distribution landscape and the capabilities and costs of different models in order to design the model that best delivers our short- and long-term ambitions, balancing risk and reward.

Q: What are some of the ways that Brown-Forman distributes products to its customers?

A: There is great variation in different parts of the world. The U.S. generally prohibits spirits and wine manufacturers from selling directly to consumers. So, we sell our brands to distributors or state governments, which then sell at retail to customers and consumers. Outside the U.S., we operate through owned distribution, joint ventures, and third-party partnerships, including multicountry alliances and both industry and nonindustry partners. We currently own and operate distribution companies for 14 countries, including the launch of our owned distribution for Taiwan, Belgium, and Luxembourg this year.

Q: Can you give an example of a successful transition to owned distribution?

A: Our recent transition in the U.K., the third largest premium+ spirits market in the world, is a case study of what's possible. Full control and ownership of our route to market, including direct customer relationships and logistics, allows better portfolio management and an ability to develop our emerging brands, while also enabling a healthier balance of volume and value growth for longer-term value creation. A second example is Taiwan, where our recent owned distribution change opened new opportunities to develop our super-premium American whiskey and Scotch malts portfolios in the number-six super-premium whiskey market in the world.

Matias Bentel,
SVP, Chief Brands Officer

MEETING CONSUMERS WHERE THEY ARE

Q: The Integrated Marketing Communications (IMC) Organization seems like a bold idea for a company that has been around for over 150 years. How is it different from the way Brown-Forman has approached marketing in the past?

A: The way consumers interact with brands today is increasingly digital. To continue to grow our brands, we want to be at the forefront of our industry when it comes to digital marketing and e-commerce capabilities. We are dedicated to advancing our capabilities across five interconnected and interdependent disciplines — Media, Performance, E-commerce, Inbound/Search, and Content. IMC consists of 100 marketers around the world who are primarily focused on advancing these initiatives while enabling the rest of our 450+ marketers to integrate these capabilities into all that we do. Our vision for IMC is that we will deliver the right message, to the right consumer, at the right moment, in the right place, all the time. Now we can do this at scale in a way that is both efficient and effective.

Q: How does this new organization change where you are making investments?

A: Beyond the five integrated disciplines that make up IMC, we are advancing our consumer-centric philosophy, creating more agile processes, improving our tech and data stack, and developing the capabilities of the people on the IMC team. Half the members of the IMC team are in newly created roles and include both internal talent and external hires from leading companies. We have made significant shifts over the past three years to increase our investment in paid media, ensuring we're reaching as many consumers as possible. It is paramount that we recruit and re-recruit consumers across the globe every day. By dedicating a significant amount of our resources to reaching consumers, we build our brands for the long term.

Q: What's an example of how you have applied digital marketing and e-commerce capabilities for a specific brand?

A: By integrating e-commerce within IMC, we can create a truly cohesive end-to-end consumer journey, starting from awareness and closing the loop with sales. For example, the Jack Daniel's Make it Count campaign was developed with a digital-first approach. This allows us to measure its impact, optimize in real time, and build learnings into future communications.

INVESTING IN BRANDS FOR TODAY AND TOMORROW

The Brown-Forman portfolio includes some of the most desirable brands in our industry. While every one of our team members is a brand builder, our marketing organization, in particular, ensures that we continue to steward and grow these brands for generations to come. To help us achieve this objective, Brown-Forman has invested in brand-building capabilities as we set out to build a world-class, industry-leading marketing organization. This work includes five strategic priorities found on the next page.

WORLD-CLASS CREATIVE

We continuously work to understand how our brands appeal to diverse consumers so that we can respond with stories and messages that are most meaningful to them. We evolved and standardized our creative development process across the portfolio, incorporating best-in-class tools to consistently deliver excellent creative that is distinct, memorable, and ever more relevant. In fiscal 2022, we introduced new creative across the portfolio, including new work for Jack Daniel's, Woodford Reserve, Finlandia, and the introduction of Herradura's first global advertising campaign — Extraordinary Awaits.

INDUSTRY-LEADING MARKETING ORGANIZATION

It is essential for our marketing team to represent the consumers and the geographies that we serve. This team is becoming increasingly diverse and global: 56% of our marketing team members are located outside of the U.S., a reflection of our continued globalization journey. Among our U.S.-based marketers, 45% are women, and 19% are people of color. We have transformed our learning and development programs with a goal of rapidly accelerating our marketing capabilities.

INCREASED MEDIA SPEND

To continue to drive growth, we need to constantly reach and introduce new consumers to our brands. In order to grow our reach, we evolved our investment approach to allocate considerably more dollars toward broad-reach media, including TV and out-of-home, with an increased share of spend on digital video and social media. In fiscal 2022, we increased global media spend by over 10% while also investing in the resurgence of the on-premise, events, and experiential marketing. Our goal with these investments is to increase share of voice and, in turn, drive market share gains.

REIMAGINING INNOVATION

Innovation, in the form of new products, is critical to growth within our industry. Brown-Forman is committed to bringing new products to the market that meet clear consumer needs, strengthen brand equity, and improve business performance. We recently revised our innovation principles to focus our resources on new products with the greatest opportunity for widespread consumer and commercial success, including Jack Daniel's Bonded Tennessee Whiskey and Triple Mash Blended Straight Whiskey. These two expressions are wonderful examples of our unmatched heritage of whiskey making and commitment to the highest standards of craftsmanship.

INTEGRATED MARKETING COMMUNICATIONS (IMC)

The way consumers connect and engage with brands has evolved dramatically in a world that has become increasingly digital. To reflect this transformation, we evolved our marketing capabilities and organizational structure. Brown-Forman's IMC organization, launched in 2021, is a team of marketers around the world focused on driving excellence within Media, Performance, E-commerce, Inbound/Search, and Content.

ENDURING VALUES.
Bold Commitments.

Our rich history, long-term perspective, enduring values, strategic priorities, and core purpose of enriching life have served us well in generating strong business results, including consistent top-line growth.

LIVING A SPIRIT OF COMMITMENT

Our long-range perspective lends itself to effective stewardship of environmental, social, and governance (ESG) matters. Integrated within Brown-Forman's strategic priorities are our commitments related to Environmental Sustainability, Diversity & Inclusion, Community Relations, and Alcohol Responsibility.

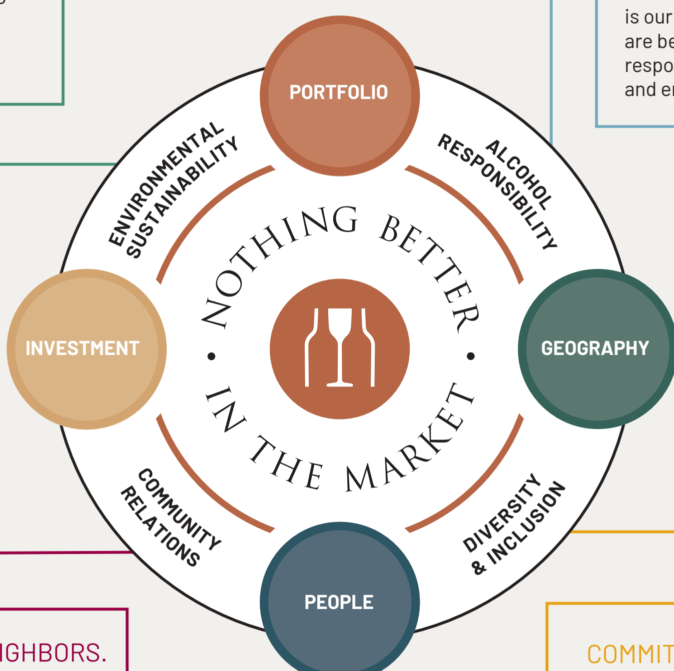
While these are topics that have always been deeply embedded in our values and culture, we have formally incorporated them into our corporate strategy to elevate their visibility among our stakeholders. ***Living a Spirit of Commitment*** represents our long-held focus on ESG responsibility. We have integrated Living a Spirit of Commitment into how we do business on a daily basis, which means being mindful of our obligations to our colleagues, consumers, communities, and the natural world upon which we depend. To learn more about our ESG commitments and data, visit our website at www.brown-forman.com/commitments.

COMMITTED TO THE EARTH.
MANY SPIRITS. ONE EARTH.

Caring for natural resources and the climate is more than a business concern for us. From the fields that grow our grains, agave, and grapes, to the water we transform into our spirits, to the oak for our barrels, we depend on the earth's bounty. It's about committing to the environment that sustains us, caring for the resources we share with our community, and nurturing what we have for those who come after us.

COMMITTED TO RESPONSIBLE DECISIONS.
PAUSE.

Alcohol responsibility is where it all starts for us, and it's the seed from which all our commitments grow and reach into the future. We believe that it is our duty to make sure our products are being marketed and enjoyed responsibly by encouraging awareness and empowering mindful choices.



COMMITTED TO OUR NEIGHBORS.
INVESTING IN OUR BEST SPIRIT.

We're committed to doing our part in the communities that share the places we call home. Whether it's a matter of sustainability, alcohol responsibility, or community engagement, there's a reason we get involved — it's important to be a good neighbor.

COMMITTED TO PEOPLE.
MANY SPIRITS. ONE B-F.

Our deep familial roots inspire our commitment to people. We believe everyone should get what is needed most — a sense of belonging, of being heard, of counting. Whoever you are, wherever you are from, whomever you love, there's a space for you in Brown-Forman. We want you to be a part of our story.

COMMITTED TO The Earth.

Caring for natural resources and the climate is more than a business concern for Brown-Forman. From the fields that grow our grains, agave, and grapes, to the water we transform into our spirits, to the oak for our barrels, we depend on the earth's bounty. It's about committing to the environment that sustains us, caring for the resources we share with our community, and nurturing what we have for those who come after us.

We have practiced sustainability since long before it was known as such. Throughout our own production operations, we have worked to eliminate waste and improve efficiency in our use of water, fuel, and agricultural products. We've built partnerships with suppliers, experts, and other beverage alcohol producers so we can learn and work together. We recognize the risk that climate change poses to our business, our communities, and our world, and are working to mitigate Brown-Forman's impact.

Perspective

MANY SPIRITS. ONE EARTH.

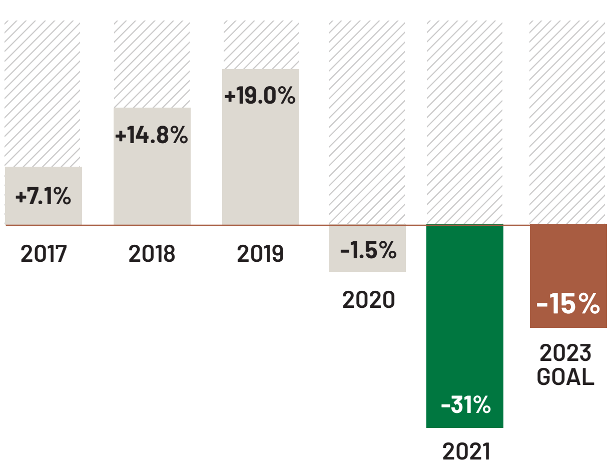
Last year, we raised our level of ambition and commitment to the natural resources that sustain us. We continued our work this year, building our roadmap for action and making progress against our new targets.

GOAL: Halve greenhouse gas (GHG) emissions by 2030

We are developing the detailed strategy that will guide our work to halve our emissions on an absolute basis from our fiscal 2020 baseline. This means that we will reduce our total emissions even as our business grows. Casa Herradura made progress toward this goal with energy-efficiency improvements across its operations, to include improving steam-use efficiency, installing high-efficiency pumps and fans for wastewater treatment, and upgrading to LED lighting in our bottling operations. Brown-Forman recently joined the Race to Zero with the Scotch Whisky Association, committing to work with other member companies to ultimately achieve net zero GHGs in our operations.

As we look forward to showing progress against our new sustainability goals in the future, we are excited to have met our previous 2023 GHG target two years ahead of schedule.

Absolute Change in GHG Emissions*



Years 2017-2019 are based on calendar year. Years 2020 and 2021 are based on fiscal year. We achieved our 2023 GHG reduction target by retiring renewable energy credits from our wind power PPA. At the time of publishing this report, we have verified our 2020 fiscal year GHG emissions inventory.

Alex Alvarez,
SVP, Chief Sustainability Officer and Director of ESG

ACTING ON OUR COMMITMENTS

Q: What is your top priority in this new role to ensure that Brown-Forman can continue to endure for another 152 years?

A: Last year, Brown-Forman announced an ambitious set of environmental commitments. Now, my task is to amplify our ESG commitments in order to ensure continued alignment and integration into our strategy, drive reporting progress and results, and build additional partnerships that will help move us forward. Strong relationships with suppliers and other stakeholders will be an important part of how we make progress.

Q: What are the company's strengths in terms of environmental performance?

A: I'm proud of the work we've done to reduce our carbon footprint. Between improving efficiency in our production operations, the engagement of our employees, and our renewable energy sourcing strategy, we are in a good position to reach our emissions and energy reduction goals. In fact, in March 2022, we began offsetting 100% of our U.S. electricity consumption with green energy sourcing. We are also a leader in terms of our waste reduction, with manufacturing processes that enable our production sites to be zero-waste facilities.

Q: What's an example of the type of partnership you're looking to foster?

A: In Jalisco, Mexico, where the agave for our tequilas is grown, we are working with a diverse group of stakeholders, including members of the spirits industry, through an organization called Charco Bendito, which translates to "holy puddle." Over the next several years, we will work together on water quality improvements, reforestation, and land and biodiversity conservation in the region. It is the first time that beverage industry leaders have worked together on a project to test nature-based solutions to replenish an aquifer, and I hope it's a sign of good things to come.

GOAL: Use 100% renewable electricity by 2030

In the years to come, there will be a ray of sunshine in every bottle of Jack Daniel's Tennessee Whiskey. In 2021, we announced a partnership with the Tennessee Valley Authority, Duck River Electric Membership Corporation, and Nashville-based solar power producer Silicon Ranch to provide 20 megawatts of solar energy that will supply 70% of the energy needed for our Jack Daniel Distillery and Bottling operations. Brown-Forman also recently joined RE100, uniting with hundreds of other companies in committing to using 100% renewable electricity by 2030.

FOR FY2021, 84% OF ELECTRICITY WAS FROM RENEWABLE SOURCES

GOAL: Achieve water balance for key watersheds by 2030

Water is integral to all of our products. We are working to achieve net positive water impact in our high-risk and business-critical watersheds. In Sonoma County, California, which has experienced a series of devastating droughts, we are reducing water use at the Sonoma-Cutrer vineyard by 20% across production operations, vineyards, and the winery tasting room. Improvements include engaging our teams in water conservation efforts, investing in water recycling systems for barrel washing, and reducing the total area of landscaping that is being watered or maintained.

GOAL: Engage with 100% of our direct farmers on regenerative agricultural practices by 2025

Farmers grow the agave, grapes, and grains that make our products. They are essential partners not only in producing our spirits, but also in reducing our environmental footprint. We are currently focused on our partnership with corn farmers, encouraging those across our home state of Kentucky to plant rye as a winter cover crop. This helps build healthy soils for our corn requirements and supplies a key ingredient for our bourbon, rye, and Tennessee whiskeys.

GOAL: Integrate circular economy principles by 2030

We work hard to reduce, recycle, or reuse the byproducts of our manufacturing process. As a result, more than 99% of the waste generated by Brown-Forman's facilities is diverted from landfills. This includes everything from barrels that are sold to other alcohol producers, to converting our tequila distillation byproduct into renewable natural gas. And we are always looking for ways to do even more. With partners in Louisville, for example, we have invested in equipment to get more barrels out of the wood that comes into our cooperages and convert wood chips and mulch into usable materials. Brown-Forman is further aligning with circular economy principles by designing barrels that prevent the loss of whiskey through evaporation during the maturation process (known as "the angel's share"). We are also supporting the construction of a biogas facility that will provide renewable energy for our distillery and fertilizer for local crops.

GOAL: Offer 100% recyclable/reusable primary packaging by 2030

The most significant packaging we use — and the most substantial in terms of environmental impact — are the glass bottles that hold our spirits. In fiscal 2022, Brown-Forman created a Packaging Council that meets regularly to discuss ways to improve packaging sustainability and glass use. As a result of this team's work, sustainability considerations are now part of all packaging design briefs.

Our Travel Retail business recently demonstrated their embrace of this commitment by setting interim goals to remove 100% of single-use plastic from promotions by 2023 and reduce 50% of gift packaging by 2027.

DENDRIFUND: A DECADE OF SOWING SEEDS

Recognizing the importance of natural resources to the longevity of our business, Brown-Forman and the Brown family created DendriFund in 2012 to promote sustainability in the whiskey ecosystem.

Over the past decade, DendriFund has focused on water and grain sustainability, as well as the regeneration of white oak trees used to make our barrels. These trees improve both biodiversity and water quality. Supporting the health of white oaks translates into supporting the health of an entire forest.

DendriFund co-founded the White Oak Initiative in 2017. In the past year, DendriFund also partnered with Old Forester on community outreach to develop the Old Forester Tree Nursery at the Brown-Forman Distillery. Volunteers planted seedlings grown from acorns that had been gathered two years earlier and collected new acorns throughout Louisville to plant in 2023. This tree nursery will be used for the long-term study of white oak sustainability and improved acorn production. In addition, DendriFund has been working with partners, including Woodford Reserve, since 2015 to bring rye back to Kentucky as a commercial cover crop.

DendriFund's operating model encourages collaboration and participation in multistakeholder partnerships related to resource regeneration. Leveraging about $1 million in seed funding over the past 10 years, DendriFund's model has generated millions more for projects that the foundation has helped incubate. Much like the acorns that will one day become mighty oak trees, this model allows each of our partners to grow and have a greater impact than they would alone, sowing seeds of progress far and wide.

GOAL: Source 50% of white oak logs from sustainably managed forests by 2035

Brown-Forman is a founding member of the White Oak Initiative, which works to ensure the long-term sustainability of America's white oak forests that are required in the making of our barrels. In fiscal 2022, the White Oak Initiative completed an assessment and conservation plan that outlines threats to America's white oak forests and the steps that can be taken to prevent their decline. DendriFund is working to improve regeneration and sustainability of wood, in particular American white oak trees, along with water and grain. DendriFund is helping to convene and support foresters, businesses, and policymakers, including the newly formed Congressional White Oak Caucus, to preserve white oak forests for the future.

Our commitment to conserving forests isn't limited to American white oak. In Ireland, our Slane Irish Whiskey brand is working with the Slane Castle estate and the Conyngham family on a sustainable forestry project. The project will improve woodlands by removing invasive species and planting new hedgerows to protect surrounding barley fields and improve biodiversity at the site.

COMMITTED TO People.

We believe in the value of diversity and inclusion for our colleagues, culture, consumers, and communities.

We want to do our part to build a better future for all, including nurturing a workplace where everyone can bring their best self and their best ideas forward. A diversity of experiences and broad perspectives is essential as we increase our brands' relevance and appeal to diverse consumer groups around the world.

By better understanding the evolving environment in which we live and work, we can realize the value of diversity for all our stakeholders. *Many Spirits, One Brown-Forman* is the first edition of our 2030 diversity and inclusion (D&I) strategy. Within that strategy, we are pursuing the following ambitions:

40%

WOMEN IN SENIOR LEADERSHIP POSITIONS GLOBALLY BY 2030

41% as of April 30, 2022

50%

WOMEN IN PROFESSIONAL AND LEADER-LEVEL POSITIONS GLOBALLY BY 2030

49% as of April 30, 2022

10% OF

U.S. CHARITABLE CONTRIBUTIONS TO ORGANIZATIONS THAT BENEFIT DIVERSE GROUPS

(Brown-Forman Foundation and Corporate)

37% as of April 30, 2022

25%

PEOPLE OF COLOR IN U.S. WORKFORCE BY 2030

20% as of April 30, 2022

16%

SPEND WITH WOMEN- OR MINORITY-OWNED BUSINESSES IN LOCATIONS WHERE DIVERSITY CATEGORIES ARE TRACKED BY THE GOVERNMENT

14% as of April 30, 2022

A Seat at the Table for Everyone

In addition to the D&I strategy, the ELT is working toward a series of "Be Better, Do Better" commitments, including tying 10% of the ELT's short-term cash incentive compensation to our D&I progress and ambitions. In fiscal 2022, we delivered a six-month immersive Inclusive Leadership Program to all executive leaders that included virtual learning days, self-guided assignments, and learning circles designed to teach leaders how to better demonstrate curiosity, cultural humility, and allyship. It will be extended to a wider group of leaders in fiscal 2023.

Our employee resource groups (ERGs) remain a valuable part of our culture. Brown-Forman has 10 ERGs that help foster an inclusive culture, raise cultural awareness, and collaborate with our business and brands as we seek to meet the diverse needs of our consumers, customers, and communities. ERGs inspire culture change, bring forward best practices, design and implement learning and development programs, and help us be an employer of choice.

AN AWARD-WINNING CULTURE

HOW DO WE KNOW IF OUR CULTURE IS INCLUSIVE? ONE WAY IS THROUGH ACCOLADES CONFERRED BY EXTERNAL ORGANIZATIONS. RECENT EXTERNAL AWARDS INCLUDE:

12th
CONSECUTIVE YEAR
Corporate Equality Index 100% score,
Human Rights Campaign
2022

2021
SUPER WORKSPACES
Brown-Forman Mexico

BEST
PLACE TO WORK FOR EXECUTIVE WOMEN
Seramount

BEST
PLACE TO WORK FOR DISABILITY INCLUSION
Disability Inclusion Index
2021

2021
50 OUT FRONT: BEST PLACES TO WORK FOR WOMEN & DIVERSE MANAGERS
Diversity MBA

GREAT PLACE TO WORK

UK
Great Place to Work™ and Great Place to Work for Women™

MEXICO
Fourth consecutive year

BRAZIL
Third consecutive year

INDIA
Second consecutive year

POLAND | FRANCE | SPAIN

Welcome Back to Better

The people of Brown-Forman are what make our results possible. We are committed to attracting and retaining the most talented people to our company and building a culture where everyone can grow and thrive. We are grateful to all those who remained on site during the pandemic to make, bottle, and ship our brands and are excited to welcome back those who worked remotely. Nearly all of our offices have fully reopened since their closures in March 2020, and we have invested in better technology and better collaboration experiences to keep our teams engaged, productive, and connected. As we welcome people back to our offices and home places, we continue to reinforce what makes our culture special.

Brown-Forman's ability to thrive for more than 150 years is proof of our special culture and the emotional connection built and sustained among our team members over decades. Our average tenure in the U.S. is 11 years, a figure that has held steady since 2017 and is twice the average tenure for the manufacturing sector overall. Metrics in other parts of the world show a similar trend. Our people have been the source of our success, and we continue to make investments in people development, health, and well-being. We significantly expanded our employee assistance program during the pandemic and increased access to resources to support mental health. Our people grew their careers and capabilities by logging nearly 56,000 hours of learning activities on leadership, inclusion, brand education, compliance, and financial acumen.

Creating Opportunities Across Our Industry

An important priority for Brown-Forman is empowering and highlighting the accomplishments of people who have historically been underrepresented in the spirits industry. For Women's History month, we created the "Women of Grapes and Grains" promotion in which we highlighted trailblazers who are making a difference in Brown-Forman's brands. The promotion recognized these women and their contributions to the industry, as well as speaking to consumers who saw products that are welcoming to all. They include distillers, master tasters, blenders, and winemakers who came together to share their perspectives as women in the industry, focusing on their career paths as well as their collective interest in environmental sustainability.

We continued to celebrate the relationship between Jack Daniel and his mentor, Nathan "Nearest" Green, by renaming Barrel House 114 at the Jack Daniel Distillery the George Green Barrel House. The name honors Nearest Green's son, George, and the extended Green family.

At least three of Nearest's sons and four of his grandchildren worked at the Jack Daniel distillery during Nearest's lifetime. In all, seven generations of Nearest Green's descendants have worked at the distillery, with three direct descendants continuing to work there today.

In 2020, Jack Daniel's and the Nearest Green Distillery, maker of Uncle Nearest Premium Whiskey, announced the Nearest & Jack Advancement Initiative to further diversity

U.S. WORKFORCE DEMOGRAPHICS*

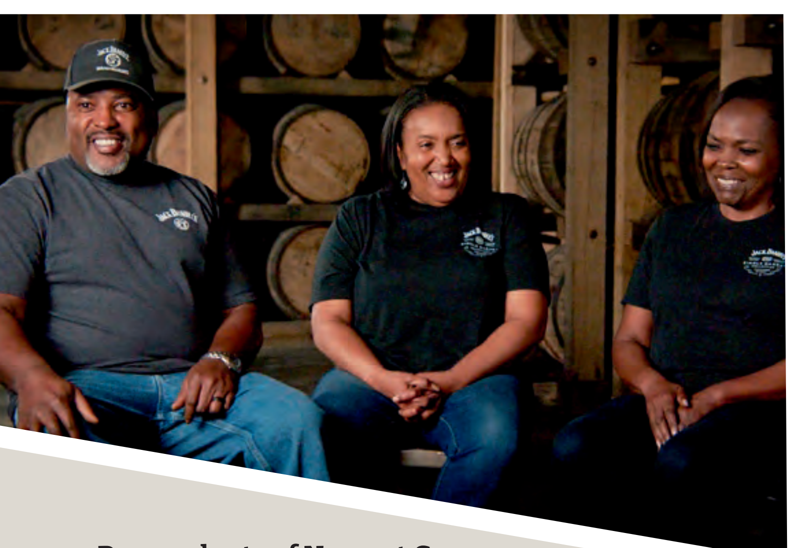
	FEMALE	MALE	WHITE	BLACK OR AFRICAN AMERICAN	HISPANIC OR LATINO	ASIAN	OTHER
BOARD	27%	73%	91%	9%	—	—	—
EXECUTIVE LEADER	34%	66%	79%	10%	6%	5%	—
BUSINESS LEADER	47%	53%	80%	9%	8%	3%	—
LEADER	47%	53%	83%	7%	5%	2%	3%
PROFESSIONAL	64%	36%	78%	10%	6%	3%	3%
PRODUCTION	18%	82%	78%	15%	5%	—	2%
TEMPORARY/SEASONAL	70%	30%	74%	10%	10%	3%	4%

**Diversity data of all employees working in the U.S. as of April 30, 2022. Ethnicity data is based on self-disclosed employee information. Board data includes all Directors (U.S. and international). Numbers may not add to 100% due to rounding. Other includes 2+ races, Native American, Alaskan Indian, or categories left blank.*

within the spirits industry. A combined pledge of $5 million helped create the Nearest Green School of Distilling, develop the Leadership Acceleration Program, and establish the Business Incubation Program.

We also honored Nearest's legacy by celebrating Du Nord Social Spirits as the first graduate of the Nearest and Jack Advancement Initiative Business Incubation Program. This program offers mentorship to BIPOC (Black, Indigenous, and people of color) entrepreneurs in all areas of the distilling business, including access to marketing, branding, expanded distribution networks, and other assets and opportunities for growth. Du Nord increased its sales footprint and is now available in 10 states across the country.

Another pillar in the Nearest and Jack Advancement Initiative is the Leadership Acceleration Program. The program is designed to fast-track the development of BIPOC candidates for future master distillers, distillery managers, and other senior management positions within the American whiskey industry. The first selections in the program, Tracie Franklin and Byron Copeland, are both on track to graduate in summer 2022.



Descendents of Nearest Green Working at Jack Daniel Distillery Today:

Jerome Vance, Debbie Staples, Jackie Hardin

Crystal Peterson,
VP, Chief Diversity Officer

Perspective

CREATING AN INCLUSIVE CULTURE

Q: "Bold spirits" has been used to describe Brown-Forman brands, and also its people. What is unique about Brown-Forman's culture that allows its people to be bold?
A: Our people strategy is centered on one core belief: in order to grow our brands and our business, we must recruit and grow great talent. Within our 2030 D&I strategy, our mission states that we will create an inclusive culture so that we can each bring our best self to work. When we each have that sense of belonging, it enables us to do our best work, to bring our bold perspectives and ideas to the table, and ultimately leads to greater innovation, creativity, and better business decisions.

Q: How does Brown-Forman ensure that D&I efforts are embedded throughout your business?
A: Our D&I efforts have four pillars: Workforce/Workplace, Brands/Markets, Suppliers/Partners, and our Community. We recognize that to have an impact, we cannot focus on one aspect alone. We must make strides in all four, from ensuring we have a diverse workforce and inclusive workplace, to better understanding and serving our diverse consumers and the markets in which we do business. For instance, in our approach to brand communications, we're making progress in several areas, including adopting guidelines to eliminate bias in the creative process, testing for cultural fluency, working to increase diverse representation in our advertising, and tracking our media delivery to female and underrepresented audiences in the U.S. The commitments made by the Brands Leadership Team is a great example of the work being done to embed D&I into our day-to-day work.

Q: Diversity takes many forms. How do you ensure that everyone feels included?
A: We continue to focus on the employee experience and creating an environment and culture where each individual feels truly valued, respected, and supported. Our 10 ERGs continue to create spaces for colleagues to learn, explore, educate, and build awareness. Recently, we developed a completely customized inclusive leadership program, Lead Better: Inclusive Leadership @ B-F. The program was designed to enable leaders to launch, accelerate, or deepen their commitment to D&I; do the work to be better leaders; and move from unconscious bias to conscious inclusion. All our executive leaders completed the program in November 2021, and we are continuing to cascade the program through the levels of leadership over the next two years.

LEADING IN ETHICAL CONDUCT

In 2022, Brown-Forman was recognized as one of the World's Most Ethical Companies by Ethisphere, a global leader in defining and advancing the standards of ethical business practices. To earn this distinction, Brown-Forman was evaluated on more than 200 dimensions of culture, environmental and social practices, ethics and compliance activities, governance, diversity, and initiatives to support a sustainable value chain. We believe this recognition was made possible, in part, by Brown-Forman's compliance program, a global initiative that is underpinned by the following elements:

2022 WORLD'S MOST ETHICAL COMPANIES® ™
WWW.ETHISPHERE.COM

Risk Assessment

Brown-Forman assesses risk against a range of compliance criteria, including alcohol responsibility, anti-corruption, environmental, human rights, cybersecurity, and data privacy. We adjust our compliance program as our business and risk profiles evolve.

Governance

The Ethics and Compliance Committee oversees Brown-Forman's compliance program. The Committee is chartered, chaired by the company's Chief Risk, Ethics, and Compliance Officer, and meets three times per year. The Officer submits quarterly written reports to the Audit Committee and presents at least twice annually.

Code of Conduct

Brown-Forman's Code of Conduct connects our core values to the work we do in 19 risk areas. Each risk area details expectations for employees and includes links to relevant policies and procedures, training, and supporting materials. The Code of Conduct is available in 14 languages and is updated annually.

Third-Party Management

We communicate compliance expectations to our business partners via the Brown-Forman Supplier Code of Conduct, which includes escalation instructions and a nonretaliation pledge. Partners are subject to risk-based due diligence for anti-corruption and other compliance-related risks and, in certain circumstances, are subject to training.

Education and Communication

During Compliance Month, all employees complete Code of Conduct training and supplemental training depending on the employee's management level and/or responsibilities. We track training completions and, for some courses, level of comprehension. Monthly compliance communications are shared with business leaders and cascaded through the organization by Compliance Champions. Brown-Forman's employee intranet includes links to policies, training, escalation channels, and ways to recognize employees for living our values.

Escalation and Investigation

Brown-Forman maintains multiple channels for employees and non-employees to report alleged misconduct to managers, senior leaders, or anonymously. Reports can be made via email or a toll-free hotline accessible from 44 countries. All escalations are logged and, to the extent possible, investigated. Brown-Forman prohibits retaliation against anyone who makes a good faith report or assists an investigation into alleged misconduct.

Monitoring and Measurement

We continually monitor and measure our compliance program's effectiveness, as well as our organization's awareness of and engagement with the program. We rely on data from internal and external surveys that help us assess our compliance-related risks. We benchmark our program against external frameworks and engage independent advisors to conduct specific risk assessments.

Human Rights

As a signatory to the United Nations Global Compact, Brown-Forman is committed to operating in ways that are consistent with fundamental responsibilities regarding human rights. Fiscal 2022 marked the launch of our three-year human rights strategy to review and improve existing company commitments, policies, processes, and practices. To date, we have completed a human rights risk assessment of global spend; formed a Human Rights Steering Committee chaired by our Chief Risk, Ethics, and Compliance Officer; updated our Global Human Rights Policy and Supplier Code of Conduct; and offered internal training to drive employee awareness of our commitment to human rights.

Health and Safety

Whether our employees are hand-raising barrels in our cooperages, working in our distilleries, leading tours, conducting sales, or in an office, their safety is a top priority. The risks our employees face are in line with those of most production or corporate environments, and health and safety teams are in place at our locations to mitigate and reduce those risks that could lead to injury.

Total Recordable Injury Rate (TRIR): Per 100 Full-Time Employees

Recordable injuries, including any work-related accident involving global production and Louisville corporate employees, have decreased over the past four years as a result of capital investments and continuous improvement to address specific injuries and illnesses. We have experienced no work-related fatalities globally over this time.

Perspective

Sailaja Kotra-Turner, Chief Information Security Officer

ADVANCING OUR TECHNOLOGY INFRASTRUCTURE

Q: You were recently named Brown-Forman's first Chief Information Security Officer. What perspectives do you bring to the company?
A: Over the course of my 20-year career, I have managed teams of IT professionals in operations, enterprise applications, and manufacturing. In the past few years, my leadership has centered around IT security teams in the areas of security engineering, operations and strategy, security awareness, and identity management. These varied experiences allow me to help improve Brown-Forman's security posture through a risk-based approach.

Q: The IT team structure is based on a Plan, Build, Run model. What does that mean?
A: Plan, Build, Run is a process-centric model that divides IT into three areas based on workstreams, rather than the more traditional functional/technological silo approach. The "Plan" team focuses on planning activities like design and strategy, enterprise architecture, etc. The "Build" team focuses on project management and implementation of these solutions. In our case, given the number and expertise of our people, we have one combined team for both "Plan" and "Build" activities. The "Run" unit focuses on maintenance and support initiatives, allowing for a better end-user experience.

Q: What are your main areas of focus in the first few months in your role?
A: Our primary focus is to build and support a highly available and secure IT infrastructure, and to continue to improve our end-user experience. We have some initiatives in the pipeline that will help with this, but we will also be working on breaking down silos across technology, functional, and geographic domains, including our corporate teams, brand teams, global offices, or production sites. Our goal is to respond quickly and efficiently to internal business needs, as well as internal and external risks.

COMMITTED TO Our Neighbors.

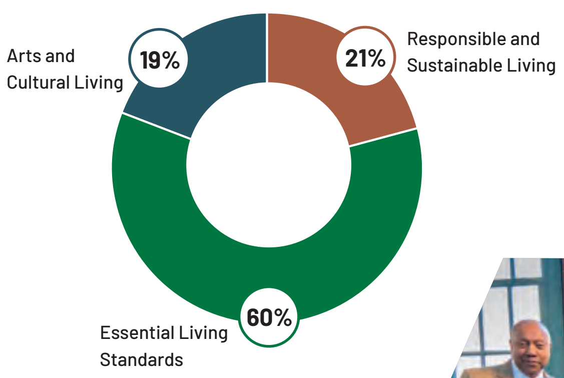
We're committed to doing our part in the communities that we call home. As a longtime member of these communities, we understand the importance of being a good neighbor.

Contributions to charitable organizations are made by both the corporation and the Brown-Forman Foundation, which was established in 2018 to further expand upon the company's legacy of strategic, charitable missions and philanthropic endeavors. Our long history and deep roots in Louisville make our hometown city the focus of our efforts.

In 2022, the Brown-Forman Foundation made its largest investment in its history, a 10-year, $50 million commitment to five organizations in west Louisville, including AMPED, Louisville Central Community Center, the Louisville Urban League, Simmons College of Kentucky, and the West End School. Together, these organizations will advance educational opportunities in west Louisville, from early childhood through adult learning.

Giving by Focus Area

(Brown-Forman Foundation and Corporate)



Since fiscal 2020, Brown-Forman contributions outside of Louisville have increased by 20%. We empower team members in 35 regional offices and production facilities located around the world to identify priorities and opportunities for investment specific to their communities.

We encourage all team members to be active in their communities through volunteering and nonprofit board service. In fiscal 2022, 1,200 employees volunteered 15,000 hours of their time, and 128 employees served on 230 nonprofit boards in the U.S. Together, these efforts support our vision to deliver transformative community impact as a best-in-class philanthropic leader.

Brown-Forman has recently provided support to refugees fleeing Ukraine through company and employee donations totaling $500,000 to three organizations aiding Ukrainian children and all refugees and offering medical assistance. Brown-Forman also provided funding to help our Ukraine-based employees evacuate. There have been many stories of compassion and care by employees assisting with transportation or providing shelter to those in need of assistance.

Brown-Forman Foundation announces long-term commitments.

COMMITTED TO Responsible Decisions.

Our brands enrich the experience of life through their histories, quality, and ability to bring people together. Because we honor that legacy, alcohol responsibility is woven through who we are at Brown-Forman. We work in partnership, and on our own, to ensure our products are marketed responsibly and enjoyed respectfully.

Our mission for alcohol responsibility is to empower mindful choices around beverage alcohol, and our priorities include:

- Preventing drunk driving
- Preventing underage access and consumption
- Respecting the choice not to drink
- Promoting moderation
- Empowering bystander intervention
- Supporting addiction recovery

Pause is Brown-Forman's campaign to encourage mindful choices. The campaign began by raising awareness and inspiring action from our colleagues and business partners around the importance of alcohol responsibility.

For example, our SPIRIT ERG supports Brown-Forman's commitment to create an environment where all of us feel welcome as contributing members of the organization, regardless of whether we choose to drink beverage alcohol. The ERG has further educated us on inclusive event planning and raised awareness around addiction recovery. Brown-Forman has had a six-year partnership with the New Hampshire Liquor Commission, Horizon Beverages, and the Mocktail Project to present New Hampshire Mocktail Month to provide alcohol-free online recipes for at-home mixologists and engage with 30 bars and restaurants to add alcohol-free options to their menus.

We join with other leading global beer, wine, and spirits producers as members and contributors to the International Alliance for Responsible Drinking, which actively supports international goals to reduce harmful consumption. We are committed to advertising our brands to those who are legally able to consume them. In buying our media, we comply with the applicable responsible marketing codes, including our own, that set minimum age demographics for such media purchases. As we comply with these guidelines, the total impressions generated by our media purchases consistently exceed 80% of those impressions being seen by consumers who are of legal drinking age and higher, which is above the Distilled Spirits Council of the United States Industry standard of 71.6%.

This critical work also involves partnerships with organizations in Louisville that offer hope and recovery for those experiencing addiction, including Volunteers of America and The Healing Place. We continue to partner with, and amplify, Ben's Friends, a national support group for food and beverage professionals who struggle with addiction and substance abuse. In addition, we've partnered with The Safe Bar Network and Safe Bars to provide bartenders and servers with tools and skills to prevent power-based personal violence within bars, restaurants, and other venues where alcohol is served. These skills create safer experiences for our trade partners and our consumers to ensure everyone has a positive experience with our brands.

SELECTED FINANCIAL DATA

For Year ended April 30: (Dollars in millions, except per share amounts)	2018	2019	2020	2021[1]	2022
SALES	$ 4,201	$ 4,276	$ 4,306	$ 4,526	$ 5,081
EXCISE TAXES	$ 953	$ 952	$ 943	$ 1,065	$ 1,148
NET SALES	$ 3,248	$ 3,324	$ 3,363	$ 3,461	$ 3,933
GROSS PROFIT	$ 2,202	$ 2,166	$ 2,127	$ 2,094	$ 2,391
OPERATING INCOME	$ 1,048	$ 1,144	$ 1,091	$ 1,166	$ 1,204
NET INCOME	$ 717	$ 835	$ 827	$ 903	$ 838
WEIGHTED AVERAGE SHARES (IN MILLIONS) USED TO CALCULATE EARNINGS PER SHARE					
– Basic	480.3	479.0	477.8	478.5	478.9
– Diluted	484.2	482.1	480.4	480.7	480.6
EARNINGS PER SHARE FROM CONTINUING OPERATIONS					
– Basic	$ 1.49	$ 1.74	$ 1.73	$ 1.89	$ 1.75
– Diluted	$ 1.48	$ 1.73	$ 1.72	$ 1.88	$ 1.74
GROSS MARGIN	67.8%	65.2%	63.2%	60.5%	60.8%
OPERATING MARGIN	32.3%	34.4%	32.4%	33.7%	30.6%
EFFECTIVE TAX RATE	26.6%	19.8%	18.0%	16.5%	24.7%
AVERAGE INVESTED CAPITAL[2]	$ 3,832	$ 4,125	$ 4,387	$ 4,966	$ 5,074
RETURN ON AVERAGE INVESTED CAPITAL[2]	20.0%	22.0%	20.4%	19.6%	17.7%
CASH PROVIDED BY OPERATIONS	$ 653	$ 800	$ 724	$ 817	$ 936
CASH DIVIDENDS DECLARED PER COMMON SHARE[3]	$ 1.6080	$0.6480	$0.6806	$ 0.7076	$ 1.7360
DIVIDEND PAYOUT RATIO[3,4]	107.8%	37.2%	39.3%	37.5%	99.2%
as of April 30:					
TOTAL ASSETS	$ 4,976	$ 5,139	$ 5,766	$ 6,522	$ 6,373
LONG-TERM DEBT	$ 2,341	$ 2,290	$ 2,269	$ 2,354	$ 2,019
TOTAL DEBT	$ 2,556	$ 2,440	$ 2,602	$ 2,559	$ 2,269

1 Results for fiscal 2021 include a pre-tax gain on sale of $127 million from the divestiture of Early Times, Canadian Mist, and Collingwood and related assets.

2 See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Presentation Basis — Non-GAAP Financial Measures" for details on our use of "return on average invested capital," including how we calculate this measure and why we think this information is useful to readers.

3 Cash dividends declared per common share and the dividend payout ratio include special cash dividends of $1.00 in both fiscal 2018 and fiscal 2022.

4 We define dividend payout ratio as cash dividends divided by net income.

To learn more about our ESG commitments and data, visit our website at www.brown-forman.com/commitments.

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

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended April 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to __________

Commission File Number 001-00123

BROWN-FORMAN CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value, as of the last business day of the most recently completed second fiscal quarter, of the voting and nonvoting equity held by nonaffiliates of the registrant was approximately $23,100,000,000.

The number of shares outstanding for each of the registrant's classes of Common Stock on May 31, 2022, was:

Class A Common Stock (voting), $0.15 par value	169,175,352
Class B Common Stock (nonvoting), $0.15 par value	309,878,389

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of Registrant for use in connection with the Annual Meeting of Stockholders to be held July 28, 2022, are incorporated by reference into Part III of this report.

Table of Contents

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

- Our substantial dependence upon the continued growth of the Jack Daniel's family of brands
- Substantial competition from new entrants, consolidations by competitors and retailers, and 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
- Disruption of our distribution network or inventory fluctuations in our products by distributors, wholesalers, or retailers
- 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; further legalization of marijuana; shifts in consumer purchase practices; 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
- 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, or labor
- Impact of health epidemics and pandemics, including the COVID-19 pandemic, and the risk of the resulting negative economic impacts and related governmental actions
- 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
- Product recalls or other product liability claims, product tampering, contamination, or quality issues
- 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
- Risks associated with acquisitions, dispositions, business partnerships, or investments – such as acquisition integration, termination difficulties or costs, or impairment in recorded value
- Risks associated with being a U.S.-based company with a global business, 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 whiskeys 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, corporate, sales or value-added taxes, property taxes, payroll taxes, import and export duties, and tariffs) or changes in related reserves, changes in tax rules or accounting standards, and the unpredictability and suddenness with which they can occur
- Decline in the social acceptability of beverage alcohol in significant markets
- Significant additional labeling or warning requirements or limitations on availability of our beverage alcohol products
- Counterfeiting and inadequate protection of our intellectual property rights
- Significant legal disputes and proceedings, or government investigations
- Cyber breach or failure or corruption of our key information technology systems or those of our suppliers, customers, or direct and indirect business partners, or failure to comply with personal data protection laws
- Our status as a family “controlled company” under New York Stock Exchange rules, and our dual-class share structure

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

PART I

Item 1. *Business*

Overview

Brown-Forman Corporation (the "Company," "Brown-Forman," "we," "us," or "our" below) was incorporated under the laws of the State of Delaware in 1933, successor to a business founded in 1870 as a partnership and later incorporated under the laws of the Commonwealth of Kentucky in 1901. We primarily manufacture, distill, bottle, import, export, market, and sell a wide variety of beverage alcohol products under recognized brands. We employ approximately 5,200 people (excluding individuals that work on a part-time or temporary basis) on six continents, including approximately 2,600 people in the United States (approximately 15% of whom are represented by a union) and 1,200 people in Louisville, Kentucky, USA, home of our world headquarters. According to International Wine & Spirit Research (IWSR), we are the largest American-owned spirits and wine company with global reach. We are a "controlled company" under New York Stock Exchange rules because the Brown family owns more than 50% of our voting stock. Taking into account ownership of shares of our non-voting stock, the Brown family also controls more than 50% of the economic ownership in Brown-Forman.

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

Brands

Beginning in 1870 with Old Forester Kentucky Straight Bourbon Whisky – our founding brand – and spanning the generations since, we have built a portfolio of more than 40 spirit, ready-to-drink (RTD) cocktail, and wine brands that includes some of the best-known and most loved trademarks in our industry. The most important and iconic brand in our portfolio is Jack Daniel's Tennessee Whiskey, the #1 selling American whiskey in the world[1]. Jack Daniel's Tennessee Whiskey was recently named the most valuable spirits brand in the world in the 2021 Interbrand "Best Global Brands" rankings. Our premium bourbons, Woodford Reserve and Old Forester, were once again selected for the Impact "Hot Brands"[2] list, marking nine and four consecutive years on the list, respectively. Our tequilas, el Jimador and Herradura, were also named to the "Hot Brands"[2] list.

Principal Brands

Jack Daniel's Tennessee Whiskey	el Jimador Tequilas[5]
Jack Daniel's RTD[3]	el Jimador New Mix RTD
Jack Daniel's Tennessee Honey	Korbel California Champagnes[6]
Gentleman Jack Rare Tennessee Whiskey	Korbel California Brandy[6]
Jack Daniel's Tennessee Fire	Herradura Tequilas[7]
Jack Daniel's Tennessee Apple	Finlandia Vodkas
Jack Daniel's Single Barrel Collection[4]	Sonoma-Cutrer California Wines
Jack Daniel's Tennessee Rye	Old Forester Kentucky Straight Bourbon Whisky
Jack Daniel's Winter Jack	Old Forester Whiskey Row Series
Jack Daniel's Sinatra Select	Old Forester Kentucky Straight Rye Whisky
Jack Daniel's Bonded	GlenDronach Single Malt Scotch Whisky
Jack Daniel's No. 27 Gold Tennessee Whiskey	Benriach Single Malt Scotch Whisky
Jack Daniel's Bottled-in-Bond	Glenglassaugh Single Malt Scotch Whisky
Jack Daniel's 10 Year Old	Chambord Liqueur
Jack Daniel's Triple Mash	Slane Irish Whiskey
Woodford Reserve Kentucky Bourbon	Fords Gin
Woodford Reserve Double Oaked	Coopers' Craft Kentucky Bourbon
Woodford Reserve Kentucky Rye Whiskey	Part Time Rangers RTDs
Woodford Reserve Kentucky Straight Malt Whiskey	
Woodford Reserve Kentucky Straight Wheat Whiskey	

[1]IWSR, 2022.
[2]Impact Databank, March 2022.

[3]Jack Daniel's RTD includes Jack Daniel's & Cola, Jack Daniel's Country Cocktails, Jack Daniel's Double Jack, and other malt- and spirit-based Jack Daniel's RTDs.
[4]The Jack Daniel's Single Barrel Collection includes Jack Daniel's Single Barrel Select, Jack Daniel's Single Barrel Barrel Proof, Jack Daniel's Single Barrel Rye, and Jack Daniel's Single Barrel 100 Proof.
[5]el Jimador Tequilas comprise all full-strength expressions of el Jimador.
[6]Korbel is not an owned brand. We sell Korbel products under contract in the United States and other select markets.
[7]Herradura Tequilas comprise all expressions of Herradura.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Fiscal 2022 Brand Highlights" for brand performance details.

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

Markets

We sell our products in over 170 countries around the world. The United States, our most important market, accounted for 49% of our net sales in fiscal 2022 and the other 51% were outside of the United States. The table below shows the percentage of total net sales for our largest markets in our three most recent fiscal years:

Percentage of Total Net Sales by Geographic Area

	Year ended April 30		
	2020	2021	2022
United States	**50 %**	**50 %**	**49 %**
Germany	**5 %**	**6 %**	**6 %**
Australia	**5 %**	**6 %**	**6 %**
United Kingdom	**5 %**	**6 %**	**6 %**
Mexico	**5 %**	**4 %**	**5 %**
Other	**30 %**	**28 %**	**28 %**
TOTAL	**100 %**	**100 %**	**100 %**

Note: Totals may differ due to rounding

For details about net sales in our largest markets, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Fiscal 2022 Market Highlights." For details about our reportable segment and for additional geographic information about net sales and long-lived assets, see Note 17 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data." For details on risks related to our global operations, see "Item 1A. Risk Factors."

Distribution Network and Customers

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

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

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

We believe that our customer relationships are good and our exposure to concentrations of credit risk is limited due to the diverse geographic areas covered by our operations and our thorough evaluation of each customer. In fiscal 2022, our two largest customers accounted for approximately 14% and 12% of consolidated net sales, respectively. No other customer accounted for 10% or more of our consolidated net sales in fiscal 2022.

Seasonality

Holiday buying makes the fourth calendar quarter the peak season for our business. Approximately 30% of our reported net sales for fiscal 2020, fiscal 2021, and fiscal 2022 were in the fourth calendar quarter of each year.

Competition

Trade information indicates that we are one of the largest global suppliers of premium spirits. According to IWSR, for calendar year 2021, the ten largest global spirits companies controlled approximately 20% of the total spirits volume sold around the world. While we believe that the overall market environment offers considerable growth opportunities for us, our industry is, and will remain, highly competitive. We compete against many global, regional, and local brands in a variety of categories of beverage alcohol, but our brands compete primarily in the industry's premium-and-above price points. Our competitors include major global spirits and wine companies, such as Bacardi Limited, Beam Suntory Inc., Becle S.A.B. de C.V., Davide Campari-Milano N.V., Diageo PLC, LVMH Moët Hennessy Louis Vuitton SE, Pernod Ricard SA, and Rémy Cointreau. In addition, particularly in the United States, we compete with national companies and craft spirit brands, many of which entered the market in the last few years.

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

Ingredients and Other Supplies

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

Principal Raw Materials

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

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

We are currently managing through a variety of global supply chain disruptions, largely related to glass supply, and have deployed a number of risk mitigation strategies to address the various constraints on our business. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” for more information on the effect of supply chain disruptions on our results.

From time to time, our agricultural ingredients (agave, barley, corn, grapes, malted barley, rye, and wood) could be adversely affected by weather and other forces out of our control that might constrain supply or reduce our inventory below desired levels for optimum production.

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

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

Intellectual Property

Our intellectual property includes trademarks, copyrights, proprietary packaging and trade dress, proprietary manufacturing technologies, know-how, and patents. Our intellectual property, especially our trademarks, is essential to our business. We register our trademarks broadly around the world, focusing primarily on where we sell or expect to sell our products. We protect our intellectual property rights vigorously but fairly. We have licensed some of our trademarks to third parties for use with services or on products other than alcoholic beverages, which enhances the awareness and protection of our brands. Depending on the jurisdiction, trademarks are valid as long as they are in use and/or their registrations are properly maintained. We also have various licenses and distribution agreements for the production, sale, and marketing of our products, and for the sale and marketing of products of others. These licenses and distribution agreements have varying terms and durations.

For details on risks related to the protection of our intellectual property, see "Item 1A. Risk Factors." For details on our most important brands, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Fiscal 2022 Brand Highlights."

Regulatory Environment

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

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

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

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

Integrated Strategy and Performance

For more than 150 years, Brown-Forman and the Brown family have been committed to driving sustainable growth and preserving Brown-Forman as a thriving, family-controlled, independent company. The image on the left illustrates our core purpose, "Enriching Life," and our highest ambition, "Nothing Better in the Market," surrounded by the values that have guided us for decades: integrity, respect, trust, teamwork, and excellence. In addition to these guiding principles, our success depends on several strategic priorities, as illustrated in the image on the right: the quality of our brands within our portfolio, our geographic reach, the talent and diversity of our people, and the return on our investments. Moreover, taking an integrated approach means that many aspects of our company contribute to this value creation and are fundamental to our strategy, including our commitment to environmental sustainability, alcohol and marketing responsibility, diversity and inclusion, and to building communities in which we live and work.

We faced a challenging and volatile environment, including supply chain disruptions and the ongoing pandemic, over the past two fiscal years. Our employees' unique mix of agility, resilience, energy, and collaboration enabled us to succeed despite these challenges, and we believe will continue to strengthen us over time. Our values drove decisions throughout this year, and our core purpose of "Enriching Life" and our highest ambition of "Nothing Better in the Market" continue to guide us as we move forward to a reimagined future with a renewed sense of opportunity for what lies ahead. We believe that several recent headwinds are becoming tailwinds. For example, after more than three years, tariffs on American whiskey in the European Union were removed on January 1, 2022, and tariffs in the United Kingdom were removed on June 1, 2022.

This Integrated Annual Report presents not only our financial performance but also our environmental, social, and governance ("ESG") strategies, commitments, and results. It provides a more holistic view of Brown-Forman, our culture, our strategic approach to our business, and how we achieve results.

Portfolio and Responsibility

We seek to build brands and create shareholder value responsibly by delivering strong and sustainable growth, solid margins, and high returns on invested capital. We focus on building brands that can be meaningful for our company and our consumers over the longer term. We aim to grow our premium spirits portfolio both organically and through innovation. Opportunistically and thoughtfully, we also consider acquisitions and partnerships that will enhance our capacity to deliver meaningful growth, improve margins, and increase shareholder returns.

We strive to grow our brands and enhance consumers' experience with them. Even as we do so, we remain committed to marketing our brands responsibly and promoting responsible drinking. Regulation of our industry is not new, and external interest from the World Health Organization and other health bodies has grown over time. We uphold high standards of self-regulation by adhering to industry guidelines on responsible marketing and advertising. We work both independently and with industry organizations to promote alcohol responsibility, such as the International Alliance for Responsible Drinking, the Foundation for Advancing Alcohol Responsibility (responsibility.org) in the United States, The Portman Group in the United Kingdom, DrinkWise in Australia, and FISAC in Mexico.

The Jack Daniel's family of brands, led by Jack Daniel's Tennessee Whiskey (JDTW), is our most valuable asset – the engine of our overall financial performance and the foundation of our leadership position in the American whiskey category[1]. We strive to strengthen the brand's leadership position, and will steadfastly work to keep JDTW relevant to consumers worldwide, while pursuing the opportunities to grow the Jack Daniel's family of brands across markets, premium-and-above price points, channels, and consumer groups. Product innovation continues to contribute meaningfully to our performance. Different Jack Daniel's expressions have brought new consumers to the franchise, including Honey (2011), Fire (2015), Rye (2017), Apple (2019), and our most recent launch, Jack Daniel's 10 Year Old Tennessee Whiskey (2021), which individually and collectively add great value to the company and to our consumers the world over.

In addition to the leadership of our Jack Daniel's family of brands, we expect strong worldwide growth from our other whiskey brands, particularly Woodford Reserve and Old Forester. Woodford Reserve is the leading super-premium American whiskey globally[1], growing volumes at a strong double-digit compound annual growth rate since the brand was introduced 25 years ago. Woodford Reserve surpassed 1.4 million nine-liter cases of annual volume as of April 30, 2022. We believe the brand is poised for continued growth as the bourbon category continues to grow around the world. Old Forester has continued its return to prominence in the United States and in select international markets. Innovation has played an important role in the premiumization of both of these brands, including the success of high-end expressions such as Woodford Reserve Double Oaked and the Old Forester Whiskey Row Series.

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

Fiscal 2022 was another year of growth for our ready-to-drink (RTD) portfolio. Jack Daniel's RTDs are approaching 14 million nine-liter cases globally. In Mexico, our el Jimador tequila-based RTD, New Mix, sold approximately 8 million nine-liter cases. In calendar 2020 we introduced Jack Daniel's Can Cocktails in the United States and also announced a new partnership with Pabst Brewing Company for the supply, sales, and distribution of Jack Daniel's Country Cocktails in this important market. In December 2020, we acquired Part Time Rangers, a line of low-calorie, spirit-based RTDs with natural fruit flavorings. Part Time Rangers is based in New Zealand, and we believe it will help us grow our RTD portfolio in that country, Australia, and potentially beyond.

We appreciate the power of our brands to enrich the experience of life, and we believe it is our duty to ensure that our products are marketed and enjoyed with deep respect for our consumers. Our mission for alcohol responsibility is to empower mindful choices around beverage alcohol. We launched the Pause campaign in 2019. Pause is Brown-Forman’s driving effort to encourage mindful choices. The campaign began by raising awareness and inspiring action from our colleagues and business partners around the importance of alcohol responsibility.

Geography

The United States remains our largest market, and continued growth there is important to our long-term success. We expect to foster this growth by emphasizing fast-growing spirits categories, continued product and packaging innovation, and brand building within growing consumer segments. This includes increasing emphasis on inclusive, digital, and integrated marketing and the growth of our e-commerce capabilities to better connect and engage with consumers where they are.

Outside the United States, we continue to increase our competitiveness through improved routes to consumers. In 2022, we established our owned-distribution organizations for Belgium & Luxembourg and Taiwan. More direct connection with customers and consumers enabled through owned distribution is an important part of our strategic growth.

The COVID-19 pandemic has impacted our global markets differently. While the recovery has been varied by geography, we expect increasing contributions to our long-term future growth from emerging markets, including Brazil, China, India, Mexico, Poland, and Southeast Asia.

[1] IWSR 2022

People, Diversity & Inclusion, and Ethics & Compliance

As we work to increase our brands' relevance and appeal to diverse consumer groups around the world, we believe a diversity of experiences and mindsets within our own workforce is essential. In the summer of 2019, we unveiled Many Spirits, One Brown-Forman: Gender and Race Edition, our 2030 Diversity & Inclusion Strategy aimed at creating a foundation from which to build a more diverse workforce and inclusive culture. In the summer of 2020, we developed and published commitments to be better and do better – to live our value of respect, educate ourselves more fully on what it means to be anti-racist, identify and eliminate barriers to inclusion, create an environment where all employees can bring their best selves to work, and extend our commitment more deeply in our communities, especially our hometown of Louisville, Kentucky. We believe these actions will help us continue to build an inclusive culture at Brown-Forman.

Our vision is to create an environment where leveraging diversity and inclusion occurs naturally, giving us a sustainable marketplace advantage. We have set race and gender ambitions to have at least 50% women in professional- and leader-level roles globally, 40% women in senior leadership positions globally, and 25% people of color in our United States workforce by 2030. We have also set a goal to reach 16% of our supplier spend in locations such as the United States, the United Kingdom, and Australia, with businesses that are woman- or minority-owned by 2030. For more than a decade, we have earned a perfect score in the Corporate Equality Index, a national benchmarking survey and report on corporate policies and practices related to LGBTQ workplace equality administered by the Human Rights Campaign Foundation.

One of the main drivers of Brown-Forman's inclusive culture is the continued growth and leadership of our 10 Employee Resource Groups (ERGs). We believe ERGs are instrumental in enriching our company's culture, and our employees experience this by supporting development and engagement of our diverse workforce, driving cultural awareness and competency across the organization, and enabling authentic engagement with our consumers. Our ERGs also create spaces for our employees and their allies to connect with, support, and advocate for one another.

Our core values of integrity, respect, trust, teamwork, and excellence form the foundation of our ethics and compliance program. "Values Drive Decisions" is the key theme of this program, and we use it to teach our employees to rely on our values when faced with a difficult decision and to "speak up" if they believe they, a colleague, or a business partner may have violated the law, our Code of Conduct, or company policy. In 44 countries, we offer a third-party service to employees and others who choose to "speak up" anonymously. We deliver training to Managers reinforcing our commitment to non-retaliation and maintaining a "Speak-Up" culture.

We convey our compliance expectations to employees via our Code of Conduct, and all employees certify annually that they will comply with the Code of Conduct and report a potential violation. The Code of Conduct is a toolkit for employees, as it details expectations for 18 different risks, includes links to Q&A, policies, training and the ability to contact a subject-matter expert. Our Code of Conduct and certification is refreshed annually and is available in 13 languages.

Investment and Sustainability

One thing we have learned over more than a century and a half is that long-term success requires investment and a mindset of sustainability. We understand the need to invest in our brands, global supply chain facilities, homeplace and visitor centers, and aging inventory. For example, in fiscal 2021, our Board of Directors approved a $125 million capital investment to expand our bourbon-making capacity in Kentucky to meet anticipated future consumer demand. Additionally, in fiscal 2022 our Board of Directors approved a $50 million capital investment to expand our scotch-making capacity to meet anticipated future demand. We also understand the importance of investing in our people, communities, and the environment. We recognize that climate change is a business issue with risks and opportunities. As such, we are committed to actions that will ensure the long-term health of the planet and our business. In fiscal 2021, we established a new 2030 Sustainability Strategy to align our efforts with industry best practices and the most current climate science. Our new goals broaden our focus beyond business operations to include our supply chain, where the majority of our environmental footprint resides. With this new strategy, we have a roadmap for continued progress over the next quarter-century.

OUR SUSTAINABILITY ROADMAP

2021
- Global Sustainability Goals Established

2025
- Engage with 100% of our direct farmers on regenerative agricultural practices
- Identify sources of white oak logs
- Verify access to water and sanitation for all employees

2030
- Halve greenhouse gas (GHG) emissions
- Use 100% renewable electricity
- Integrate circular economy priniciples
- Achieve water balance for key watersheds
- Offer 100% recyclable/ reusable primary packaging

2035
- Source 50% of white oak logs from sustainably managed forests

2045
- Achieve net-zero GHG emissions in our operations and supply chain

Our recent investments in renewable energy and resource stewardship underscore our long-term focus:

- *Wind*: Our partnership with the East Fork Wind project, which became operational in April 2020, provides a renewable energy source that offsets more than 90% of our electricity usage in the United States.
- *Solar*: Last year, Jack Daniel's announced a partnership to provide our Lynchburg distillery with 20 megawatts of solar energy. The agreement will provide nearly three-quarters of the distillery's electricity needs, and makes Jack Daniel's the first distillery to participate in Tennessee Valley Authority's Green Invest Program.
- *Watersheds*: To manage water risk, we have completed watershed risk assessments to evaluate watersheds we operate in that are considered at-risk or business critical. Following the assessments, we have begun to develop multi-year mitigation plans to address risk.
- *Waste*: In 2020, we were pleased to achieve our zero-waste-to-landfill (defined as sending less than 1% to landfill) goal across our production facilities. Our next priority is to integrate circular economy principles into our business that will allow us to go beyond zero-waste to a regenerative approach where resources are continually reused.

We believe we are better positioned than ever to deliver exceptional high-quality products to our consumers around the world. We have a highly capable and engaged workforce. We have developed brand-building capabilities by equipping our teams with the training and tools necessary for an increasingly data-driven digital global marketplace. Among other trends, the expansion of the digital economy accelerated significantly as consumers, businesses, and communities adapted to the challenges brought on by the COVID-19 pandemic. To continue our success in how we market and sell our brands, we announced in fiscal 2021 an investment in a new Integrated Marketing Communications organization that we believe will further enhance our ability to win in the digital economy.

Community

In addition to the investments we make in our employees, we believe it is vital that we give back to the communities that support both our employees and our company by thoughtfully deploying our time, talent, and resources. We have been a proud corporate citizen of our hometown of Louisville, Kentucky, since we were founded. Being a good neighbor is something we strive for wherever we operate, and our expanded focus and commitment to the neighborhood around our corporate campus meets this call to be the best neighbor we can be in an area that has experienced the effects of underinvestment and systemic racism.

We also continue to expand our civic engagement into Brown-Forman global office locations, allowing those employees closest to the needs of their communities to decide how to invest their charitable-giving resources. We leverage our key community relations partners to stay informed of collaborative opportunities in the communities where we work and live, and to shape our charitable-giving strategy to meet the essential needs of the communities that sustain us. We provide charitable donations and our employees volunteer throughout our communities, including 128 serving on 230 nonprofit boards in the United States. The Brown-Forman Foundation (the Foundation) was created in fiscal 2018 with the goal of helping fund our ongoing philanthropic endeavors. The Foundation's earnings provide a consistent source of revenue for charitable giving independent of our annual earnings. We work to partner with organizations that support our key focus areas: empowering responsible and sustainable living, ensuring essential living standards, and enhancing arts and cultural living. As part of our commitment to be better and do better as neighbors and as corporate citizens, the Brown-Forman Foundation made a 10-year, $50 million commitment to five organizations in west Louisville in 2022, which is the largest investment in its history. Our partner organizations include AMPED, the Louisville Central Community Center, the Louisville Urban League, Simmons College of Kentucky, and the West End School. Together, these organizations will advance educational opportunities in west Louisville, from early childhood through adult learning.

We believe that having a long-term-focused, committed, and engaged shareholder base, anchored by the Brown Family, gives us a distinct strategic advantage, particularly in a business with multi-generational brands and products that must be aged. We are committed to continually improving our environmental, social, and governance performance and acting upon our deeply held values. Recognizing the strong cash-generating capacity and the capital efficiency of our business, we will continue to pursue top-tier shareholder return through shareholder-friendly capital allocation and socially and environmentally conscious investments to fuel long-term growth.

Human Capital Resources

Overview: Culture of Care

We put our values at the forefront of all our decisions and actions, in an effort to make our employees feel respected, safe, and supported so they can make, market, and sell our products with the finest craftsmanship, quality, and care. What enables our success are the 5,200 people (excluding individuals that work on a part-time or temporary basis) we employ in 43 countries around the world. This includes approximately 3,400 salaried employees and 1,800 hourly employees, with the largest percentage of our employees residing within the United States, Mexico, and the United Kingdom. We believe our employee relations are good and our turnover rate is low.

COVID-19 Response

Shortly after the global pandemic began, we shifted nearly all global salaried employees to a virtual working environment and safely maintained our essential production operations. Over the last year, salaried employees have begun returning to their offices as local conditions have allowed. We welcomed salaried employees back to our Louisville headquarters on May 2, 2022, where we have made investments in our facilities and services to ease this transition.

The majority of our employees will be working under a hybrid work style going forward, working a minimum of three days per week in the office and the remaining days at home (or the location of their choice). We believe this structure will allow our employees to collaborate and build relationships, while enjoying the flexibility that they have come to appreciate. Flexibility has been a cultural priority at Brown-Forman since well before the pandemic and we are pleased to have found a solution that meets the needs of our business and our employees.

Structural Investments

We launched a new capability and organization within Brown-Forman that we call “Integrated Marketing Communications” (IMC). IMC focuses on driving excellence within five highly integrated, interdependent disciplines: e-commerce, Media, Performance, Search, and Content. These disciplines are supported by increased investments to advance our consumer-centric philosophy, agile processes, technology, and our organization, which has been significantly enhanced to support this initiative. The IMC organization consists of many marketers around the world who are solely focused on advancing our digital marketing and e-commerce initiatives. This includes new roles that we have recently created, which has given us the opportunity to elevate internal talent as well as incorporate external talent from leading companies with critical expertise. Through IMC, we can better meet consumers where they are by customizing content to maximize relevance and more effectively drive their behavior. We can now do this in real time and at scale. By integrating e-commerce within IMC, we can create a truly cohesive end-to-end consumer journey starting from awareness and closing the loop with sales.

Diversity & Inclusion

We are continuing to pursue our 2030 Diversity & Inclusion strategy, as outlined in Many Spirits, One Brown-Forman: Gender and Race Edition. This year, we continued to increase the number of women in senior leadership globally and people of color in the United States through both internal promotions and external hiring.

To support our culture of inclusion, all executive leaders participated in our six month Inclusive Leadership Program. This group completed the program at the end of the calendar year and we have recently begun cascading it down to our business leaders.

Workforce Stability

We must remain focused on winning the war for talent in a marketplace where opportunities abound and highly skilled knowledge workers can work from anywhere. While we have historically enjoyed low turnover amongst our salaried population, we have tracked our departures carefully over the last year, given the acceleration of the job market. We have analyzed our data quarterly, looking at cuts by gender, ethnicity, function, location, age, management level, etc. in addition to qualitative exit interview data. We have been pleased to find that our turnover remains consistent with our pre-pandemic levels. We will, of course, continue to monitor our data carefully.

Executive Officers

Information about Our Executive Officers

The following persons served as executive officers as of June 17, 2022:

Name	Age	Principal Occupation and Business Experience
Lawson E. Whiting	53	President and Chief Executive Officer since 2019. Executive Vice President and Chief Operating Officer from October 2017 to December 2018. Executive Vice President and Chief Brands and Strategy Officer from 2015 to 2017. Senior Vice President and Chief Brands Officer from 2013 to 2015. Senior Vice President and Managing Director for Western Europe from 2011 to 2013. Vice President and Finance Director for Western Europe from 2010 to 2011. Vice President and Finance Director for North America from 2009 to 2010.
Matthew E. Hamel	62	Executive Vice President and General Counsel since 2021. Executive Vice President, General Counsel and Secretary from 2007 to 2021.
Leanne D. Cunningham	52	Senior Vice President and Chief Financial Officer since July 2021. Senior Vice President, Shareholder Relations Officer, Global Commercial Finance, and Financial Planning and Analysis from August 2020 to June 2021. Senior Vice President, Shareholder Relations Officer from August 2019 to July 2020. Senior Vice President, and General Manager - Brown-Forman Brands from May 2015 to July 2019. Vice President, Director of Finance Global Production from October 2013 to April 2015. Vice President, Chief of Staff and Director of Business Development Global Production from November 2009 to October 2013.
Matias Bentel	47	Senior Vice President and Chief Brands Officer since January 2020. Senior Vice President and Managing Director of Jack Daniel's Family of Brands from August 2018 to January 2020. Vice President and General Manager of Mexico from January 2016 to August 2018. Vice President Latin America Marketing and Chief of Staff from October 2009 to January 2016.
Kelli N. Brown	52	Senior Vice President and Chief Accounting Officer since August 2018. Vice President and Director Finance (North America Region) from 2015 to August 2018. Director NAR Division Finance (North America Region) from 2013 to 2015. Director Business Planning and Analytics (North America Region) from 2012 to 2013.
Ralph E. de Chabert	75	Senior Vice President, Chief Corporate Citizenship Officer since February 2022. Senior Vice President, Chief Diversity Inclusion and Global Community Relations Officer from March 2019 to February 2022. Vice President and Chief Diversity Officer from 2007 to 2019.
Marshall B. Farrer	51	Senior Vice President, President Europe since August 2020. Senior Vice President, Managing Director, Global Travel Retail and Developed APAC Region from August 2018 to July 2020. Senior Vice President, Managing Director, Global Travel Retail from July 2018 to May 2015. Vice President, Managing Director, Jack Daniel's Tennessee Honey from January 2014 to April 2015. Vice President, Managing Director, Australia/New Zealand region from 2010 to 2014.
Kirsten M. Hawley	52	Senior Vice President, Chief People, Places, and Communications Officer since May 2021. Senior Vice President, Chief Human Resources and Corporate Communications Officer from March 2019 to April 2021. Senior Vice President and Chief Human Resources Officer from February 2015 to February 2019. Senior Vice President and Director of Human Resources Business Partnerships from 2013 to 2015. Vice President and Director of Organization and Leader Development from 2011 to 2013.
John V. Hayes	62	Senior Vice President, President, U.S.A. and Canada since June 2018. Senior Vice President, Chief Marketing Officer of Brown-Forman Brands from February 2015 to June 2018. Senior Vice President, Managing Director Jack Daniel's from 2011 to 2015.
Thomas W. Hinrichs	60	Senior Vice President, President Emerging International since August 2020. Senior Vice President, President, International Division from June 2018 to July 2020. Senior Vice President and President for Europe, North Asia, and ANZSEA from February 2015 to June 2018. Senior Vice President and Managing Director for Europe from 2013 to 2015. Senior Vice President and Managing Director for Greater Europe and Africa from 2006 to 2013.
Timothy M. Nall	51	Senior Vice President, Chief Global Supply Chain and Technology Officer since March 2022. Senior Vice President, Chief Information and Advanced Analytics Officer from January 2015 to February 2022. Vice President Director Technical Services from May 2013 to December 2014. Vice President Director Wines/ENV/Govt Comp 2011 to 2013.
Crystal L. Peterson	51	Vice President, Chief Inclusion and Global Community Relations Officer since June 2022. Vice President and Chief Diversity Officer from February 2022 to June 2022. Vice President and Human Resources Director - Global Production, Diversity and Inclusion from March 2021 to January 2022. Vice President and Human Resources Director - Global Production from August 2017 to February 2021. Vice President and Human Resources Director - North America Region from May 2015 to July 2017. Human Resources Director - North America Region and Latin America Region from May 2013 to April 2015.

Available Information

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

On our website, we have posted our Code of Conduct that applies to all our directors and employees, and our Code of Ethics that applies specifically to our senior financial officers. If we amend or waive any of the provisions of our Code of Conduct or our Code of Ethics applicable to our principal executive officer, principal financial officer, or principal accounting officer that relates to any element of the definition of "code of ethics" enumerated in Item 406(b) of Regulation S-K under the Securities Exchange Act of 1934 Act, as amended, we intend to disclose these actions on our website. We have also posted on our website our Corporate Governance Guidelines and the charters of our Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, and Executive Committee of our Board of Directors. Copies of these materials are also available free of charge by writing to our Secretary at 850 Dixie Highway, Louisville, Kentucky 40210 or emailing Secretary@b-f.com.

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

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

Risks Related to Our Business and Operations

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

The Jack Daniel's family of brands is the primary driver of our revenue and growth. Jack Daniel's is an iconic global trademark with a loyal consumer fan base, and we invest much effort and many resources to protect and preserve the brand's reputation for authenticity, craftsmanship, and quality. A brand's reputational value is based in large part on consumer perceptions, and even an isolated incident that causes harm – particularly one resulting in widespread negative publicity – could adversely influence these perceptions and erode consumer trust and confidence in the brand. Significant damage to the brand equity of the Jack Daniel's family of brands would adversely affect our business. Given the importance of Jack Daniel's to our overall success, a significant or sustained decline in volume or selling price of our Jack Daniel's products, as a result of negative publicity or otherwise, would have a negative effect on our financial results. Additionally, should we not be successful in our efforts to maintain or increase the relevance of the Jack Daniel's brand to current and future consumers, our business and operating results could suffer. For details on the importance of the Jack Daniel's family of brands to our business, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Fiscal 2022 Brand Highlights."

Changes to our route-to-consumer models and consolidation among beverage alcohol producers, distributors, wholesalers, suppliers, and retailers, could hinder the marketing, sale, or distribution of our products.

We use various business models to market and distribute our products in different countries around the world. In the United States, we sell our products either to distributors for resale to retail outlets or e-commerce retailers or, in those states that control alcohol sales, to state governments who then sell them to retail customers and consumers. In our non-U.S. markets, we use a variety of route-to-consumer models – including, in many markets, reliance on third parties to distribute, market and sell our products. We own and operate distribution companies for 14 international markets. Transitioning from a third-party distribution model to an owned distribution model involves significant investment, and subjects us to risks associated with that geographic region. If we are unsuccessful in our route-to-consumer strategies, including any transition to owned distribution, the sale and marketing of our products could be disrupted.

Consolidation, whether domestically or internationally, among spirits producers, distributors, wholesalers, suppliers, or retailers and the increased growth of the e-commerce environment across the consumer product goods market could create a more challenging competitive landscape for our products. Consolidation accelerated during the COVID-19 pandemic and the resulting quarantines, "stay at home" orders, travel restrictions, retail store closures, social distancing requirements, and other government actions, created a more challenging competitive landscape for our products. Consolidation at any level could hinder the distribution and sale of our products as a result of reduced attention and resources allocated to our brands both during and after transition periods, because our brands might represent a smaller portion of the new business portfolio. Furthermore, consolidation of distributors may lead to the erosion of margins as newly consolidated distributors take down prices. Changes in distributors' strategies, including a reduction in the number of brands they carry, the allocation of shelf space for our competitors' brands, or private label products, may adversely affect our growth, business, financial results, and market share.

Changes to any of our route-to-consumer models or partners in important markets could result in temporary or longer-term sales disruption, higher costs, and harm to other business relationships we might have with that partner. Disruption of our distribution network or fluctuations in our product inventory levels at distributors, wholesalers, or retailers could negatively affect our results for a particular period. Moreover, other suppliers, as well as wholesalers and retailers of our brands, offer products that compete directly with ours for shelf space, promotional displays, and consumer purchases. Pricing (including price promotions, discounting, couponing, and free goods), marketing, new product introductions, entry into our distribution networks, and other competitive behavior by other suppliers, and by wholesalers and traditional and e-commerce retailers, could adversely affect our growth, business, and financial results. While we seek to take advantage of the efficiencies and opportunities that large retail customers can offer, they often seek lower pricing and increased purchase volume flexibility, offer competing private label products, and represent a large number of other competing products. If the buying power of these large retail customers continues to increase, it could negatively affect our financial results. Further, while we believe we have sufficient scale to succeed relative to our major competitors, we nevertheless face a risk that continuing consolidation of large beverage alcohol companies could put us at a competitive disadvantage.

As noted above, e-commerce distribution grew dramatically early in the COVID-19 pandemic and is likely to continue growing in the future. Our competitors may respond to industry and economic conditions and shifts in consumer behaviors more rapidly or effectively than we do. To remain competitive, we must be agile and efficient in adopting digital technologies, and building analytical capabilities, particularly following the COVID-19 pandemic, which our competitors may be able to achieve with more agility and resources.

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

We are a branded consumer products company in a highly competitive market, and our success depends substantially on our continued ability to offer consumers appealing, high-quality products. Consumer preferences and purchases may shift, often in unpredictable ways, including health and wellness trends; changes in economic conditions, demographic, and social trends; public health policies and initiatives; changes in government regulation of beverage alcohol products; concerns or regulations related to product safety; legalization of cannabis and its use on a more widespread basis within the United States, Canada, or elsewhere; and changes in trends related to travel, leisure, dining, gifting, entertaining, and beverage consumption trends. Consumers may begin to shift their consumption and purchases from our premium and super-premium products, more commonly found in on-premise establishments, in favor of off-premise purchases or away from alcoholic beverages entirely. This includes consumption at home as a result of various factors, including the COVID-19 pandemic, shifts in social trends, and shifts to purchases of our products to e-commerce retailers. These shifts in consumption and purchasing channels, which could adversely impact our profitability, have accelerated during the COVID-19 pandemic and the resulting quarantines, “stay at home” orders, travel restrictions, retail, restaurant, bar, and hotel closures, social distancing requirements, and other government action. Consumers also may begin to prefer the products of competitors or may generally reduce their demand for brands produced by larger companies. Over the past several years, the number of small, local distilleries in the United States has grown significantly. This growth is being driven by a trend of consumers showing increasing interest in locally produced, regionally sourced products. As more brands enter the market, increased competition could negatively affect demand for our premium and super-premium American whiskey brands, including Jack Daniel’s. In addition, we could experience unfavorable business results if we fail to attract consumers from diverse backgrounds and ethnicities in all markets where we sell our products. Also, expansion into new product categories by other suppliers, or innovation by new entrants into the market, could increase competition in our product categories. For example, we have observed an increase in diversification by various consumer goods companies such as the entrance of both traditional beer and soft drink companies into the RTD market and the entrance of both beer and spirits companies into the cannabis market – expanding the potential for competition in the spirits market from various sectors of the consumer goods industry. Increased competition may, among other things, negatively impact our ability to maintain or gain market share; increase pricing pressure, which inhibits our ability to adequately respond to inflationary changes in commodities used in making our products; require increases in marketing and promotional activities; and negatively impact the market for our premium and super-premium products. To continue to succeed, we must anticipate or react effectively to shifts in demographics, our competition, consumer behavior, consumer preferences, drinking tastes, and drinking occasions.

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

We believe that new products, line extensions, label and bottle changes, product reformulations, and similar product innovations by both our competitors and us will compete increasingly for consumer drinking occasions. Product innovation, particularly for our core brands, is a significant element of our growth strategy; however, there can be no assurance that we will continue to develop and implement successful line extensions, packaging, formulation or flavor changes, or new products.

Unsuccessful implementation or short-lived popularity of our product innovations could result in inventory write-offs and other costs, reduction in profits from one year to the next, and also could damage consumers' perception of our brand family. Our inability to attract consumers to our product innovations relative to our competitors' products – especially over time – could negatively affect our growth, business, and financial results.

Production facility disruption could adversely affect our business.

Some of our largest brands, including Jack Daniel's and our tequilas, are distilled at single locations. A catastrophic event causing physical damage, disruption, or failure at any one of our major distillation or bottling facilities, including facilities that support the production of our premium brands such as Woodford Reserve and Old Forester, could adversely affect our business. Further, because whiskeys and some tequilas are aged for various periods, we maintain a substantial inventory of aged and maturing products in warehouses at a number of different sites. The loss of a substantial amount of aged inventory – through fire, other natural or man-made disaster, contamination, or otherwise – could significantly reduce the supply of the affected product or products. These and other supply (or supply chain) disruptions could prevent us from meeting consumer demand for the affected products in the near term or the short term. In addition to catastrophic events identified above, supply disruptions could include the temporary inability to make our products at normal levels or at all. We could also experience disruptions if our suppliers are unable to deliver supplies as a result of the COVID-19 pandemic or otherwise. Disaster recovery plans may not prevent business disruption, and reconstruction of any damaged facilities could require a significant amount of time and resources.

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

There is an inherent risk of forecasting imprecision in determining the quantity of aged and maturing products to produce and hold in inventory in a given year for future sale. The forecasting strategies we use to balance product supply with fluctuations in consumer demand may not be effective for particular years or products. For example, in addition to our American and Irish whiskeys and some tequilas, which are aged for various periods, our Scotch whisky brands, require long-term maturation – an average of 12 years with limited releases of 30 years or more – making forecasts of demand for such products in future periods subject to significant uncertainty. Our tequila supply is also dependent on the growth cycle of our agave plants which take approximately seven years to reach full maturity, requiring us to make forecasts of demand for our tequilas over a long-time horizon to determine in advance how much agave to plant. Factors that affect our ability to forecast accurately include changes in business strategy, market demand, consumer preferences, macroeconomic conditions, introductions of competing products, and other changes in market conditions. Additionally, our supply of aged products can deviate from expectations due to changes in forecasted maturation loss. Any forecasting error could lead to our inability to meet the objectives of our business strategy, failure to meet future demand, or a future surplus of inventory and consequent write-down in value of raw materials. A failure to accurately forecast demand for our products or efficiently manage inventory, could have a material adverse effect on our business and financial results. Further, we cannot be certain that we will be successful in using various levers, such as pricing changes, to create the desired balance of available supply and consumer demand for particular years or products. As a consequence, we may be unable to meet consumer demand for the affected products for a period of time. Furthermore, not having our products in the market consistently may adversely affect our brand equity and future sales.

Higher costs or unavailability of water, raw materials, product ingredients, or labor could adversely affect our financial results.

Our products use materials and ingredients that we purchase from suppliers. Our ability to make and sell our products depends upon the availability of the raw materials, product ingredients, finished products, wood, glass and PET bottles, cans, bottle closures, packaging, and other materials used to produce and package them. Without sufficient quantities of one or more key materials, our business and financial results could suffer. For instance, only a few glass producers make bottles on a scale sufficient for our requirements, and a single producer supplies most of our glass requirements. Beginning in 2020, as a result of global supply chain challenges, our primary glass provider was not able to produce sufficient quantities to meet our needs, which increased our cost of production and adversely affected our financial results. While we continue to see improvements in our glass supply, overall supply chain logistics and transportation continue to be constrained, impacting our route to market costs and lead times. We project that logistics and transport constraints will persist at least through calendar 2022 and possibly through calendar 2023. Similar new supply chain challenges may occur in the future, making it difficult and more expensive to produce and deliver our products. For example, if we were to experience a disruption in the supply of American white oak logs or steel to produce the new charred oak barrels in which we age our whiskeys, our production capabilities could be compromised. If any of our key suppliers were no longer able to meet our timing, quality, or capacity requirements, ceased doing business with us, or significantly raised prices, and we could not promptly develop alternative cost-effective sources of supply or production, our operations and financial results could suffer.

Higher costs or insufficient availability of suitable grain, agave, water, grapes, wood, glass, closures, and other input materials, or higher associated labor costs or insufficient availability of labor, may adversely affect our financial results. Similarly, when energy costs rise, our transportation, freight, and other operating costs, such as distilling and bottling expenses, also may increase. Our freight cost and the timely delivery of our products could be adversely affected by a number of factors that could reduce the profitability of our operations, including driver or equipment shortages, higher fuel costs, weather conditions, traffic congestion, shipment container availability, rail shut down, increased government regulation, and other matters. Our financial results may be adversely affected if we are not able to pass along energy, freight, or other input cost increases through higher prices to our customers without reducing demand or sales. For example, in connection with the COVID-19 pandemic, we experienced supply chain disruptions in connection with the availability of timely modes of transportation to ship our products globally.

International or domestic geopolitical or other events, including the imposition of any tariffs or quotas by governmental authorities on any raw materials that we use in the production of our products, could adversely affect the supply and cost of these raw materials to us. For example, the global economy has been negatively impacted by Russia's invasion of Ukraine. Global grain and energy markets have become increasingly volatile as sanctions have been imposed on Russia by other countries, including the United States and the European Union, in response to the invasion. As a result, we have suspended our operations in Russia, and it is not clear if, or when, we will be able to resume doing business in Russia. While we do not currently expect our production operations to be directly impacted by the conflict, changes in global grain and commodity pricing and availability may impact the markets in which we operate. If we cannot offset higher raw material costs with higher selling prices, increased sales volume, or reductions in other costs, our profitability could be adversely affected.

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

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

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

Our business, operations, cash flows, and financial results have been impacted and will likely continue to be impacted by health epidemics, pandemics, and similar outbreaks, such as the COVID-19 pandemic. The COVID-19 pandemic has had and could continue to have negative impacts, such as (a) a global or U.S. recession or other economic crisis; (b) credit and capital markets volatility (and access to these markets, including by our suppliers and customers); (c) volatility in demand for our products; (d) changes in accessibility to our products due to illness, quarantines, "stay at home" orders, travel restrictions, retail, restaurant, bar, and hotel closures, social distancing requirements, and other government action; (e) changes in consumer behavior and preferences; and (f) disruptions in raw material supply, our manufacturing operations, or in our distribution and supply chain. Furthermore, during the COVID-19 pandemic, we were affected in markets where, in connection with other government actions taken to slow the spread of the COVID-19 pandemic, liquor sales were temporarily restricted or banned outright such as in the Commonwealth of Pennsylvania in the United States, and in South Africa, India, and other Asian countries. In addition, we may incur increased costs and otherwise be negatively affected if a significant portion of our workforce (or the workforces within our distribution or supply chain) is unable to work or work effectively, including because of illness, quarantines, "stay at home" orders, social distancing requirements, other government action, facility closures, or other restrictions.

The full impact of the COVID-19 pandemic (and any related variations) depends on factors beyond our knowledge or control, including the duration, severity, and potential resurgence of the outbreak and actions taken to contain its spread and mitigate the public health effects, including vaccine efficacy, and its short- and long-term impacts on the economy, unemployment, consumer confidence, and the financial health of our suppliers, distributors, customers, and retailers. We cannot predict with certainty the full impact of the COVID-19 pandemic on our business or our future financial or operational results. For further discussion on the impact of the COVID-19 pandemic on our business and financial results, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Significant Developments - COVID-19."

Unfavorable economic conditions could negatively affect our operations and results.

Unfavorable global or regional economic conditions may be triggered by numerous developments beyond our control, including geopolitical events, health crises such as the COVID-19 pandemic, and other events that trigger economic volatility on a global or regional basis. Those types of unfavorable economic conditions could adversely affect our business and financial results. In particular, a significant deterioration in economic conditions, including economic slowdowns or recessions, increased unemployment levels, inflationary pressures or disruptions to credit and capital markets, could lead to decreased consumer confidence in certain countries and consumer spending more generally, thus reducing consumer demand for our products. For example, in 2021 and continuing into 2022, the United States and European Union have experienced a rapid increase in inflation levels. Such heightened inflationary levels may negatively impact consumer disposable income and discretionary spending and, in turn, reduce consumer demand for our premium products and increase our costs. Unfavorable economic conditions could also cause governments to increase taxes on beverage alcohol to attempt to raise revenue, reducing consumers' willingness to make discretionary purchases of beverage alcohol products or pay for premium brands such as ours.

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

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

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

Negative publicity could affect our business performance.

Unfavorable publicity, whether accurate or not, related to our industry or to us or our products, brands, marketing, executive leadership, employees, Board of Directors, family shareholders, operations, current or anticipated business performance, or environmental or social efforts could negatively affect our corporate reputation, stock price, ability to attract and retain high-quality talent, or the performance of our brands and business. Adverse publicity or negative commentary on social media outlets, whether accurate or not, particularly any that go "viral," could cause consumers or other stakeholders to react by disparaging or avoiding our brands or company, which could materially negatively affect our financial results. Additionally, investor advocacy groups, institutional investors, other market participants, shareholders, employees, consumers, customers, and policymakers have focused increasingly on the environmental, social, and governance ("ESG") or "sustainability" positions and practices of companies. If our ESG positions or practices do not meet investor or other stakeholder expectations and standards, which continue to evolve, our corporate reputation, stock price, ability to attract and retain high-quality talent, and the performance of our brands and business may be negatively affected. Stakeholders who disagree with our company's actions, positions, or statements may speak negatively or advocate against the company, with the potential to harm our reputation or business through negative publicity, adverse government treatment, or other means.

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

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

We might not succeed in our strategies for investments, acquisitions, dispositions and other strategic transactions.

From time to time, we acquire or invest in additional brands or businesses. We expect to continue to seek acquisition and investment opportunities that we believe will increase long-term stockholder value, but we may not be able to find investment opportunities, or purchase brands or businesses, at acceptable prices and terms. Acquisitions and investments involve risks and uncertainties, including potential difficulties integrating acquired brands and personnel; the possible loss of key customers or employees most knowledgeable about the acquired business; implementing and maintaining consistent U.S. public company standards, controls, procedures, policies, and information systems; exposure to unknown liabilities; business disruption; and management distraction or departure. Acquisitions, investments, or joint ventures could also lead us to incur additional debt and related interest expenses or issue additional shares, and result in a reduction in our earnings per share and a decrease in our return on invested capital. We could incur future restructuring charges or record impairment losses on the value of goodwill or other intangible assets resulting from previous acquisitions, which may also negatively affect our financial results.

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

Risks Related to Our Global Operations

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

Our products are sold in more than 170 countries; accordingly, we are subject to risks associated with doing business globally, including commercial, political, and financial risks. In addition, we are subject to potential business disruption caused by military conflicts; potentially unstable governments or legal systems; social, racial, civil, or political upheaval or unrest; local labor policies and conditions; possible expropriation, nationalization, or confiscation of assets; problems with repatriation of foreign earnings; economic or trade sanctions; closure of markets to imports; anti-American sentiment; terrorism, kidnapping, extortion, or other types of violence in or outside the United States; and health pandemics (such as COVID-19).

Additionally, in 2018, the United States imposed tariffs on steel and aluminum. In response, a number of countries imposed retaliatory tariffs on U.S. imports, including on our American whiskey products. Such retaliatory tariffs have negatively affected our results of operations through lower net sales and higher cost of sales. However, in October 2021, the United States and the European Union reached an agreement whereby, beginning January 1, 2022, the U.S. lifted the steel and aluminum duties and applied a tariff-rate-quota allowing duty-free importation of steel and aluminum from the European Union based on historical volumes, and, in response, the European Union suspended its retaliatory tariffs that have been in place on certain U.S. products, including our American whiskey products. Likewise, in March 2022, the United States and the United Kingdom reached a similar agreement, effective on June 1, 2022. Any new or additional increases in tariffs, custom duties, or other restrictions or barriers on imports and exports, or the further deterioration of economic relations between the United States and other countries could result in an increase in the price of our products and, to the extent that we absorb the costs of tariffs, result in higher cost of goods sold and lower gross profit and margins. Additionally, it could limit the availability of our products and prompt consumers to seek alternative products. Our success will depend, in part, on our ability to overcome the challenges we encounter with respect to these risks and other factors affecting U.S. export companies with a global business.

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

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

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

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

Legal and Regulatory Risks

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

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

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

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

Our business is sensitive to changes in both direct and indirect taxes. New tax rules, accounting standards, or pronouncements, and changes in interpretation of existing rules, standards, or pronouncements could have a material adverse effect on our business and financial results. As a multinational company based in the United States, we are more exposed to the impact of changes in U.S. tax legislation and regulations than most of our major competitors, especially those that affect the effective corporate income tax rate. For example, tax proposals sponsored by the current U.S. presidential administration could lead to U.S. tax changes, including significant increases to the U.S. corporate income tax rate and the minimum tax rate on certain earnings of foreign subsidiaries. While we are unable to predict whether any of these changes will ultimately be enacted, if these or similar proposals are enacted into law, they could negatively impact our effective tax rate and reduce net earnings.

At the global level, potential changes in tax rules or the interpretation of tax rules arising out of the Base Erosion and Profit Shifting project initiated by the Organization for Economic Co-operation and Development include increased residual profit allocations to market jurisdictions and the implementation of a global minimum tax rate. It is possible that the adoption of these or other proposals could have a material impact on our net income and cash flows. Furthermore, changes in the earnings mix or applicable foreign tax laws could also negatively impact our effective tax rates.

Our business operations are also subject to numerous duties or taxes that are not based on income, sometimes referred to as "indirect taxes." These indirect taxes include excise taxes, sales or value-added taxes, property taxes, payroll taxes, import and export duties, and tariffs. Increases in or the imposition of new indirect taxes on our operations or products would increase the cost of our products or materials used to produce our products or, to the extent levied directly on consumers, make our products less affordable, which could negatively affect our financial results by reducing purchases of our products and encouraging consumers to switch to lower-priced or lower-taxed product categories. As governmental entities look for increased sources of revenue, they may increase taxes on beverage alcohol products. In fiscal 2022, we have observed excise tax increases in Turkey, France, Finland, Romania, and the annual Australian increase tied to the consumer price index, while we also note that Brazil enacted an excise tax decrease. Additionally, during fiscal 2022, Australia is considering proposals to change the country's overall beverage alcohol tax policies.

Our ability to market and sell our products depends heavily on societal attitudes toward drinking and governmental policies that both flow from and affect those attitudes.

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

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

Various jurisdictions have adopted or may seek to adopt significant additional product labeling or warning requirements or impose limitations on the availability of our products relating to the content or perceived adverse health consequences of some of our products. Several such labeling regulations or laws require warnings on any product with substances that the jurisdiction lists as potentially associated with cancer or birth defects. Our products already raise health and safety concerns for some regulators, and heightened requirements could be imposed. For example, in 2020 in Australia and New Zealand, after concerted campaigning from advocacy groups, the government legislated mandatory pregnancy warning labels to be applied to alcohol beverages with a transition period of three years. Additionally, in February 2021, the European Union published its Europe Beating Cancer Plan. As part of the plan, by the end of 2023, the European Union will issue a proposal for mandatory health warnings on beverage alcohol product labels. Such campaigns could result in additional governmental regulations concerning the production, marketing, labeling, or availability of our products, any of which could damage our reputation, make our premium brands unrecognizable, or reduce demand for our products, which could adversely affect our profitability. If additional or more severe requirements of this type are imposed on one or more of our major products under current or future health, environmental, or other laws or regulations, they could inhibit sales of such products. Further, we cannot predict whether our products will become subject to increased rules and regulations, which, if enacted, could increase our costs or adversely impact sales.

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

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

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

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

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

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

Risks Related to Cybersecurity and Data Privacy

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: hosting our internal network and communication systems; ordering and managing materials from suppliers; billing and collecting cash from our customers; supply/demand planning; inventory planning; production; shipping products to customers; paying our employees; hosting corporate strategic plans and employee data; hosting our branded websites and marketing products to consumers; collecting and storing data on suppliers, customers, consumers, stockholders, employees, former employees, and beneficiaries of employees or former employees; processing transactions; summarizing and reporting results of operations; hosting, processing, and sharing confidential and proprietary research, business plans, and financial reporting and 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 risk to the security and availability of our IT systems, networks, and services, including those that are managed, hosted, provided, or used by third parties, as well as the confidentiality, availability, and integrity of our data and the data of our customers, partners, consumers, employees, stockholders, suppliers, and others. As a result of the COVID-19 pandemic, a greater number of our employees are working remotely and accessing our technology infrastructure remotely, which further increases our attack surface. 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.

Unauthorized access to our IT network or that of our service providers could result in failure of our IT systems, networks, or services to function properly. This could lead to the loss or unauthorized disclosure of our business strategy or other sensitive information; 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 IT disruptions could result in unauthorized disclosure of material confidential information, resulting in financial and reputational damage because of lost or misappropriated confidential information belonging to us or to our partners, customers, consumers, employees, or former employees and their beneficiaries, stockholders, suppliers, or others.

As a result of any cyber breach or IT disruption, we could also be required to spend significant financial and other resources to remedy the damage. Those expenditures could include repairing or replacing networks and IT systems, which could require a significant amount of time and financial investment; responding to claims from employees, former employees, stockholders, suppliers, customers, consumers, or others; handling related litigation or governmental inquiries; or paying significant fines to regulatory agencies. Furthermore, a cyber breach at any one of our suppliers, customers, or other direct or indirect business partners could have similar impacts. Any cyber breach or IT disruption could have a material adverse effect on our business.

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 beneficiaries of employees or former employees, 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 in various jurisdictions around the world. These laws change frequently, and new legislation in this area may be enacted in other jurisdictions at any time. Such laws and regulations include the California Consumer Protection Act, the California Privacy Rights Act, which will take effect on January 1, 2023, and the European Union General Data Protection Regulation (GDPR). These types of laws and regulations subject us to, among other things, additional costs and expenses and may require costly changes to our business practices and security systems, policies, procedures, and practices. Improper disclosure of personal data in violation of personal data protection laws, including the GDPR, 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, or criminal prosecution, all of which could negatively affect our business and operating results.

Risks Related to Our Ownership and Corporate Governance Structure

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

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

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

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

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

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

None.

Item 2. ***Properties***

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

In addition to our company-owned production locations and our corporate offices in Louisville, Kentucky, we lease office space for use in our sales, marketing, and administrative operations in the United States and in over 50 other cities around the world. The lease terms expire at various dates and are generally renewable. We believe that our facilities are in good condition and are adequate for our business.

Principal Properties

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

Item 3. ***Legal Proceedings***

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

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

Not applicable.

PART II

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

Our Class A and Class B common stock is traded on the New York Stock Exchange under the symbols “BFA” and “BFB,” respectively. As of May 31, 2022, there were 1,899 holders of record of Class A common stock and 3,885 holders of record of Class B common stock. Because of overlapping ownership between classes, as of May 31, 2022, we had only 5,029 distinct common stockholders of record.

Stock Performance Graph

The graph below compares the cumulative total shareholder return of our Class B common stock for the last five fiscal years with the Standard & Poor's (S&P) 500 Index, the Dow Jones U.S. Consumer Goods Index, and the Dow Jones U.S. Food & Beverage Index. The information presented assumes an initial investment of $100 on April 30, 2017, and that all dividends were reinvested. The graph shows the value that each of these investments would have had on April 30 in the years since 2017.

	2017	2018	2019	2020	2021	2022
Brown-Forman Corporation	$100	$153	$147	$174	$215	$195
S&P 500 Total Return Index	$100	$113	$129	$130	$189	$190
Dow Jones U.S. Consumer Goods Index	$100	$98	$109	$109	$169	$175
Dow Jones U.S Food & Beverage Index	$100	$97	$111	$110	$138	$156

Item 6. [Reserved]

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

Introduction

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

Our MD&A is organized as follows:

Table of Contents

Presentation Basis

Non-GAAP Financial Measures

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

"Organic 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 "organic" basis. We use "organic change" for the following measures of the statements of operations: (a) organic net sales; (b) organic cost of sales; (c) organic gross profit; (d) organic advertising expenses; (e) organic selling, general, and administrative (SG&A) expenses; (f) organic other expense (income) net; (g) organic operating expenses[2]; and (h) organic operating income. To calculate these measures, we adjust, as applicable, for (1) acquisitions and divestitures, (2) foreign exchange, (3) impairment charges, and (4) a commitment to our charitable foundation. We explain these adjustments below.

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

  During fiscal 2021, we sold our Early Times, Canadian Mist, and Collingwood brands and related assets, which resulted in a pre-tax gain of $127 million, and entered into a related transition services agreement (TSA) for these brands. Also, during fiscal 2021, we acquired Part Time Rangers Limited, which owns Part Time Rangers RTDs. See Note 12 to the Consolidated Financial Statements for more information.

  This adjustment removes (a) transaction and integration costs related to the acquisitions and divestitures, (b) the gain on sale of Early Times, Canadian Mist, and Collingwood and related assets, (c) operating activity for the non-comparable period for Early Times, Canadian Mist, and Collingwood, which is activity in the first quarter of fiscal 2021, (d) the net sales and operating expenses recognized pursuant to the TSA related to (i) contract bottling services and (ii) distribution services in certain markets, and (e) operating activity for Part Time Rangers Holdings Limited for the non-comparable period, which is primarily activity in the first two quarters of fiscal 2022. We believe that these adjustments allow for us to better understand our organic 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 organic

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

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.

- *"Impairment Charges."* This adjustment removes the impact of impairment charges from our results of operations.

  During the first three quarters of fiscal 2022, we recognized non-cash impairment charges of $9 million for certain fixed assets. During the fourth quarter of fiscal 2022, we recognized a non-cash impairment charge of $52 million for our Finlandia brand name. See "Critical Accounting Policies and Estimates" below and Note 14 to the Consolidated Financial Statements for more information.We believe that these adjustments allow for us to better understand our organic results on a comparable basis.

- *"Foundation."* During the fourth quarter of fiscal 2021, we committed $20 million to the Brown-Forman Foundation (the Foundation) to support the communities where our employees live and work. This adjustment removes the $20 million commitment to the Foundation from our organic SG&A expenses and organic operating income to present our organic results on a comparable basis.

We use the non-GAAP measure "organic change", along with other metrics, to: (a) understand our performance from period to period on a consistent basis; (b) compare our performance to that of our competitors; (c) calculate components of management incentive compensation; (d) plan and forecast; and (e) communicate our financial performance to the Board of Directors, stockholders, and investment community. We provide reconciliations of the "organic change" in certain line items of the statements of operations to their nearest GAAP measures in the tables under "Results of Operations - Fiscal 2022 Highlights" and "Results of Operations - Year-Over-Year Comparisons." We have consistently applied the adjustments within our reconciliations in arriving at each non-GAAP measure. We believe these non-GAAP measures are useful to readers and investors because they enhance the understanding of our historical financial performance and comparability between periods.

As of the third quarter ended January 31, 2022, we changed certain non-GAAP financial measures that we have historically used. We no longer report "underlying changes" in certain measures of the statements of operations; instead, we now report "organic change" for certain measures of the statements of operations. "Organic change" includes all of the non-GAAP adjustments that we have historically made in adjusting GAAP to "underlying change" results, except that "organic change" does not include an adjustment for "estimated net change in distributor inventories," which reflected the estimated net effect of changes in distributor inventories on changes in certain line items of the statements of operations. This change to our non-GAAP financial measures was in response to comments from and discussions with the Staff of the Securities and Exchange Commission.

Although we no longer provide non-GAAP financial measures that adjust for "estimated net change in distributor inventories," we still believe that our results are affected by changes in distributor inventories, particularly in our largest market, the United States, where the spirits industry is subject to regulations that essentially mandate a so-called "three-tier system," with a value chain that includes suppliers, distributors and retailers. Accordingly, we continue to provide information concerning fluctuations in distributor inventories. We believe such information is useful in understanding our performance and trends as it provides relevant information regarding customers' demand for our products.

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

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 beverage alcohol category. Below, we define the geographic and brand aggregations used in this report.

Geographic Aggregations.

In "Results of Operations - Fiscal 2022 Market Highlights," we provide supplemental information for our largest markets ranked by percentage of total fiscal 2022 net sales. In addition to markets listed by country name, we include the following aggregations:

- *“Developed International”* markets are “advanced economies” as defined by the IMF, excluding the United States. In fiscal 2022, our largest developed international markets were Germany, Australia, the United Kingdom, 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. In fiscal 2022, our largest emerging markets were Mexico, Poland, Brazil, Russia, and Chile. 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, contract bottling, and bulk whiskey and wine, regardless of customer location.

Brand Aggregations.

In “Results of Operations - Fiscal 2022 Brand Highlights,” we provide supplemental information for our largest brands ranked by percentage of total fiscal 2022 net sales. In addition to brands listed by name, we include the following aggregations:

- *“Whiskey”* includes all whiskey spirits and whiskey-based flavored liqueurs, ready-to-drink (RTD), and ready-to-pour products (RTP). The brands included in this category are the Jack Daniel’s family of brands, the Woodford Reserve family of brands (Woodford Reserve), the Old Forester family of brands (Old Forester), GlenDronach, Benriach, Glenglassaugh, Slane Irish Whiskey, and Coopers’ Craft.
    - *“American whiskey”* includes the Jack Daniel’s family of brands and premium bourbons (defined below).
        - *“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 Bonded, Jack Daniel’s No. 27 Gold Tennessee Whiskey, Jack Daniel’s Bottled-in-Bond, Jack Daniel’s 10 Year Old, and Jack Daniel’s Triple Mash.
            - *“Jack Daniel’s RTD and RTP”* products include all RTD line extensions of Jack Daniel’s, such as Jack Daniel’s & Cola, Jack Daniel’s Country Cocktails, Jack Daniel’s Double Jack, and other malt- and spirit-based Jack Daniel’s RTDs along with 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, and other super-premium Jack Daniel's expressions.
- *“Tequila”* includes the Herradura family of brands (Herradura), el Jimador, New Mix, and other tequilas.
- *“Wine”* includes Korbel Champagnes and Sonoma-Cutrer wines.
- *“Vodka”* includes Finlandia.
- *“Non-branded and bulk”* includes our net sales of used barrels, contract bottling, and bulk whiskey and wine.

Other Metrics.

- *“Shipments.”* We generally record revenues when we ship or deliver our products to our customers. In this report, unless otherwise specified, we refer to shipments when discussing volume.
- *“Depletions.”* This is a term commonly used in the beverage alcohol industry to describe volume. Depending on the context, depletions usually means either (a) where Brown-Forman is the distributor, shipments directly to retail or wholesale customers or (b) where Brown-Forman is not the distributor, shipments from distributor customers to retailers and wholesalers. We believe that depletions measure volume in a way that more closely reflects consumer demand than our shipments to distributor customers do.
- *“Consumer takeaway.”* When discussing trends in the market, we refer to consumer takeaway, a term commonly used in the beverage alcohol industry that refers to the purchase of product by consumers from retail outlets, including products purchased through e-commerce 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 consumer demand trends.

- *"Estimated net change in distributor inventories."* We generally recognize revenue when our products are shipped or delivered to customers. In the United States and certain other markets, our customers are distributors that sell downstream to retailers and consumers. We believe that our distributors' downstream sales more closely reflect actual consumer demand than do our shipments to distributors. Our shipments increase distributors' inventories, while distributors' depletions (as described above) reduce their inventories. Therefore, it is possible that our shipments do not coincide with distributors' downstream depletions and merely reflect changes in distributors' inventories. Because changes in distributors' inventories could affect our trends, we believe it is useful for investors to understand those changes in the context of our operating results.

  We perform the following calculation to determine the "estimated net change in distributor inventories":

  - For both the current-year period and the comparable prior-year period, we calculate a "depletion-based" amount by (a) dividing the organic dollar amount (e.g. organic net sales) by the corresponding shipment volumes to arrive at a shipment per case amount, and (b) multiplying the resulting shipment per case amount by the corresponding depletion volumes. We subtract the year-over-year percentage change of the "depletion-based" amount from the year-over-year percentage change of the organic amount to calculate the "estimated net change in distributor inventories."

  - A positive difference is interpreted as a net increase in distributors' inventories, which implies that organic trends could decrease as distributors' reduce inventories; whereas, a negative difference is interpreted as a net decrease in distributors' inventories, which implies that organic trends could increase as distributors rebuild inventories.

Significant Developments

Below we discuss the significant developments in our business during fiscal 2021 and fiscal 2022. These developments relate to the COVID-19 pandemic (COVID-19), supply chain disruptions, Russia's invasion of Ukraine, innovation, and capital deployment.

COVID-19

We experienced strong, broad-based reported net sales growth across all of our geographic clusters and Travel Retail channel due to the gradual re-opening of the on-premise channel, some degree of travel and tourism returning, and growing premiumization trends. While the financial impact of COVID-19 on our business is difficult to measure, we believe the timing and pace of global vaccination rates, governmental actions to lower or eliminate restrictions in certain economies around the world, and the post-pandemic economic recovery positively impacted our results when compared to the same prior-year period. We further discuss the effect of COVID-19 on our results where relevant below.

Supply Chain Disruptions

Our results were negatively impacted by supply chain disruptions, largely related to glass supply. These disruptions curtailed our ability to fully meet demand and therefore negatively affected our net sales. Additionally, we incurred higher input and transportation costs due to the supply chain disruptions. We further discuss the effect of supply chain disruptions on our results where relevant below.

Russia's Invasion of Ukraine

Russia's invasion of Ukraine, which began in February 2022, had a negative effect on our fiscal 2022 operating results. The most significant effect was the $52 million non-cash impairment charge for our Finlandia brand name (see Note 4 to the Consolidated Financial Statements for more information), which reflects a decline in our long-term outlook for Finlandia due to the suspension of operations in Russia, a key market for the brand. Additionally, operating income was negatively affected by other items attributable to the conflict such as (a) the suspension of our commercial operations in Russia and our diminished ability to conduct business in Ukraine, (b) bad debt expense, (c) inventory write-offs, and (d) severance expense. These negative effects were partially offset by the gain on terminated Russian ruble hedge contracts.

Although reported net sales were negatively affected by the suspension of our commercial operations in Russia and our diminished ability to conduct business in Ukraine as a result of the conflict, the overall impact was not material to our consolidated full-year reported net sales growth rate, because (a) Russia and Ukraine represent a small share of total reported net sales and (b) the impact occurred in the fourth quarter of the fiscal year. Prior to the onset of the conflict, Russia and Ukraine represented approximately 2% of our reported net sales. We expect the conflict to have a more significant negative effect on our fiscal 2023 reported net sales results, reflecting a full-year impact of the suspension of commercial operations in Russia, and the ongoing disruption of our business in Ukraine. We further discuss the effect of the conflict on our fiscal 2022 results where relevant below.

Innovation

- Jack Daniel's family of brands. Innovation within the Jack Daniel's family of brands has contributed to our growth in the last two years as described below.
    - In fiscal 2021 and fiscal 2022, we continued the international launch of Jack Daniel's Tennessee Apple, expanding to certain developed international and emerging markets.
    - In fiscal 2021, we introduced new spirit-based RTD products in the United States.
    - In fiscal 2022, we launched Jack Daniel's 10 Year Old in the United States.
- Tequila brands. Tequila continues to be an attractive category, particularly in the United States, with both Herradura and el Jimador contributing significantly to our overall net sales growth. In fiscal 2021, we introduced Herradura Legend in the United States.

Capital Deployment

- We have focused our capital deployment initiatives on (a) ensuring adequate liquidity and flexibility during the COVID-19 pandemic, (b) fully investing in our existing business, (c) continued execution of our acquisitions and divestitures strategy, and (d) returning cash to our stockholders through regular and special dividends.

- Investments. During fiscal 2021 and fiscal 2022, our capital expenditures totaled $200 million and focused on enabling the growth of our premium whiskey brands:
    - During fiscal 2021, a $125 million capital investment was approved by our Board of Directors to expand our bourbon-making capacity in Kentucky to meet anticipated future consumer demand.
    - During fiscal 2022, a $50 million capital investment was approved by our Board of Directors to expand our scotch-making capacity to meet anticipated future consumer demand.
    - To support the continued growth of JDTW, we built an additional barrel warehouse at our Jack Daniel's distillery during fiscal 2022.
- Acquisitions and divestitures. During fiscal 2021, we sold our Early Times, Canadian Mist, and Collingwood brands and related assets. Also in fiscal 2021, we acquired Part Time Rangers Holdings Limited, which owns Part Time Rangers RTDs. See Note 12 to the Consolidated Financial Statements for more information.
- Cash returned to stockholders. During fiscal 2021 and fiscal 2022, we returned $1.2 billion to our stockholders through regular and special dividends.

Executive Summary

Fiscal 2022 Highlights

- We delivered reported net sales of $3.9 billion, an increase of 14% compared to fiscal 2021. Reported net sales growth was driven by higher volumes and favorable price/mix, partially offset by the negative effect of foreign exchange and the effect of acquisitions and divestitures. An estimated net increase in distributor inventories positively impacted reported net sales. Organic net sales increased 17% compared to fiscal 2021.

    - From a brand perspective, reported net sales growth was driven by JDTW, our tequilas, and premium bourbons.

    - From a geographic perspective, the United States, emerging markets, developed international markets, and the Travel Retail channel all contributed significantly to reported net sales growth.

  Supply chain disruptions had an adverse effect on results.

- We delivered reported operating income of $1.2 billion, an increase of 3% compared to fiscal 2021. The increase in reported operating income was driven by reported net sales growth and the absence of the $20 million commitment to the Foundation in fiscal 2021, partially offset by (a) the effect of acquisitions and divestitures (primarily the fiscal 2021 gain on sale of Early Times, Canadian Mist, and Collingwood), (b) impairment charges, and (c) the negative effect of foreign exchange. Organic operating income increased 27% compared to fiscal 2021.

- We delivered diluted earnings per share of $1.74, a decrease of 7% compared to fiscal 2021, due to higher income taxes, partially offset by an increase in reported operating income. Earnings per share in fiscal 2021 included an estimated $0.20 per share benefit from the gain on sale of Early Times, Canadian Mist, and Collingwood and related assets.

- Our return on average invested capital decreased to 17.7% in fiscal 2022, compared to 19.6% in fiscal 2021, driven primarily by higher income taxes. Return on average invested capital in fiscal 2021 benefited from the gain on sale of Early Times, Canadian Mist, and Collingwood and related assets.

Summary of Operating Performance Fiscal 2021 and Fiscal 2022

Fiscal year ended April 30	2021	2022	2021 vs. 2022 Reported Change	2021 vs. 2022 Organic Change[1]
Net sales	$ 3,461	$ 3,933	14 %	17 %
Cost of sales	$ 1,367	$ 1,542	13 %	18 %
Gross profit	$ 2,094	$ 2,391	14 %	17 %
Advertising	$ 399	$ 438	10 %	11 %
SG&A	$ 671	$ 690	3 %	7 %
Gain on sale of business	$ (127)	$ —	nm	n/a
Other expense (income), net	$ (15)	$ 59	nm	nm
Operating income	$ 1,166	$ 1,204	3 %	27 %
Total operating expenses[2]	*$ 1,055*	*$ 1,187*	*13 %*	*8 %*
As a percentage of net sales[3]				
Gross profit	*60.5 %*	*60.8 %*	*0.3 pp*	
Operating income	*33.7 %*	*30.6 %*	*(3.1 pp)*	
Interest expense, net	$ 79	$ 77	(4 %)	
Effective tax rate	*16.5 %*	*24.8 %*	*8.3 pp*	
Diluted earnings per share	$ 1.88	$ 1.74	(7 %)	
Return on average invested capital[1]	*19.6 %*	*17.7 %*	*(1.9 pp)*	

[1]See "Non-GAAP Financial Measures" above for details on our use of "organic change" and "return on average invested capital," 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).

Results of Operations

Fiscal 2022 Market Highlights

The following table shows net sales results for our largest markets, summarized by geographic area, for fiscal 2022 compared to fiscal 2021. We discuss results of the markets most affecting our performance below the table.

Top Markets

		Net Sales % Change vs. 2021			
Geographic area[1]	**% of Fiscal 2022 Net Sales**	**Reported**	**Acquisitions and Divestitures**	**Foreign Exchange**	**Organic**[2]
United States	**49 %**	**10 %**	**2 %**	**— %**	**12 %**
Developed International	**29 %**	**12 %**	**— %**	**4 %**	**16 %**
Germany	6 %	11 %	— %	3 %	14 %
Australia	6 %	5 %	— %	2 %	7 %
United Kingdom	6 %	7 %	— %	9 %	15 %
France	4 %	(1 %)	— %	3 %	2 %
Rest of Developed International	8 %	32 %	2 %	3 %	37 %
Emerging	**18 %**	**24 %**	**— %**	**5 %**	**29 %**
Mexico	5 %	19 %	— %	(4 %)	15 %
Poland	3 %	9 %	— %	4 %	13 %
Brazil	2 %	22 %	— %	(1 %)	21 %
Russia	1 %	7 %	— %	6 %	13 %
Chile	1 %	64 %	— %	— %	64 %
Rest of Emerging	7 %	34 %	— %	15 %	49 %
Travel Retail	**3 %**	**65 %**	**2 %**	**1 %**	**67 %**
Non-branded and bulk	**2 %**	**6 %**	**18 %**	**1 %**	**25 %**
Total	**100 %**	**14 %**	**2 %**	**2 %**	**17 %**

Note: Results may differ due to rounding

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

Reported net sales for some of the markets discussed below were positively impacted by comparisons against COVID-19-related declines during fiscal 2021. See "Significant Developments - COVID-19" above for more information on the impact of COVID-19 on our results.

The **United States**, our most important market, grew reported net sales 10%, led by (a) JDTW, fueled by higher volumes and a favorable channel mix shift to the on-premise channel; (b) our premium bourbons, due to higher volumes and prices of Woodford Reserve and Old Forester; (c) our tequilas, driven by higher volumes of Herradura and el Jimador; and (d) volumetric growth of Sonoma-Cutrer. An estimated net increase in distributor inventories positively impacted reported net sales. This growth was partially offset by the effect of acquisitions and divestitures along with lower volumes of JDTH. Supply chain disruptions had an adverse effect on results.

Developed International

- **Germany's** reported net sales increased 11%, fueled by volumetric gains of JDTW and JD RTDs, partially offset by the negative effect of foreign exchange.
- **Australia's** reported net sales increased 5%, driven primarily by higher pricing of JD RTDs, partially offset by the negative effect of foreign exchange.

- The **United Kingdom's** reported net sales increased 7%, led by volumetric growth of JDTW, partially offset by the negative effect of foreign exchange. Supply chain disruptions had an adverse effect on results.
- Reported net sales in the **Rest of Developed International** increased 32%, fueled by JDTW growth in Spain, Japan, and Korea, partially offset by the negative effect of foreign exchange. An estimated net increase in distributor inventories positively impacted reported net sales. Supply chain disruptions had an adverse effect on results.

Emerging

- **Mexico's** reported net sales increased 19%, driven by broad-based growth across our portfolio of brands, led by Herradura and JDTW, along with the positive effect of foreign exchange. Supply chain disruptions had an adverse effect on results.
- **Poland's** reported net sales increased 9%, led by JDTW and Finlandia, partially offset by the negative effect of foreign exchange. Supply chain disruptions had an adverse effect on results.
- **Brazil's** reported net sales increased 22%, fueled by the launch of JDTA, favorable price/mix of JDTW, and higher volumes of JDTH. Supply chain disruptions had an adverse effect on results.
- **Russia's** reported net sales increased 7%, led by the launch of JDTA and higher pricing of Finlandia, partially offset by the negative effect of foreign exchange. Our fiscal 2022 reported net sales were adversely impacted by the suspension of our commercial operations in Russia due to Russia's invasion of Ukraine. Our fiscal 2023 outlook reflects the expected impact of a full-year suspension of our commercial operations in Russia.
- **Chile's** reported net sales increased 64%, driven by broad-based growth across much of our portfolio, led by higher volumes of JDTW and the launch of JDTA. Supply chain disruptions had an adverse effect on results.
- Reported net sales in the **Rest of Emerging** increased 34%, driven primarily by JDTW gains, led by Turkey, Romania, and the United Arab Emirates. This growth was partially offset by the negative effect of foreign exchange (reflecting the strengthening of the dollar primarily against the Turkish lira). An estimated net increase in distributor inventories positively impacted reported net sales.

Travel Retail reported net sales increased 65%, fueled by higher volumes across much of our portfolio, led by JDTW, as we cycled against significant declines during the same prior-year period, partially offset by unfavorable price/mix.

Non-branded and bulk reported net sales increased 6%, driven by higher volumes for used barrels.

Fiscal 2022 Brand Highlights

The following table highlights the global results of our largest brands for fiscal 2022 compared to fiscal 2021. We discuss results of the brands most affecting our performance below the table.

Major Brands

Product category / brand family / brand[1]	Net Sales % Change vs. 2021 Reported	Acquisitions & Divestitures	Foreign Exchange	Organic[2]
Whiskey	**13 %**	**2 %**	**2 %**	**18 %**
Jack Daniel's family of brands	15 %	— %	3 %	17 %
JDTW	20 %	— %	4 %	23 %
JD RTD/RTP	6 %	— %	1 %	7 %
JDTH	— %	— %	2 %	2 %
Gentleman Jack	(3 %)	— %	2 %	— %
JDTF	16 %	— %	(2 %)	13 %
JDTA	44 %	— %	2 %	46 %
Other Jack Daniel's whiskey brands	17 %	— %	2 %	19 %
Woodford Reserve	16 %	— %	— %	16 %
Rest of Whiskey	(10 %)	37 %	1 %	28 %
Tequila	**22 %**	**— %**	**(2 %)**	**20 %**
Herradura	29 %	— %	(1 %)	28 %
el Jimador	27 %	— %	(1 %)	27 %
Rest of Tequila	6 %	— %	(3 %)	3 %
Wine	**6 %**	**— %**	**— %**	**6 %**
Vodka (Finlandia)	**21 %**	**— %**	**2 %**	**23 %**
Rest of Portfolio	**10 %**	**(2 %)**	**14 %**	**22 %**
Non-branded and bulk	**6 %**	**18 %**	**1 %**	**25 %**

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 "organic change" in net sales, including how we calculate this measure and why we believe this information is useful to readers.

Reported net sales for some of the brands discussed below were positively impacted by comparisons against COVID-19-related declines during fiscal 2021. See "Significant Developments - COVID-19" above for more information on the impact of COVID-19 on our results.

Whiskey

- The **Jack Daniel's family of brands** grew reported net sales 15%, driven by the broad-based growth of JDTW.
  - **JDTW** generates a significant percentage of our total net sales and is our top priority. Reported net sales increased 20%, driven by (a) broad-based volume growth in the United States, developed international markets, and emerging markets; and (b) a favorable channel mix shift to the on-premise. An estimated net increase in distributor inventories positively impacted reported net sales. This growth was partially offset by the negative effect of foreign exchange. Supply chain disruptions had an adverse effect on results.
  - **Jack Daniel's RTD/RTP** grew reported net sales 6%, driven primarily by Australia and Germany.
  - Reported net sales for **JDTH** were flat, as broad-based gains in our international markets were offset by declines in the United States and the negative effect of foreign exchange. Supply chain disruptions had an adverse effect on results.

- **JDTF** grew reported net sales 16%, led by growth in emerging markets along with the positive effect of foreign exchange. An estimated net increase in distributor inventories positively impacted reported net sales. Supply chain disruptions had an adverse effect on results.
- **JDTA** grew reported net sales 44%, fueled by the continued international launch in our emerging markets, most notably in Chile and Brazil, along with volumetric gains in the United States. An estimated net increase in distributor inventories positively impacted reported net sales.
- **Other Jack Daniel's whiskey brands** grew reported net sales 17%, largely driven by higher volumes in the United States reflecting the April 2022 inventory build in advance of the launch of Jack Daniel's Bonded and Jack Daniel's Triple Mash.

- **Woodford Reserve's** reported net sales increased 16%, fueled by higher volumes and prices in the United States along with volumetric gains in Travel Retail. Supply chain disruptions had an adverse effect on results.
- **Rest of Whiskey** reported net sales declined 10% due to the effect of acquisitions and divestitures, partially offset by growth of Old Forester, BenRiach, and GlenDronach. An estimated net increase in distributor inventories positively impacted reported net sales.

Tequila

- **Herradura's** reported net sales increased 29%, fueled by growth in the United States and Mexico.
- **el Jimador's** reported net sales increased 27%, driven by broad-based volume growth led by the United States, Colombia, and Mexico.

Wine reported net sales increased 6%, driven primarily by higher volumes of Sonoma-Cutrer due to the reopening of the on-premise channel in the United States. An estimated net increase in distributor inventories positively impacted reported net sales.

Vodka (Finlandia) reported net sales increased 21% led by broad-based growth in emerging markets. Russia and Ukraine are key markets for Finlandia. Our fiscal 2023 outlook reflects the expected impact of a full-year suspension of our commercial operations in Russia and the ongoing impact on our ability to conduct business in Ukraine.

Rest of Portfolio reported net sales increased 10%, largely driven by the growth of Chambord in the United Kingdom and United States, partially offset by the negative effect of foreign exchange.

Non-branded and bulk. See discussion for this aggregation in "Results of Operations - Fiscal 2022 Market Highlights" above.

Year-Over-Year Comparisons

Commentary below compares fiscal 2022 to fiscal 2021 results. A comparison of fiscal 2021 to fiscal 2020 results may be found in “Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the fiscal year ended April 30, 2021 (2021 Form 10-K).

Reported net sales for some markets and brands were positively impacted by comparisons against COVID-19-related declines during fiscal 2021. See “Significant Developments - COVID-19” above for more information.

Net Sales

	2022		
Percentage change versus the prior fiscal year ended April 30	**Volume**	**Price/mix**	**Total**
Change in reported net sales	7 %	7 %	14 %
Acquisitions and divestitures	3 %	(1 %)	2 %
Foreign exchange	— %	2 %	2 %
Change in organic net sales	9 %	8 %	17 %

Note: Results may differ due to rounding

Reported net sales of $3.9 billion increased 14%, or $472 million, in fiscal 2022 compared to fiscal 2021. Reported net sales growth was driven by higher volumes and favorable price/mix, partially offset by the negative effect of foreign exchange and the effect of acquisitions and divestitures. An estimated net increase in distributor inventories positively impacted reported net sales. Volume growth was driven by the Jack Daniel’s family of brands, led by JDTW, JD RTDs, and JDTA. Favorable price/mix was driven by faster growth from our higher-priced brands, led by JDTW, and a favorable channel mix shift due to the continued re-opening of the on-premise channel. Supply chain disruptions had an adverse effect on results. See “Results of Operations - Fiscal 2022 Market Highlights” and “Results of Operations - Fiscal 2022 Brand Highlights” above for details on the factors contributing to the change in reported net sales for fiscal 2022.

Cost of Sales

	2022		
Percentage change versus the prior fiscal year ended April 30	**Volume**	**Cost/mix**	**Total**
Change in reported cost of sales	7 %	6 %	13 %
Acquisitions and divestitures	3 %	1 %	3 %
Foreign exchange	— %	2 %	2 %
Change in organic cost of sales	9 %	8 %	18 %

Note: Results may differ due to rounding

Reported cost of sales of $1.5 billion increased $175 million, or 13%, in fiscal 2022 compared to fiscal 2021. The increase was driven by higher volumes and unfavorable cost/mix, partially offset by the effect of acquisitions and divestitures and the positive effect of foreign exchange. An estimated net increase in distributor inventories negatively impacted reported cost of sales. Volume growth was driven by the Jack Daniel’s family of brands, led by JDTW, JD RTDs, and JDTA. Unfavorable cost/mix reflects (a) a shift in portfolio mix toward our higher-cost brands, (b) higher costs related to supply chain disruptions, (c) higher input costs related to grain and agave, and (d) inventory write-offs attributable to the impacts of Russia’s invasion of Ukraine.

Gross Profit

Percentage change versus the prior fiscal year ended April 30	**2022**
Change in reported gross profit	14 %
Acquisitions and divestitures	1 %
Foreign exchange	3 %
Change in organic gross profit	17 %

Note: Results may differ due to rounding

Gross Margin

Fiscal year ended April 30	**2022**
Prior year gross margin	60.5 %
Price/mix	1.3 %
Cost/mix	(1.3 %)
Acquisitions and divestitures	0.5 %
Foreign exchange	(0.2 %)
Change in gross margin	0.3 %
Current year gross margin	60.8 %

Note: Results may differ due to rounding

Reported gross profit of $2.4 billion increased $297 million, or 14%, in fiscal 2022 compared to fiscal 2021. Gross margin increased to 60.8% in fiscal 2022, up 0.3 percentage points from 60.5% in fiscal 2021. The increase in gross margin was driven primarily by favorable price/mix and the effect of acquisitions and divestitures, largely offset by unfavorable cost/mix.

Operating Expenses

Percentage change versus the prior fiscal year ended April 30

2022	**Reported**	**Foundation**	**Impairment**	**Foreign Exchange**	**Organic**
Advertising	10 %	— %	— %	2 %	11 %
SG&A	3 %	3 %	— %	1 %	7 %
Total operating expenses[1]	**13 %**	**2 %**	**(6 %)**	**(1 %)**	**8 %**

Note: Results may differ due to rounding

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

Reported operating expenses totaled $1.2 billion and increased $132 million, or 13%, in fiscal 2022 compared to fiscal 2021.

- Reported advertising expenses increased 10% in fiscal 2022, driven primarily by higher spend in our developed international and emerging markets to support JDTW and the continued launch of JDTA.
- Reported SG&A expenses increased 3% in fiscal 2022, driven primarily by (a) comparison to lower discretionary spend during fiscal 2021 due to COVID-19, (b) higher compensation and benefit-related expenses, and (c) expenses attributable to the impacts of Russia's invasion of Ukraine. This increase in spend was partially offset by the absence of the $20 million commitment to the Foundation in fiscal 2021 and the positive effect of foreign exchange.

Operating Income

Percentage change versus the prior fiscal year ended April 30	**2022**
Change in reported operating income	3 %
Acquisitions and divestitures	14 %
Foundation	(2 %)
Impairment charges	6 %
Foreign exchange	6 %
Change in organic operating income	27 %

Note: Results may differ due to rounding

Reported operating income was $1.2 billion in fiscal 2022, an increase of $38 million, or 3%, compared to fiscal 2021. Operating margin declined 3.1 percentage points to 30.6% in fiscal 2022 from 33.7% in fiscal 2021 driven by (a) the effect of acquisitions and divestitures (primarily the fiscal 2021 gain on sale of Early Times, Canadian Mist, and Collingwood and related assets), (b) unfavorable cost/mix, (c) impairment charges (primarily the non-cash impairment charge for our Finlandia brand name), and (d) the negative effect of foreign exchange. These factors were partially offset by (a) favorable price/mix, (b) operating expense (excluding impairment charges) leverage, and (c) the absence of the $20 million commitment to the Foundation in fiscal 2021.

Interest expense (net) decreased $2 million, or 4%, in fiscal 2022 compared to fiscal 2021, due to higher interest income driven by higher interest rates on our interest-bearing investments.

Our **effective tax rate** for fiscal 2022 was 24.8% compared to 16.5% in fiscal 2021. The increase in our effective tax rate was driven primarily by (a) the absence of a deferred tax benefit recognized in the prior-year related to an intercompany transfer of assets, (b) the impact of prior intercompany sales of inventory taxed at rates higher than current statutory tax rates, (c) increased expense from true-ups of prior-year tax liabilities, tax rate changes and other permanent differences; and (d) decreased benefit from stock-based compensation. See Note 11 to the Consolidated Financial Statements for details.

Diluted earnings per share were $1.74 in fiscal 2022, a decrease of 7% compared to fiscal 2021 due to higher income taxes, partially offset by an increase in reported operating income. Earnings per share in fiscal 2021 included an estimated $0.20 per share benefit from the gain on sale of Early Times, Canadian Mist, and Collingwood and related assets.

Fiscal 2023 Outlook

Below we discuss our outlook for fiscal 2023 which reflects the trends, developments, and uncertainties, including those described above, we expect to affect our business. When we provide guidance for organic change in certain measures of the statements of operations we do not provide guidance for the corresponding GAAP change because the GAAP measure will include items that are difficult to quantify or predict with reasonable certainty, such as foreign exchange, which could have a significant impact to our GAAP income statement measures.

The company anticipates continued growth in fiscal 2023 despite global macroeconomic and geopolitical uncertainties. Accordingly, we expect the following in fiscal 2023:

- Reflecting the strength of our portfolio of brands and strong consumer demand, we expect organic net sales growth in the mid-single digit range.
- Considering the net effect of inflation and the removal of the European Union and United Kingdom tariffs on American whiskey, we project reported gross margin to increase slightly.
- Based on the above expectations, we anticipate mid-single digit organic operating income growth.
- We expect our fiscal 2023 effective tax rate to be in the range of approximately 22% to 23%.
- Capital expenditures are planned to be in the range of $190 to $210 million.

Liquidity and Capital Resources

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

Our cash flow from operations is supplemented by our cash and cash equivalent balances, as well as access to other liquidity sources. Cash and cash equivalents were $1,150 million at April 30, 2021, and $868 million at April 30, 2022. As of April 30, 2022, approximately 71% of our cash and cash equivalents were held by our foreign subsidiaries whose earnings we expect to reinvest indefinitely outside of the United States. We continue to evaluate our future cash deployment and may decide to repatriate additional cash held by our foreign subsidiaries, which may require us to provide for and pay additional taxes.

We have an $800 million commercial paper program that we use, together with our cash flow from operations, to fund our short-term operational needs. See Note 6 to the Consolidated Financial Statements for outstanding commercial paper balances, interest rates, and days to maturity at April 30, 2021 and April 30, 2022. The average balances, interest rates, and original maturities during the periods ended April 30, 2021 and 2022, are presented below.

(Amounts in millions)	Three Months Average April 30,		Fiscal Year Average April 30,	
	2021	2022	2021	2022
Average commercial paper	$ 259	$ —	$ 321	$ 59
Average interest rate	0.23 %	— %	0.49 %	0.16 %
Average days to maturity at issuance	72	0	116	32

Our commercial paper program is supported by available commitments under our $800 million bank credit facility. The credit facility, which was extended for an additional year in November 2021, is scheduled to expire in November 2024. At April 30, 2022, there were no borrowings outstanding under the credit facility. Although unlikely, under extreme market conditions, one or more participating banks may not be able to fund its commitments under our credit facility. To manage this counterparty credit risk, we partner with banks that have investment grade credit ratings, limit the amount of exposure we have with each bank, and monitor the financial conditions of each bank.

Our most significant short-term cash requirements relate primarily to funding our operations (such as expenditures for raw materials, production and distribution, advertising and promotion, and current taxes), repayment of our note maturing in 2023, and capital investments. Our most significant longer-term cash requirements primarily include payments related to our long-term debt, employee benefit obligations, and deferred tax liabilities (see Notes 6, 9 and 11 to the Consolidated Financial Statements).

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

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 expected future financial commitments.

Cash Flow Summary

The following table summarizes our cash flows for each of the last two years:

(Dollars in millions)	2021	2022
Cash flows from operating activities	$ 817	$ 936
Investing activities:		
Proceeds from sale of business	$ 177	$ —
Acquisition of business	(14)	—
Additions to property, plant, and equipment	(62)	(138)
Other	(3)	11
Net cash flows from investing activities	$ 98	$ (127)
Financing activities:		
Net change in short-term borrowings	$ (126)	$ (196)
Regular dividend payments	(338)	(352)
Special dividend payment	—	(479)
Other	(21)	(11)
Net cash flows from financing activities	$ (485)	$ (1,038)

Cash provided by operations of $936 million increased $119 million from fiscal 2021, reflecting improved operating results and the impact of changes in working capital, which included the collection in December 2021 of approximately $62 million of accounts receivable from Bacardi that had been withheld since fiscal 2021. (See Note 5 to the Consolidated Financial Statements for details about the Bacardi matter.)

Cash flows from investing activities decreased $127 million during fiscal 2022, compared to an increase of $98 million during the prior year. The $225 million change largely reflects (a) the proceeds of $177 million received in the prior-year period from our divestiture of the Early Times, Canadian Mist, and Collingwood brands and related assets and (b) a $76 million increase in capital expenditures.

Cash used for financing activities was $1,038 million during fiscal 2022, compared to $485 million for fiscal 2021. The $553 million increase largely reflects a special cash dividend payment of $479 million in December 2021 and a $70 million increase in net repayments of short-term borrowings.

A discussion of our cash flows for fiscal 2021 compared to fiscal 2020 may be found in “Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations,” of our Annual Report on Form 10-K for the year ended April 30, 2021.

Dividends

As announced in November 2021, our Board of Directors approved a 5% increase in the quarterly cash dividend on our Class A and Class B common stock to $0.1885 per share from $0.1795 per share, effective with the regular quarterly dividend paid on December 28, 2021. As a result, the indicated annual cash dividend increased from $0.7180 per share to $0.7540 per share. The Board also declared a special cash dividend of $1.00 per share on our Class A and Class B common stock, which was paid on December 29, 2021.

As announced on May 26, 2022, our Board of Directors declared a regular quarterly cash dividend on our Class A and Class B common stock of $0.1885 per share. Stockholders of record on June 8, 2022, will receive the dividend on July 1, 2022.

Critical Accounting Policies and Estimates

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

Goodwill and Other Intangible Assets

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

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

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

Based on our assumptions, we believe none of our goodwill or other intangibles are impaired as of April 30, 2022. Further, we estimate the fair values of goodwill and other intangible assets substantially exceed their carrying amounts, except for our Finlandia brand name. As of April 30, 2022, the carrying amount of the Finlandia brand name is $181 million.

During the fourth quarter of fiscal 2022, we recognized a non-cash impairment charge of $52 million for the Finlandia brand name. The impairment reflects a decline in our long-term outlook for Finlandia due to our suspension of operations in Russia, a key market for the brand. We determined Finlandia's fair value based on the "relief from royalty" method, using current assumptions. Reasonably possible changes in those assumptions could result in additional non-cash impairment charges in the future. For example, we estimate that, all else equal, (a) a 15% decline in projected future net sales would result in an impairment charge of approximately $19 million or (b) a 1 percentage point increase in the discount rate would result in an impairment charge of approximately $29 million.

Pension and Other Postretirement Benefits

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

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

The following table compares the assumed discount rates and expected return on assets used in determining net periodic benefit cost for fiscal 2022 to those to be used in determining that cost for fiscal 2023.

	Pension Benefits		Medical and Life Insurance Benefits	
	2022	2023	2022	2023
Discount rate for service cost	3.36 %	4.44 %	3.49 %	4.50 %
Discount rate for interest cost	2.24 %	3.97 %	2.27 %	3.96 %
Expected return on plan assets	6.25 %	6.25 %	n/a	n/a

Using these assumptions, we estimate our pension and other postretirement benefit cost for fiscal 2023 will be approximately $21 million, compared to $28 million (excluding settlement charges) for fiscal 2022. Decreasing/increasing the assumed discount rates by 50 basis points would increase/decrease the total fiscal 2023 cost by approximately $6 million. Decreasing/increasing the assumed return on plan assets by 50 basis points would increase/decrease the total fiscal 2023 cost by approximately $4 million.

Income Taxes

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

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

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

Market risks

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

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

Foreign currency exchange rate risk. Foreign currency fluctuations affect our net investments in foreign subsidiaries and foreign currency-denominated cash flows. In general, we expect our cash flows to be negatively affected by a stronger dollar and positively affected by a weaker dollar. Our most significant foreign currency exposures include the euro, the British pound, and the Australian dollar. We manage our foreign currency exposures through derivative financial instruments, principally foreign currency forward contracts, and debt denominated in foreign currency. We had outstanding currency derivatives with notional amounts totaling $1,218 million and $801 million at April 30, 2021 and 2022, respectively.

We estimate that a hypothetical 10% weakening of the dollar compared to exchange rates of hedged currencies as of April 30, 2022, would decrease the fair value of our then-existing foreign currency derivative contracts by approximately $61 million. This hypothetical change in fair value does not consider the expected inverse change in the underlying foreign currency exposures.

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

Interest rate risk. Interest rate changes affect (a) the fair value of our fixed-rate debt, and (b) cash flows and earnings related to our variable-rate debt and interest-bearing investments. In addition to currently outstanding debt, any potential future debt offerings would be subject to interest rate risk.

As of April 30, 2022, our cash and cash equivalents ($868 million) were exposed to interest rate changes. Based on the then-existing balances of our interest-bearing investments, a hypothetical one percentage point increase in interest rates would result in a negligible decrease in net interest expense.

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

Item 8. *Financial Statements and Supplementary Data*

Table of Contents

Reports of Management

Management's Responsibility for Financial Statements

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

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

Management's Report on Internal Control over Financial Reporting

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

As of the end of our fiscal year, management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework and criteria in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of April 30, 2022. EY, which audited and reported on the Company's consolidated financial statements, has audited the effectiveness of our internal control over financial reporting as of April 30, 2022, as stated in their report.

Dated: June 17, 2022

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

By: /s/ Leanne D. Cunningham
Leanne D. Cunningham
Senior Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the consolidated statements of operations, comprehensive income, stockholders' equity and cash flows of Brown-Forman Corporation and its subsidiaries (the "Company") for the year ended April 30, 2020, including the related notes and schedule of valuation and qualifying accounts for the year ended April 30, 2020 appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of the Company for the year ended April 30, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

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

We served as the Company's auditor from 1933 to 2020.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Brown-Forman Corporation and Subsidiaries (the Company) as of April 30, 2022 and 2021, the related consolidated statement of operations, comprehensive income, stockholders' equity and cash flows for each of the two years in the period ended April 30, 2022, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at April 30, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended April 30, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of April 30, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated June 17, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

Valuation of Other Intangible Assets with Indefinite Lives

Description of the Matter	At April 30, 2022, the balance of the Company's other intangible assets with indefinite lives was $586 million. As discussed in Notes 1 and 4 to the consolidated financial statements, other intangible assets with indefinite lives include intangible brand names and trademarks ("brand names") and are assessed for impairment at least annually, or more frequently, if circumstances indicate the carrying amount may be impaired. As described in Note 4, during the fourth quarter of 2022, the Company recognized an impairment charge of $52 million for its Finlandia brand name. The Company determined Finlandia's fair value based on the relief from royalty method. Auditing management's estimate of the fair value of brand names was complex due to the significant judgment required to determine the fair value of the brand names. The fair value estimates were sensitive to significant assumptions used in the valuation process, such as future net sales. The estimate also includes assumptions such as discount rates and royalty rates.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls that address the risks of material misstatement over the Company's process to estimate the fair value of other intangible assets with indefinite lives, including controls over management's review of the selection of assumptions, described above, used in the valuation model. To test the estimated fair value of the Company's brand names, we performed audit procedures that included, among others, assessing methodologies used in the valuation model and testing the significant assumptions discussed above. This included comparing the significant assumptions used by management to observable market data, current industry and economic trends, changes in the Company's business model and customer base, historical operating results and other relevant factors that would affect the significant assumptions. We assessed management's historical estimates and performed sensitivity analyses of assumptions to evaluate the changes in the fair value of the brand names that would result from changes in the assumptions. We also involved valuation specialists to assist in evaluating valuation methodologies and certain assumptions used in the models.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2020.

Louisville, Kentucky
June 17, 2022

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control Over Financial Reporting

We have audited Brown-Forman Corporation and Subsidiaries' internal control over financial reporting as of April 30, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Brown-Forman Corporation and Subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of April 30, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of April 30, 2022 and 2021, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the two years in the period ended April 30, 2022, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) and our report dated June 17, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ Ernst & Young LLP

Louisville, Kentucky
June 17, 2022

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

Year Ended April 30,	2020	2021	2022
Sales	$ 4,306	$ 4,526	$ 5,081
Excise taxes	943	1,065	1,148
Net sales	3,363	3,461	3,933
Cost of sales	1,236	1,367	1,542
Gross profit	2,127	2,094	2,391
Advertising expenses	383	399	438
Selling, general, and administrative expenses	642	671	690
Gain on sale of business	—	(127)	—
Other expense (income), net	11	(15)	59
Operating income	1,091	1,166	1,204
Non-operating postretirement expense	5	6	13
Interest income	(5)	(2)	(5)
Interest expense	82	81	82
Income before income taxes	1,009	1,081	1,114
Income taxes	182	178	276
Net income	$ 827	$ 903	$ 838
Earnings per share:			
Basic	$ 1.73	$ 1.89	$ 1.75
Diluted	$ 1.72	$ 1.88	$ 1.74

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

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

Year Ended April 30,	2020	2021	2022
Net income	$ 827	$ 903	$ 838
Other comprehensive income (loss), net of tax:			
Currency translation adjustments	(94)	123	(60)
Cash flow hedge adjustments	30	(76)	53
Postretirement benefits adjustments	(77)	78	77
Net other comprehensive income (loss)	(141)	125	70
Comprehensive income	$ 686	$ 1,028	$ 908

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

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

April 30,	2021	2022
Assets		
Cash and cash equivalents	$ 1,150	$ 868
Accounts receivable, net	753	813
Inventories:		
Barreled whiskey	1,101	1,155
Finished goods	323	312
Work in process	199	225
Raw materials and supplies	128	126
Total inventories	1,751	1,818
Other current assets	263	277
Total current assets	3,917	3,776
Property, plant, and equipment, net	832	875
Goodwill	779	761
Other intangible assets	676	586
Deferred tax assets	70	74
Other assets	248	301
Total assets	$ 6,522	$ 6,373
Liabilities		
Accounts payable and accrued expenses	$ 679	$ 703
Accrued income taxes	34	81
Short-term borrowings	205	—
Current portion of long-term debt	—	250
Total current liabilities	918	1,034
Long-term debt	2,354	2,019
Deferred tax liabilities	169	219
Accrued pension and other postretirement benefits	219	183
Other liabilities	206	181
Total liabilities	3,866	3,636
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	3,243	3,242
Accumulated other comprehensive income (loss), net of tax	(422)	(352)
Treasury stock, at cost (5,803,000 and 5,511,000 shares in 2021 and 2022, respectively)	(237)	(225)
Total stockholders' equity	2,656	2,737
Total liabilities and stockholders' equity	$ 6,522	$ 6,373

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

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

Year Ended April 30,	2020	2021	2022
Cash flows from operating activities:			
Net income	$ 827	$ 903	$ 838
Adjustments to reconcile net income to net cash provided by operations:			
Gain on sale of business	—	(127)	—
Asset impairment charges	13	—	61
Depreciation and amortization	74	77	79
Stock-based compensation expense	11	12	15
Deferred income tax provision (benefit)	39	(53)	(11)
Other, net	15	(23)	31
Changes in assets and liabilities, net of business acquisitions and dispositions:			
Accounts receivable	12	(150)	(77)
Inventories	(203)	(37)	(93)
Other current assets	(27)	31	15
Accounts payable and accrued expenses	(30)	137	37
Accrued income taxes	18	8	47
Other operating assets and liabilities	(25)	39	(6)
Cash provided by operating activities	724	817	936
Cash flows from investing activities:			
Proceeds from sale of business	—	177	—
Acquisition of business, net of cash acquired	(22)	(14)	—
Additions to property, plant, and equipment	(113)	(62)	(138)
Other, net	(6)	(3)	11
Cash provided by (used for) investing activities	(141)	98	(127)
Cash flows from financing activities:			
Proceeds from short-term borrowings, maturities greater than 90 days	—	344	—
Repayments of short-term borrowings, maturities greater than 90 days	—	(516)	—
Net change in short-term borrowings	178	46	(196)
Payments of withholding taxes related to stock-based awards	(43)	(21)	(11)
Acquisition of treasury stock	(1)	—	—
Dividends paid	(325)	(338)	(831)
Cash used for financing activities	(191)	(485)	(1,038)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(24)	45	(47)
Net increase (decrease) in cash, cash equivalents, and restricted cash	368	475	(276)
Cash, cash equivalents, and restricted cash at beginning of period	307	675	1,150
Cash, cash equivalents,and restricted cash at end of period	675	1,150	874
Less: Restricted cash (included in other current assets) at end of period	—	—	(6)
Cash and cash equivalents at end of period	$ 675	$ 1,150	$ 868
Supplemental disclosure of cash paid for:			
Interest	$ 83	$ 79	$ 80
Income taxes	$ 143	$ 204	$ 226

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

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

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	AOCI	Treasury Stock	Total
Balance at April 30, 2019	$ 25	$ 47	$ —	$ 2,238	$ (363)	$ (300)	$ 1,647
Reclassification of tax effects[1]				43	(43)		—
Net income				827			827
Net other comprehensive income (loss)					(141)		(141)
Cash dividends ($0.6806 per share)				(325)			(325)
Acquisition of treasury stock						(1)	(1)
Stock-based compensation expense			11				11
Stock issued under compensation plans						43	43
Loss on issuance of treasury stock issued under compensation plans			(11)	(75)			(86)
Balance at April 30, 2020	25	47	—	2,708	(547)	(258)	1,975
Net income				903			903
Net other comprehensive income (loss)					125		125
Cash dividends ($0.7076 per share)				(338)			(338)
Acquisition of treasury stock						—	—
Stock-based compensation expense			12				12
Stock issued under compensation plans						21	21
Loss on issuance of treasury stock issued under compensation plans			(12)	(30)			(42)
Balance at April 30, 2021	25	47	—	3,243	(422)	(237)	2,656
Net income				838			838
Net other comprehensive income (loss)					70		70
Cash dividends ($1.7360 per share)				(831)			(831)
Acquisition of treasury stock						—	—
Stock-based compensation expense			15				15
Stock issued under compensation plans						12	12
Loss on issuance of treasury stock issued under compensation plans			(15)	(8)			(23)
Balance at April 30, 2022	$ 25	$ 47	$ —	$ 3,242	$ (352)	$ (225)	$ 2,737

[1]Reflects adoption of Accounting Standards Update No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (AOCI), effective May 1, 2019.

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

1. Accounting Policies

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

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

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

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

Accounts receivable. Accounts receivable are recorded net of an allowance for expected credit losses (allowance for doubtful accounts). We determine the allowance using information such as customer credit history and financial condition, historical loss experience, and macroeconomic factors. We write off account balances against the allowance when we have exhausted our collection efforts. The allowance for doubtful accounts was $7 and $13 at April 30, 2021 and 2022, respectively.

Inventories. Inventories are valued at the lower of cost or net realizable value. Approximately 52% of our consolidated inventories are valued using the last-in, first-out (LIFO) cost method, which we use for the majority of our U.S. inventories. We value the remainder of our inventories primarily using the first-in, first-out (FIFO) cost method. FIFO cost approximates current replacement cost. If we had used the FIFO method for all inventories, they would have been $353 and $385 higher than reported at April 30, 2021 and 2022, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

Advertising costs. We expense the production costs of advertising when the advertisements first take place. We expense all other advertising costs during the year in which the costs are incurred.

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

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

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

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

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

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

2. Balance Sheet Information

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

April 30,	2021	2022
Other current assets:		
Prepaid taxes	$ 170	$ 155
Other	93	122
	$ 263	$ 277
Property, plant, and equipment:		
Land	$ 82	$ 86
Buildings	659	660
Equipment	833	849
Construction in process	50	129
	1,624	1,724
Less accumulated depreciation	792	849
	$ 832	$ 875
Accounts payable and accrued expenses:		
Accounts payable, trade	$ 172	$ 218
Accrued expenses:		
Advertising, promotion, and discounts	202	200
Compensation and commissions	96	99
Excise and other non-income taxes	70	74
Other	139	112
	507	485
	$ 679	$ 703
Accumulated other comprehensive income (loss), net of tax:		
Currency translation adjustments	$ (179)	$ (239)
Cash flow hedge adjustments	(16)	37
Postretirement benefits adjustments	(227)	(150)
	$ (422)	$ (352)

3. Earnings per Share

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

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

	2020	2021	2022
Net income available to common stockholders	$ 827	$ 903	$ 838
Share data (in thousands):			
Basic average common shares outstanding	477,765	478,527	478,879
Dilutive effect of stock-based awards	2,644	2,150	1,686
Diluted average common shares outstanding	480,409	480,677	480,565
Basic earnings per share	$ 1.73	$ 1.89	$ 1.75
Diluted earnings per share	$ 1.72	$ 1.88	$ 1.74

We excluded common stock-based awards for approximately 301,000 shares, 234,000 shares, and 691,000 shares from the calculation of diluted earnings per share for 2020, 2021, and 2022, respectively, because they were not dilutive for those periods under the treasury stock method.

4. Goodwill and Other Intangible Assets

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

	Goodwill	Other Intangible Assets
Balance as of April 30, 2020	$ 756	$ 635
Sale of business (Note 12)	(4)	(1)
Acquisition of business (Note 12)	8	8
Foreign currency translation adjustment	19	34
Balance as of April 30, 2021	779	676
Foreign currency translation adjustment	(18)	(38)
Impairment	—	(52)
Balance as of April 30, 2022	$ 761	$ 586

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

During the fourth quarter of fiscal 2022, we recognized a non-cash impairment charge for our Finlandia brand name. The impairment reflects a decline in our long-term outlook for Finlandia due to our suspension of operations in Russia, a key market for the brand. The impairment charge of $52 is included in "other expense (income), net" in the accompanying consolidated statement of operations. As of April 30, 2022, the remaining carrying amount of the Finlandia brand name was $181.

5. Contingencies

We operate in a litigious environment, and we are sued in the normal course of business. Sometimes plaintiffs seek substantial damages. Significant judgment is required in predicting the outcome of these suits and claims, many of which take years to adjudicate. We accrue estimated costs for a contingency when we believe that a loss is probable and we can make a reasonable estimate of the loss, and then adjust the accrual as appropriate to reflect changes in facts and circumstances. We do not believe it is reasonably possible that these existing loss contingencies, individually or in the aggregate, would have a material adverse effect on our financial position, results of operations, or liquidity. No material accrued loss contingencies are recorded as of April 30, 2022.

In May 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), which then expired according to its terms on April 30, 2020. Following delivery of our notice and upon expiration of the Agreement, Bacardi claimed that it was entitled to compensation 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. Based on that claim, which we disputed, Bacardi withheld over £50 owed to us (included in accounts receivable in the accompanying consolidated balance sheet as of April 30, 2021). The dispute was resolved in December 2021, with Bacardi remitting over £47 related to this matter.

6. Debt and Credit Facilities

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

April 30,	2021	2022
2.25% senior notes, \$250 principal amount, due January 15, 2023	\$ 249	\$ 250
3.50% senior notes, \$300 principal amount, due April 15, 2025	298	298
1.20% senior notes, €300 principal amount, due July 7, 2026	362	315
2.60% senior notes, £300 principal amount, due July 7, 2028	415	374
4.00% senior notes, \$300 principal amount, due April 15, 2038	294	295
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	489
	2,354	2,269
Less current portion	—	250
	\$ 2,354	\$ 2,019

Debt payments required over the next five fiscal years consist of \$250 in 2023, \$0 in 2024, \$300 in 2025, \$0 in 2026, \$316 in 2027, and \$1,427 after 2027.

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

Our short-term borrowings of \$205 as of April 30, 2021, included \$195 of borrowings under our commercial paper program. There were no borrowings under that program as of April 30, 2022.

April 30,	2021	2022
Commercial paper	\$195	\$—
Average interest rate	0.16%	—%
Average remaining days to maturity	24	0

We have a committed revolving credit agreement with various U.S. and international banks for \$800 that expires in November 2024. At April 30, 2022, there were no borrowings outstanding under this facility.

7. Common Stock

The following table shows the change in outstanding common shares during each of the last three years:

(Shares in thousands)	Class A	Class B	Total
Balance at April 30, 2019	168,999	308,173	477,172
Acquisition of treasury stock	(13)	(3)	(16)
Stock issued under compensation plans	54	999	1,053
Balance at April 30, 2020	169,040	309,169	478,209
Acquisition of treasury stock	—	—	—
Stock issued under compensation plans	70	450	520
Balance at April 30, 2021	169,110	309,619	478,729
Acquisition of treasury stock	—	—	—
Stock issued under compensation plans	65	226	291
Balance at April 30, 2022	169,175	309,845	479,020

8. Net Sales

The following table shows our net sales by geography:

	2020	2021	2022
United States	$ 1,690	$ 1,748	$ 1,917
Developed International[1]	901	1,014	1,137
Emerging[2]	572	578	714
Travel Retail[3]	125	63	104
Non-branded and bulk[4]	75	58	61
	$ 3,363	$ 3,461	$ 3,933

[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 in fiscal 2022 were Germany, Australia, the United Kingdom, and France.
[2]Represents net sales of branded products to "emerging and developing economies" as defined by the IMF. Our largest emerging markets in fiscal 2022 were Mexico, Poland, Brazil, Russia, and Chile.
[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, contract bottling, and bulk whiskey and wine, regardless of customer location.

The following table shows our net sales by product category:

	2020	2021	2022
Whiskey[1]	$ 2,671	$ 2,744	$ 3,110
Tequila[2]	275	299	364
Wine[3]	186	206	219
Vodka[4]	109	90	109
Non-branded and bulk[5]	75	58	61
Rest of portfolio	47	64	70
	$ 3,363	$ 3,461	$ 3,933

[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, the Old Forester family of brands, GlenDronach, Benriach, Glenglassaugh, Slane Irish Whiskey, and Coopers' Craft.
[2]Includes the Herradura family of brands, el Jimador, New Mix, and other tequilas.
[3]Includes Korbel Champagne and Sonoma-Cutrer wines.
[4]Includes Finlandia.
[5]Includes net sales of used barrels, contract bottling, and bulk whiskey and wine.

9. Pension and Other Postretirement Benefits

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

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

	Pension Benefits		Medical and Life Insurance Benefits	
	2021	2022	2021	2022
Obligation at beginning of year	$ 1,005	$ 1,012	$ 51	$ 49
Service cost	26	26	1	1
Interest cost	25	22	1	1
Net actuarial loss (gain)[1]	9	(132)	(1)	(5)
Retiree contributions	—	—	1	1
Benefits paid	(53)	(82)	(4)	(4)
Obligation at end of year	$ 1,012	$ 846	$ 49	$ 43

[1] The net actuarial loss (gain) during each year was primarily attributable to changes in discount rates.

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

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

	Pension Benefits	Medical and Life Insurance Benefits
2023	$ 64	$ 3
2024	61	3
2025	60	3
2026	61	3
2027	62	3
2028 – 2032	312	16

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

Asset allocation is the most important method for achieving our investment goals and is based on our assessment of the plans' long-term return objectives and the appropriate balances needed for liquidity, stability, and diversification. As of April 30, 2022, our target asset allocation is a mix of 40% public equity investments, 47% fixed income investments, and 13% alternative investments.

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

	Level 1	Level 2	Level 3	Total
April 30, 2021				
Equity securities	$ 103	$ —	$ —	$ 103
Limited partnership interest[1]	—	—	2	2
	$ 103	$ —	$ 2	105
Investments measured at net asset value:				
Commingled trust funds[2]:				
Equity funds				266
Fixed income funds				357
Real estate funds				65
Short-term investments				8
Limited partnership interests[3]				35
Total				$ 836
April 30, 2022				
Equity securities	$ 78	$ —	$ —	$ 78
Limited partnership interest[1]	—	—	2	2
	$ 78	$ —	$ 2	80
Investments measured at net asset value:				
Commingled trust funds[2]:				
Equity funds				218
Fixed income funds				318
Real estate funds				78
Short-term investments				6
Limited partnership interests[3]				41
Total				$ 741

[1] This limited partnership interest was initially valued at cost and has been adjusted to fair value as determined in good faith by management of the partnership using various factors, and does not meet the requirements for reporting at the net asset value (NAV). The valuation requires significant judgment due to the absence of quoted market prices and the inherent lack of liquidity. This limited partnership has a term expiring in September 2022, although this period may be extended.

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

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

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

		Level 3
Balance as of April 30, 2020	$	2
Return on assets held at end of year		1
Sales and settlements		(1)
Balance as of April 30, 2021		2
Return on assets held at end of year		—
Sales and settlements		—
Balance as of April 30, 2022	$	2

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

	Pension Benefits		Medical and Life Insurance Benefits	
	2021	2022	2021	2022
Assets at beginning of year	$ 749	$ 836	$ —	$ —
Actual return on assets	124	(25)	—	—
Retiree contributions	—	—	1	1
Company contributions	16	12	3	3
Benefits paid	(53)	(82)	(4)	(4)
Assets at end of year	$ 836	$ 741	$ —	$ —

We currently expect to contribute $13 to our pension plans and $3 to our postretirement medical and life insurance benefit plans during 2023.

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

	Pension Benefits		Medical and Life Insurance Benefits	
April 30,	2021	2022	2021	2022
Assets	$ 836	$ 741	$ —	$ —
Obligations	(1,012)	(846)	(49)	(43)
Funded status	$ (176)	$ (105)	$ (49)	$ (43)

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

	Pension Benefits		Medical and Life Insurance Benefits	
April 30,	2021	2022	2021	2022
Other assets	$ 4	$ 46	$ —	$ —
Accounts payable and accrued expenses	(7)	(8)	(3)	(3)
Accrued pension and other postretirement benefits	(173)	(143)	(46)	(40)
Net liability	$ (176)	$ (105)	$ (49)	$ (43)
Accumulated other comprehensive income (loss), before tax:				
Net actuarial gain (loss)	$ (298)	$ (201)	$ (9)	$ (3)
Prior service credit (cost)	(5)	(4)	4	2
	$ (303)	$ (205)	$ (5)	$ (1)

The following table compares our pension plans whose accumulated benefit obligations exceed their assets with our pension plans whose assets exceed their accumulated benefit obligations.

April 30,	Accumulated Benefit Obligation 2021	Accumulated Benefit Obligation 2022	Plan Assets 2021	Plan Assets 2022
Plans with accumulated benefit obligation in excess of assets	$ (155)	$ (135)	$ —	$ —
Plans with assets in excess of accumulated benefit obligation	(748)	(623)	836	741
Total	$ (903)	$ (758)	$ 836	$ 741

The following table compares our pension plans whose projected benefit obligations exceed their assets with our pension plans whose assets exceed their projected benefit obligations.

April 30,	Projected Benefit Obligation 2021	Projected Benefit Obligation 2022	Plan Assets 2021	Plan Assets 2022
Plans with projected benefit obligation in excess of assets	$ (941)	$ (150)	$ 761	$ —
Plans with assets in excess of projected benefit obligation	(71)	(696)	75	741
Total	$ (1,012)	$ (846)	$ 836	$ 741

As noted above, we have no assets set aside for the postretirement medical or life insurance benefit plans.

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

	Pension Benefits 2020	Pension Benefits 2021	Pension Benefits 2022
Service cost	$ 24	$ 26	$ 26
Interest cost	31	25	22
Expected return on assets	(46)	(46)	(45)
Amortization of:			
Prior service cost (credit)	1	1	1
Net actuarial loss (gain)	19	27	23
Settlement charge	1	—	12
Net cost	$ 30	$ 33	$ 39

We determine the expected return on plan assets by applying our long-term rate of return assumption to the market-related value of plan assets, adjusted by earnings on contributions and benefit payments expected to be made during the year. We calculate the market-related value of plan assets by amortizing actual versus expected returns over five years.

We amortize prior service costs and net actuarial gains or losses on straight-line basis over the average remaining service period of the employees expected to receive benefits under the plan. However, for net actuarial gains or losses, we use a corridor approach that amortizes them only to the extent the gain or loss exceeds 10% of the greater of the projected benefit obligation or market-related value of plan assets.

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

	Medical and Life Insurance Benefits		
	2020	2021	2022
Service cost	$ 1	$ 1	$ 1
Interest cost	1	1	1
Amortization of:			
Prior service cost (credit)	(3)	(3)	(2)
Net actuarial loss (gain)	1	1	1
Net cost	$ —	$ —	$ 1

We amortize prior service costs and net actuarial gains or losses on straight-line basis over the average remaining service period of the employees expected to receive benefits under the plan.

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

	Pension Benefits			Medical and Life Insurance Benefits		
	2020	2021	2022	2020	2021	2022
Net actuarial gain (loss)	$ (115)	$ 69	$ 62	$ (2)	$ 1	$ 5
Amortization reclassified to earnings:						
Prior service cost (credit)	1	1	1	(3)	(3)	(2)
Net actuarial loss (gain)	20	27	35	1	1	1
Net amount recognized in OCI	$ (94)	$ 97	$ 98	$ (4)	$ (1)	$ 4

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

	Pension Benefits		Medical and Life Insurance Benefits	
	2021	2022	2021	2022
Discount rate	3.16 %	4.36 %	3.08 %	4.33 %
Rate of salary increase	4.00 %	4.00 %	n/a	n/a
Interest crediting rate	3.06 %	3.06 %	n/a	n/a

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

	Pension Benefits			Medical and Life Insurance Benefits		
	2020	2021	2022	2020	2021	2022
Discount rate for service cost	4.17 %	3.49 %	3.36 %	4.24 %	3.59 %	3.49 %
Discount rate for interest cost	3.57 %	2.56 %	2.34 %	3.53 %	2.47 %	2.27 %
Rate of salary increase	4.00 %	4.00 %	4.00 %	n/a	n/a	n/a
Interest crediting rate	3.07 %	3.07 %	3.06 %	n/a	n/a	n/a
Expected return on plan assets	6.50 %	6.50 %	6.25 %	n/a	n/a	n/a

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

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

The assumed interest crediting is based on the greater of the average yield on 30-year Treasury bonds or the minimum rate specified in the applicable pension plan.

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

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

	Medical and Life Insurance Benefits	
	2021	2022
Health care cost trend rate assumed for next year	6.60 %	6.10 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50 %	4.50 %
Year that the rate reaches the ultimate trend rate	2030	2030

Savings plans. We also sponsor various defined contribution benefit plans that together cover substantially all U.S. employees. Employees can make voluntary contributions in accordance with their respective plans, which include a 401(k) tax deferral option. We match a percentage of each employee's contributions in accordance with plan terms. We expensed $12, $12, and $13 for matching contributions during 2020, 2021, and 2022, respectively.

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

10. Stock-Based Compensation

The Brown-Forman 2013 Omnibus Compensation Plan (Plan) is our incentive compensation plan, designed to reward participants (including eligible officers, employees, and non-employee directors) for company performance. Under the Plan, we can grant stock-based incentive awards for up to 20,750,000 shares of common stock to eligible participants until July 28, 2023. As of April 30, 2022, awards for approximately 12,412,000 shares remain available for issuance under the Plan. We try to limit the source of shares delivered to participants under the Plan to treasury shares that we purchase from time to time on the open market (in connection with a publicly announced share repurchase program), in private transactions, or otherwise.

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

SSARs. We grant SSARs at an exercise price equal to the closing market price of the underlying stock on the grant date. SSARs become exercisable after three years from the first day of the fiscal year of grant and generally are exercisable for seven years after that date. The following table presents information about SSARs outstanding as of April 30, 2022, and for the year then ended.

	Number of SSARs (in thousands)	Weighted-Average Exercise Price per SSAR	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at April 30, 2021	4,311	$ 43.54		
Granted	451	71.24		
Exercised	(565)	29.67		
Forfeited or expired	(29)	63.82		
Other	64			
Outstanding at April 30, 2022	4,232	$ 47.54	4.9	$ 86
Exercisable at April 30, 2022	2,829	$ 39.55	3.5	$ 79

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

	2020	2021	2022
Grant-date fair value	$ 11.13	$ 14.61	$ 16.61
Valuation assumptions:			
Expected term (years)	7.0	7.0	7.0
Risk-free interest rate	1.9 %	0.4 %	1.0 %
Expected volatility	19.3 %	23.3 %	24.1 %
Expected dividend yield	1.2 %	1.0 %	1.0 %

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

PBRSUs. The PBRSUs vest at the end of a three-year performance period that begins on the first day of the fiscal year of grant. Performance is measured by comparing the three-year cumulative total shareholder return of our Class B common stock to the three-year cumulative total shareholder return of the companies in the Standard & Poor's Consumer Staples Index, with specific payout levels ranging from 50% to 150%. At the end of the performance period, the number of PBRSUs is adjusted for performance, and then adjusted upward to account for dividends paid during the second and third years of the performance period. The resulting PBRSUs are then converted to common shares.

The following table presents information about PBRSUs outstanding as of April 30, 2022, and for the year then ended.

	Number of PBRSUs (in thousands)	Weighted-Average Fair Value at Grant Date
Outstanding at April 30, 2021	254	$ 61.76
Granted	108	$ 70.11
Adjusted for performance and dividends	(10)	$ 55.28
Converted to common shares	(77)	$ 55.28
Forfeited	(5)	$ 69.19
Outstanding at April 30, 2022	270	$ 67.02

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

	2020	2021	2022
Grant-date fair value	$ 56.99	$ 73.68	$ 70.11
Valuation assumptions:			
Risk-free interest rate	1.8 %	0.1 %	0.3 %
Expected volatility	21.8 %	29.9 %	29.1 %
Expected dividend yield	1.2 %	1.1 %	1.0 %
Remaining performance period (years) as of grant date	2.8	2.8	2.8

DSUs. DSUs are granted to our non-employee directors. Each DSU represents the right to receive one share of common stock based on the closing price of the shares on the date of grant. Outstanding DSUs are credited with dividend-equivalent DSUs when dividends are paid on our common stock. Each annual grant vests after one year. DSUs are paid out in shares after the completion of a director's tenure on the board plus a six-month waiting period. The director may elect to receive the distribution either in a single lump sum or in ten equal annual installments. As of April 30, 2022, there were approximately 225,000 outstanding DSUs, of which approximately 201,000 were vested.

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

	2020	2021	2022
Grant-date fair value	$ 53.34	$ 63.01	$ 67.35

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

	2020	2021	2022
Pre-tax compensation expense	$ 11	$ 12	$ 15
Deferred tax benefit	2	2	2

As of April 30, 2022, there was $9 of total unrecognized compensation cost related to non-vested stock-based awards. That cost is expected to be recognized over a weighted-average period of 1.5 years. Further information related to our stock-based awards for the last three years is as follows:

	2020	2021	2022
Intrinsic value of SSARs exercised	$ 89	$ 47	$ 23
Fair value of shares vested	14	13	7
Excess tax benefit from exercise / vesting of awards	20	10	6

11. Income Taxes

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

	2020	2021	2022
United States	$ 849	$ 832	$ 954
Foreign	160	249	160
	$ 1,009	$ 1,081	$ 1,114

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

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

	2020	2021	2022
Current:			
U.S. federal	$ 95	$ 146	$ 205
Foreign	29	50	64
State and local	19	35	18
	143	231	287
Deferred:			
U.S. federal	34	(4)	1
Foreign	7	(47)	(9)
State and local	(2)	(2)	(3)
	39	(53)	(11)
	$ 182	$ 178	$ 276

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

	Percent of Income Before Taxes		
	2020	2021	2022
U.S. federal statutory rate	21.0 %	21.0 %	21.0 %
State taxes, net of U.S. federal tax benefit	1.7 %	2.4 %	1.0 %
Income taxed at other than U.S. federal statutory rate	— %	0.3 %	1.3 %
Prior intercompany sales taxed at higher than current U.S. federal statutory rate	— %	0.2 %	2.0 %
Tax benefit from foreign-derived sales	(2.0 %)	(1.7 %)	(1.8)%
Adjustments related to prior years	(1.1 %)	(0.2 %)	0.7 %
Excess tax benefits from stock-based awards	(2.0 %)	(1.0 %)	(0.5)%
Tax rate changes	— %	— %	0.4 %
Intercompany transfer of assets	— %	(4.0 %)	— %
Other, net	0.4 %	(0.5 %)	0.7 %
Effective rate	18.0 %	16.5 %	24.8 %

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

April 30,	2021	2022
Deferred tax assets:		
Postretirement and other benefits	$ 90	$ 69
Accrued liabilities and other	47	36
Inventories	30	40
Lease liabilities	17	20
Derivative instruments	5	—
Loss and credit carryforwards	63	69
Total deferred tax assets	252	234
Valuation allowance	(20)	(27)
Total deferred tax assets, net of valuation allowance	232	207
Deferred tax liabilities:		
Intangible assets	(214)	(219)
Property, plant, and equipment	(89)	(87)
Right-of-use assets	(17)	(20)
Derivative instruments	—	(11)
Other	(11)	(15)
Total deferred tax liabilities	(331)	(352)
Net deferred tax liability	$ (99)	$ (145)

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

	April 30, 2021			April 30, 2022			
	Gross Amount	Deferred Tax Asset	Valuation Allowance	Gross Amount	Deferred Tax Asset	Valuation Allowance	Expiration (as of April 30, 2022)
U.S.	$ 99	$ 15	$ (5)	$ 53	$ 19	$ (8)	Various[1]
Foreign	228	48	(15)	241	50	(19)	Various[2]
	$ 327	$ 63	$ (20)	$ 294	$ 69	$ (27)	

[1]As of April 30, 2022, the deferred tax asset amount includes credit carryforwards of $8 that do not expire and loss and credit carryforwards of $11 that expire in varying amounts from 2023 to 2039.
[2]As of April 30, 2022, the deferred tax asset includes loss carryforwards of $19 that do not expire and $31 that expire in varying amounts over the next 9 years.

As of April 30, 2022, we had approximately $1,446 of undistributed earnings from our foreign subsidiaries ($1,542 at April 30, 2021). Most of these earnings have been previously subject to tax, primarily as a result of the one-time repatriation tax on foreign earnings required by the 2017 Tax Cuts and Jobs Act. Historically, we have asserted that the undistributed earnings of our foreign subsidiaries are reinvested indefinitely outside the United States. We continue to maintain indefinite reinvestment assertions for most undistributed earnings of our foreign subsidiaries, and no deferred taxes have been provided on the earnings. For undistributed earnings not considered permanently reinvested, deferred tax liabilities have been provided for any applicable income taxes and withholding taxes payable in various countries, which are not significant. We have also asserted that other outside basis differences related to our foreign subsidiaries are reinvested indefinitely and that the determination of any unrecognized deferred tax liabilities is not practicable due to the complexities in the calculations. The other outside basis differences relate primarily to differences between U.S. GAAP and tax basis that arose through purchase accounting. These basis differences could reverse through sales of foreign subsidiaries or other transactions, none of which are considered probable as of April 30, 2022.

At April 30, 2022, we had $14 of gross unrecognized tax benefits, $11 of which would reduce our effective income tax rate if recognized. A reconciliation of the beginning and ending unrecognized tax benefits follows:

	2020	2021	2022
Unrecognized tax benefits at beginning of year	$ 11	$ 11	$ 12
Additions for tax positions provided in prior periods	2	1	2
Additions for tax positions provided in current period	—	2	2
Decreases for tax positions provided in prior years	(1)	—	—
Settlements of tax positions in the current period	(1)	(1)	—
Lapse of statutes of limitations	—	(1)	(2)
Unrecognized tax benefits at end of year	$ 11	$ 12	$ 14

We file income tax returns in the United States, including several state and local jurisdictions, as well as in several other countries where we conduct business. The major jurisdictions and their earliest fiscal years that are currently open for tax examinations are 2016 through 2021 in the United States, inclusive of federal and states; 2020 in the United Kingdom; 2018 in Australia; 2017 in Finland, Germany, Hungary, Korea, and Poland; 2016 in the Netherlands and Brazil; and 2013 in Mexico. In addition, we are participating in the Internal Revenue Service's Compliance Assurance Program for our fiscal 2022 tax year.

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

12. Acquisitions and Divestitures

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

On December 1, 2020, we acquired 100% of the voting interests in Part Time Rangers Holdings Limited (Part Time Rangers) for $14 in cash (including repayment of debt). Part Time Rangers, which is based in New Zealand, produces spirits-based ready-to-drink products with all-natural fruit flavoring. The purchase price was allocated largely to the intangible assets of the acquired business, including goodwill of $8 and other intangible assets of $8, net of deferred tax liabilities of $2. The goodwill is primarily attributable to the value of leveraging our distribution network and brand-building expertise to grow sales of the Part Time Rangers brand. We do not expect the goodwill to be deductible for tax purposes.

The 86 Company and Part Time Rangers have been included in our consolidated financial statements since their respective acquisition dates. Actual and pro forma results are not presented due to immateriality.

Divestiture. On July 31, 2020, we sold the Early Times, Canadian Mist, and Collingwood brands for $177 in cash. 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, 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 during fiscal 2021.

13. Derivative Financial Instruments and Hedging Activities

We are subject to 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 accumulated other comprehensive income (AOCI) until the underlying hedged transaction occurs, at which time we reclassify that amount into earnings.

Some of our currency derivatives are not designated 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 $1,218 and $801 at April 30, 2021 and 2022, respectively. The maximum term of outstanding derivative contracts was approximately 36 months at both April 30, 2021 and 2022.

We also use foreign currency-denominated debt to help manage our foreign currency exchange risk. We designate a portion of those debt instruments as net investment hedges, which are intended to mitigate foreign currency 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. The amount of foreign currency-denominated debt designated as net investment hedges was $680 and $636 as of April 30, 2021 and 2022, respectively.

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 their effectiveness continually. If determined to be no longer highly effective, we stop designating and accounting for the instrument as a hedge.

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

	Classification in Statement of Operations	2020	2021	2022
Currency derivatives designated as cash flow hedges:				
Net gain (loss) recognized in AOCI	n/a	$ 61	$ (78)	$ 76
Net gain (loss) reclassified from AOCI into earnings	Sales	23	21	5
Net gain (loss) reclassified from AOCI into earnings	Other income (expense), net	—	—	2
Currency derivatives not designated as hedging instruments:				
Net gain (loss) recognized in earnings	Sales	4	(13)	12
Net gain (loss) recognized in earnings	Other income (expense), net	(14)	17	5
Foreign currency-denominated debt designated as net investment hedge:				
Net gain (loss) recognized in AOCI	n/a	22	(73)	78
Total amounts presented in the accompanying consolidated statements of operations for line items affected by the net gains (losses) shown above:				
Sales		4,306	4,526	5,081
Other income (expense), net		(11)	15	(59)

We expect to reclassify $26 of deferred net gains on cash flow hedges recorded in AOCI as of April 30, 2022, to earnings during fiscal 2023. This reclassification would offset the anticipated earnings impact of the underlying hedged exposures. The actual amounts that we ultimately reclassify to earnings will depend on the exchange rates in effect when the underlying hedged transactions occur.

The following table presents the fair values of our derivative instruments as of April 30, 2021 and 2022:

	Balance Sheet Classification	Derivative Assets	Derivative Liabilities
April 30, 2021			
Designated as cash flow hedges:			
Currency derivatives	Other current assets	$ 4	$ (2)
Currency derivatives	Other assets	—	—
Currency derivatives	Accrued expenses	4	(18)
Currency derivatives	Other liabilities	1	(18)
Not designated as hedges:			
Currency derivatives	Other current assets	1	—
Currency derivatives	Accrued expenses	—	—
April 30, 2022			
Designated as cash flow hedges:			
Currency derivatives	Other current assets	32	(3)
Currency derivatives	Other assets	20	(1)
Currency derivatives	Accrued expenses	—	—
Currency derivatives	Other liabilities	—	—
Not designated as hedges:			
Currency derivatives	Other current assets	—	—
Currency derivatives	Accrued expenses	—	(1)

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 require credit valuation adjustments.

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 $30 and $0 at April 30, 2021 and 2022, respectively.

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

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

	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Balance Sheet	Net Amounts Presented in Balance Sheet	Gross Amounts Not Offset in Balance Sheet	Net Amounts
April 30, 2021					
Derivative assets	$ 10	$ (7)	$ 3	$ (1)	$ 2
Derivative liabilities	(38)	7	(31)	1	(30)
April 30, 2022					
Derivative assets	52	(4)	48	(1)	47
Derivative liabilities	(5)	4	(1)	1	—

No cash collateral was received or pledged related to our derivative contracts as of April 30, 2021 or 2022.

14. Fair Value Measurements

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

	2021		2022	
April 30,	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$ 1,150	$ 1,150	$ 868	$ 868
Currency derivatives	3	3	48	48
Liabilities:				
Currency derivatives	31	31	1	1
Short-term borrowings	205	205	—	—
Long-term debt (including current portion)	2,354	2,663	2,269	2,239

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). During fiscal 2022, we recognized non-cash impairment charges of $9 on certain fixed assets. The impairment charges, which were based on our measurements of the estimated fair values of those assets, are categorized as Level 2 within the valuation hierarchy. The remaining carrying amount of those fixed assets is not significant. Additionally, as discussed in Note 4, we recognized a non-cash impairment charge of $52 during fiscal 2022 related to our Finlandia brand name. The impairment charge was based on the estimated fair value of the brand name, which we determined using the "relief from royalty" method, and which is categorized as Level 3 within the valuation hierarchy. No other material nonrecurring fair value measurements were required during the periods presented in these financial statements.

15. Leases

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

We record lease liabilities and right-of-use (ROU) assets on our balance sheet for leases with terms exceeding 12 months. We do not record lease liabilities or ROU assets for short-term leases. The amounts recorded for lease liabilities and ROU assets are based on the estimated present value, as of the lease commencement date, of the future payments to be made over the lease term. We calculate the present value using our incremental borrowing rate that corresponds to the term of the lease. We include the effect of an option to renew or terminate a lease in the lease term when it is reasonably certain that we will exercise the option.

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

The following table shows information about our leases as of the end of the last two years:

	Balance Sheet Classification	April 30, 2021	April 30, 2022
Right-of-use assets	Other assets	$ 67	$ 74
Lease liabilities:			
Current	Accounts payable and accrued expenses	$ 20	$ 21
Non-current	Other liabilities	49	54
Total		$ 69	$ 75
Weighted-average discount rate		1.9%	1.8%
Weighted-average remaining term		5.3 years	5.0 years

The following table shows information about the effects of leases during each of the last three years:

	2020	2021	2022
Total lease cost[1]	$ 29	$ 41	$ 38
Cash paid for amounts included in the measurement of lease liabilities[2]	21	26	25
Right-of-use assets obtained in exchange for new lease liabilities	35	25	35

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

The following table includes a maturity analysis of future (undiscounted) lease payments and a reconciliation of those payments to the lease liabilities recorded on our balance sheet as of April 30, 2022:

	April 30, 2022
2023	$ 22
2024	18
2025	13
2026	9
2027	7
Thereafter	10
Total lease payments	79
Less: Present value discount	(4)
Lease liabilities	$ 75

16. Other Comprehensive Income

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

	Pre-Tax	Tax	Net
Year Ended April 30, 2020			
Currency translation adjustments:			
Net gain (loss) on currency translation	$ (88)	$ (6)	$ (94)
Reclassification to earnings	—	—	—
Other comprehensive income (loss), net	(88)	(6)	(94)
Cash flow hedge adjustments:			
Net gain (loss) on hedging instruments	61	(14)	47
Reclassification to earnings[1]	(23)	6	(17)
Other comprehensive income (loss), net	38	(8)	30
Postretirement benefits adjustments:			
Net actuarial gain (loss) and prior service cost	(119)	28	(91)
Reclassification to earnings[2]	18	(4)	14
Other comprehensive income (loss), net	(101)	24	(77)
Total other comprehensive income (loss), net	$ (151)	$ 10	$ (141)
Year Ended April 30, 2021			
Currency translation adjustments:			
Net gain (loss) on currency translation	$ 106	$ 17	$ 123
Reclassification to earnings	—	—	—
Other comprehensive income (loss), net	106	17	123
Cash flow hedge adjustments:			
Net gain (loss) on hedging instruments	(78)	17	(61)
Reclassification to earnings[1]	(21)	6	(15)
Other comprehensive income (loss), net	(99)	23	(76)
Postretirement benefits adjustments:			
Net actuarial gain (loss) and prior service cost	71	(16)	55
Reclassification to earnings[2]	30	(7)	23
Other comprehensive income (loss), net	101	(23)	78
Total other comprehensive income (loss), net	$ 108	$ 17	$ 125
Year Ended April 30, 2022			
Currency translation adjustments:			
Net gain (loss) on currency translation	$ (42)	$ (18)	$ (60)
Reclassification to earnings	—	—	—
Other comprehensive income (loss), net	(42)	(18)	(60)
Cash flow hedge adjustments:			
Net gain (loss) on hedging instruments	76	(17)	59
Reclassification to earnings[1]	(7)	1	(6)
Other comprehensive income (loss), net	69	(16)	53
Postretirement benefits adjustments:			
Net actuarial gain (loss) and prior service cost	67	(16)	51
Reclassification to earnings[2]	34	(8)	26
Other comprehensive income (loss), net	101	(24)	77
Total other comprehensive income (loss), net	$ 128	$ (58)	$ 70

[1]For 2022, $(2) of the pre-tax amount of $(7) is classified in other income in the accompanying consolidated statements of operations. Otherwise, the pre-tax amount for each year is classified as sales.

[2]For 2021, $4 of the pre-tax amount of $30 is classified in gain on sale of business in the accompanying consolidated statements of operations. Otherwise, the pre-tax amount for each year is classified as non-operating postretirement expense.

17. Supplemental Information

The following table presents net sales by geography:

	2020	2021	2022
Net sales:			
United States	$ 1,690	$ 1,748	$ 1,917
Germany	171	206	228
Australia	155	209	219
United Kingdom	180	205	218
Mexico	155	150	178
Other	1,012	943	1,173
	$ 3,363	$ 3,461	$ 3,933

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

Our two largest customers accounted for 18% and 13% of consolidated net sales in 2020; 19% and 13% of consolidated net sales in 2021; and 14% and 12% of consolidated net sales in 2022.

The net book value of property, plant, and equipment located outside the United States was $107 and $116 as of April 30, 2021 and 2022, respectively. Other long-lived assets located outside the United States are not significant.

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

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

None.

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

Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) (our principal executive and principal financial officers), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of fiscal 2022. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures: (a) are effective to ensure that information required to be disclosed by the Company in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms; and (b) include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. There has been no change in our internal control over financial reporting during the quarter ended April 30, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting and Report of Independent Registered Public Accounting Firm. Management's report on our internal control over financial reporting as of April 30, 2022, and our independent registered public accounting firm's report on our internal control over financial reporting are set forth in "Item 8. Financial Statements and Supplementary Data."

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

None.

Item 9C. ***Disclosure Regarding Foreign Jurisdictions that Prevent Inspections***

Not applicable.

PART III

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

Information on our Executive Officers is included under the caption "Employees and Executive Officers" in Part I of this report. For the other information required by this item, see the following sections of our definitive proxy statement for the Annual Meeting of Stockholders to be held July 28, 2022 ("2022 Proxy Statement"), which information is incorporated into this report by reference: (a) "Proposal 1: Election of Directors" (for biographical information on directors and family relationships); (b) "Code of Conduct and Code of Ethics for Senior Financial Officers" (for information on our code of ethics); (c) "Selection of Directors" (for information on the procedures by which security holders may recommend nominees to the Company's Board of Directors); and (d) "Board Committees" (for information on our Audit Committee).

Item 11. ***Executive Compensation***

For the information required by this item, refer to the following sections of our 2022 Proxy Statement, which information is incorporated into this report by reference: (a) "Compensation Discussion and Analysis"; (b) "Compensation Tables"; (c) "Director Compensation"; (d) "Compensation Committee Interlocks and Insider Participation"; (e) "Compensation Committee Report"; and (f) "Pay Ratio Disclosure."

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

The following table summarizes information as of April 30, 2022, about our equity compensation plans under which we have made grants of stock options, stock appreciation rights, restricted stock, market value units, performance units, or other equity awards.

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights[1]	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights[2]	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by Class A common stockholders	1,767,784	$47.54	12,412,433

[1]Includes 1,272,605 Class B common shares to be issued upon exercise of stock-settled stock appreciation rights (SSARs); 124,900 Class B performance-based restricted stock units (PBRSUs); 145,294 Class A PBRSUs; 169,156 Class A common deferred stock units (DSUs); and 55,829 Class B common DSUs issued under the Brown-Forman 2004 or 2013 Omnibus Compensation Plans. SSARs are exercisable for an amount of our common stock with a value equal to the increase in the fair market value of the common stock from the date the SSARs were granted. The fair market value of our common stock at fiscal year-end has been used for the purposes of reporting the number of shares to be issued upon exercise of the 4,232,521 SSARs outstanding at fiscal year-end.

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

For the other information required by this item, refer to the section entitled “Stock Ownership” of our 2022 Proxy Statement, which information is incorporated into this report by reference.

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

For the information required by this item, refer to the following sections of our 2022 Proxy Statement, which information is incorporated into this report by reference: (a) “Certain Relationships and Related Transactions”; and (b) “Our Independent Directors.”

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

For the information required by this item, refer to the following sections of our 2022 Proxy Statement, which information is incorporated into this report by reference: (a) “Fees Paid to Independent Registered Public Accounting Firm”; and (b) “Audit Committee Pre-Approval Policies and Procedures.”

PART IV

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

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

(a)(3) *Exhibits:*

The following documents are filed with this report:

Exhibit Index

10.23	First Amendment to Brown-Forman Corporation Amended and Restated Non-Employee Director Deferred Stock Unit Program*
21	Subsidiaries of Brown-Forman Corporation.
23.1	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
23.2	Consent of Ernst & Young LLP, independent registered public accounting firm.
31.1	CEO Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2	CFO Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32	CEO and CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (not considered to be filed).
101	The following materials from Brown-Forman Corporation's Annual Report on Form 10-K for the fiscal year ended April 30, 2022, in Inline XBRL (eXtensible Business Reporting Language) format: (a) Consolidated Statements of Operations, (b) Consolidated Statements of Comprehensive Income, (c) Consolidated Balance Sheets, (d) Consolidated Statements of Cash Flows, (e) Consolidated Statements of Stockholders' Equity, and (f) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File in Inline XBRL format (included in Exhibit 101).

The following documents have been previously filed:

Exhibit Index

3.1	Restated Certificate of Incorporation of registrant, incorporated into this report by reference to Exhibit 3(i) of Brown-Forman Corporation's Form 10-Q for the quarter ended July 31, 2012, filed on September 5, 2012 (File No. 002-26821).
3.2	Certificate of Amendment of Restated Certificate of Incorporation of registrant, incorporated into this report by reference to Exhibit 3.1 of Brown-Forman Corporation's Form 8-K filed on August 9, 2016 (File No. 001-00123).
3.3	By-laws of registrant, as amended and restated effective May 21, 2020, incorporated into this report by reference to Exhibit 3.1 of Brown-Forman Corporation's Form 8-K filed on May 27, 2020 (File No. 001-00123).
4.1	Description of Brown-Forman Corporation's Class A Common Stock, par value $0.15 per share, and Class B Common Stock, par value $0.15 per share, incorporated into this report by reference to Exhibit 4.1 of Brown-Forman Corporation's Form 10-K for the fiscal year ended April 30, 2020, filed on June 19, 2020 (File No. 001-00123).
4.2	Description of Brown-Forman Corporation's 1.200% Notes due 2026, incorporated into this report by reference to Exhibit 4.2 of Brown-Forman Corporation's Form 10-K for the fiscal year ended April 30, 2020, filed on June 19, 2020 (File No. 001-00123).
4.3	Description of Brown-Forman Corporation's 2.600% Notes due 2028, incorporated into this report by reference to Exhibit 4.3 of Brown-Forman Corporation's Form 10-K for the fiscal year ended April 30, 2020, filed on June 19, 2020 (File No. 001-00123).
4.4	Indenture dated as of April 2, 2007, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, incorporated into this report by reference to Exhibit 4.1 of Brown-Forman Corporation's Form 8-K filed on April 3, 2007 (File No. 002-26821).
4.5	First Supplemental Indenture dated as of December 13, 2010, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, incorporated into this report by reference to Exhibit 4.2 of Brown-Forman Corporation's Form S-3ASR Registration Statement filed on December 13, 2010 (File No. 333-171126).
4.6	Second Supplemental Indenture dated as of June 24, 2015, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, incorporated into this report by reference to Exhibit 4.3 of Brown-Forman Corporation's Form S-3ASR Registration Statement filed on June 24, 2015 (File No. 333-205183).
4.7	Form of 2.25% Note due 2023, incorporated into this report by reference to Exhibit 4.5 of Brown-Forman Corporation's Form 8-K filed on December 12, 2012 (File No. 002-26821).
4.8	Form of 1.200% Note due 2026, incorporated into this report by reference to Exhibit 4.5 of Brown-Forman Corporation's Form 8-K filed on July 8, 2016 (File No. 002-26821).
4.9	Form of 2.600% Note due 2028, incorporated into this report by reference to Exhibit 4.6 of Brown-Forman Corporation's Form 8-K filed on July 8, 2016 (File No. 002-26821).
4.10	Form of 3.500% Note due 2025, incorporated into this report by reference to Exhibit 4.5 of Brown-Forman Corporation's Form 8-K filed on March 26, 2018 (File No. 001-00123).
4.11	Form of 3.75% Note due 2043, incorporated into this report by reference to Exhibit 4.6 of Brown-Forman Corporation's Form 8-K filed on December 12, 2012 (File No. 002-26821).

Exhibit Index

4.12	Form of 4.00% Note due 2038, incorporated into this report by reference to Exhibit 4.6 of Brown-Forman Corporation's Form 8-K filed on March 26, 2018 (File No. 001-00123).
4.13	Form of 4.500% Notes due 2045, incorporated into this report by reference to Exhibit 4.5 of Brown-Forman Corporation's Form 8-K filed on June 29, 2015 (File No. 002-26821).
4.14	Officer's Certificate dated December 12, 2012, pursuant to Sections 1.01, 2.02, 3.01, and 3.03 of the Indenture dated as of April 2, 2007, as supplemented by the First Supplemental Indenture dated as of December 13, 2010, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, setting forth the terms of the 2.25% Notes due 2023, and the 3.75% Notes due 2043, incorporated into this report by reference to Exhibit 4.3 of Brown-Forman Corporation's Form 8-K filed on December 12, 2012 (File No. 002-26821).
4.15	Officer's Certificate dated June 29, 2015, pursuant to Sections 1.02, 2.02, 3.01 and 3.03 of the Indenture dated as of April 2, 2007, as supplemented by the First Supplemental Indenture dated as of December 13, 2010, and the Second Supplemental Indenture dated as of June 24, 2015, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, setting forth the terms of the 4.500% Notes due 2045, incorporated into this report by reference to Exhibit 4.4 of Brown-Forman Corporation's Form 8-K filed on June 29, 2015 (File No. 002-26821).
4.16	Officers' Certificate dated July 7, 2016, pursuant to Sections 1.01, 2.02, 3.01, and 3.03 of the Indenture dated as of April 2, 2007, as supplemented by the First Supplemental Indenture dated as of December 13, 2010, and the Second Supplemental Indenture dated as of June 24, 2015, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, setting forth the terms of the 1.200% Notes due 2026 and the 2.600% Notes due 2028, incorporated into this report by reference to Exhibit 4.4 of Brown-Forman Corporation's Form 8-K filed on July 8, 2016 (File No. 002-26821).
4.17	Officers' Certificate dated March 26, 2018, pursuant to Sections 1.02, 2.02, 3.01, and 3.03 of the Indenture dated April 2, 2007, as supplemented by the First Supplemental Indenture dated as of December 13, 2010, and the Second Supplemental Indenture dated as of June 24, 2015, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, setting forth the terms of the 3.500% Note due 2025 and the 4.000% Note due 2038, incorporated into this report by reference to Exhibit 4.4 of Brown-Forman Corporation's Form 8-K filed on March 26, 2018 (File No. 001-00123).
10.1	A description of the Brown-Forman Savings Plan, incorporated into this report by reference to page 10 of Brown-Forman Corporation's definitive proxy statement filed on June 27, 1996, in connection with its 1996 Annual Meeting of Stockholders (File No. 001-00123).*
10.2	Brown-Forman Corporation Nonqualified Savings Plan, incorporated into this report by reference to Exhibit 4.1 of Brown-Forman Corporation's Form S-8 Registration Statement filed on September 24, 2010 (File No. 333-169564).*
10.3	Brown-Forman Corporation 2004 Omnibus Compensation Plan, as amended, incorporated into this report by reference to Exhibit A of Brown-Forman Corporation's definitive proxy statement filed on June 26, 2009, in connection with its 2009 Annual Meeting of Stockholders (File No. 002-26821).*
10.4	2010 Form of Employee Stock-Settled Stock Appreciation Right Award Agreement, incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 8-K filed on July 23, 2010 (File No. 002-26821).*
10.5	2010 Form of Non-Employee Director Stock-Settled Stock Appreciation Right Award Agreement, incorporated into this report by reference to Exhibit 10.2 of Brown-Forman Corporation's Form 8-K filed on July 23, 2010 (File No. 002-26821).*
10.6	2010 Form of Restricted Stock Award Agreement, incorporated into this report by reference to Exhibit 10.3 of Brown-Forman Corporation's Form 8-K filed on July 23, 2010 (File No. 002-26821).*
10.7	2010 Form of Restricted Stock Unit Award Agreement, incorporated into this report by reference to Exhibit 10.4 of Brown-Forman Corporation's Form 8-K filed on July 23, 2010 (File No. 002-26821).*
10.8	Brown-Forman Corporation Amended and Restated Supplemental Executive Retirement Plan and First Amendment thereto, incorporated into this report by reference to Exhibit 10(a) of Brown-Forman Corporation's Form 10-K for the year ended April 30, 2010, filed on June 25, 2010 (File No. 002-26821).*
10.9	Second Amendment to the Brown-Forman Corporation Amended and Restated Supplemental Executive Retirement Plan, incorporated into this report by reference to Exhibit 10(a) of Brown-Forman Corporation's Form 10-Q for the quarter ended January 31, 2011, filed on March 9, 2011 (File No. 002-26821).*
10.10	Brown-Forman Corporation Amended and Restated Non-Employee Director Deferred Stock Unit Program, incorporated into this report by reference to Exhibit 10.2 of Brown-Forman Corporation's Form 8-K filed on July 26, 2013 (File No. 002-26821).*
10.11	Brown-Forman Corporation 2013 Omnibus Compensation Plan, incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 8-K filed on July 26, 2013 (File No. 002-26821).*
10.12	Form of Employee Stock-Settled Stock Appreciation Right Award Agreement, incorporated into this report by reference to Exhibit 10.3 of Brown-Forman Corporation's Form 8-K filed on July 26, 2013 (File No. 002-26821).*
10.13	Form of Restricted Stock Unit Award Agreement, incorporated into this report by reference to Exhibit 10.4 of Brown-Forman Corporation's Form 8-K filed on July 26, 2013 (File No. 002-26821).*
10.14	Form of Restricted Stock Award Agreement, incorporated into this report by reference to Exhibit 10.5 of Brown-Forman Corporation's Form 8-K filed on July 26, 2013 (File No. 002-26821).*

Exhibit Index

10.15	Form of Employee Stock-Settled Stock Appreciation Right Award Agreement, incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 8-K filed on August 1, 2016 (File No. 001-00123).*
10.16	Form of Performance-Based Restricted Stock Unit Award Agreement (Class A), incorporated into this report by reference to Exhibit 10.2 of Brown-Forman Corporation's Form 8-K filed on August 1, 2016 (File No. 001-00123).*
10.17	Form of Performance-Based Restricted Stock Unit Award Agreement (Class B), incorporated into this report by reference to Exhibit 10.3 of Brown-Forman Corporation's Form 8-K filed on August 1, 2016 (File No. 001-00123).*
10.18	Fiscal 2021 Form of Performance-Based Restricted Stock Unit Award Agreement (Class A), incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 10-Q for the quarter ended July 31, 2020, filed on September 2, 2020 (File No. 001-00123).*
10.19	Fiscal 2021 Form of Performance-Based Restricted Stock Unit Award Agreement (Class B), incorporated into this report by reference to Exhibit 10.2 of Brown-Forman Corporation's Form 10-Q for the quarter ended July 31, 2020, filed on September 2, 2020 (File No. 001-00123).*
10.20	Amended and Restated Five-Year Credit Agreement, dated as of November 10, 2017, among Brown-Forman Corporation, certain borrowing subsidiaries and certain lenders party thereto, JPMorgan Chase Bank, N.A., PNC Bank, National Association and Wells Fargo Bank, National Association, as Co-Documentation Agents, U.S. Bank National Association, as Administrative Agent, and U.S. Bank National Association, Barclays Bank PLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Citigroup Global Markets Inc., as Co-Syndication Agents, Joint Lead Arrangers and Joint Bookrunners, incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 8-K filed on November 13, 2017 (File No. 001-00123).
10.21	Amendment No. 1 to Amended and Restated Five-Year Credit Agreement, dated as of November 10, 2021, among Brown-Forman Corporation, U.S. Bank National Association, as Administrative Agent, and the other lenders party thereto, incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 8-K filed on November 12, 2021.
10.22	Letter Agreement between Brown-Forman Corporation and Jane C. Morreau dated May 4, 2021, incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 8-K filed on May 10, 2021 (File No. 001-00123).*
16.1	Letter from PricewaterhouseCoopers LLP to the Securities and Exchange Commission dated February 25, 2020, incorporated into this report by reference to Exhibit 16.1 of Brown-Forman Corporation's Form 8-K filed on February 25, 2020 (File No. 001-00123).
16.2	Letter from PricewaterhouseCoopers LLP to the Securities and Exchange Commission dated June 24, 2020, incorporated into this report by reference to Exhibit 16.1 of Brown-Forman Corporation's Form 8-K/A filed on June 24, 2020 (File No. 001-00123).

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

Item 16. *Form 10-K Summary*

None.

SIGNATURES

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

BROWN-FORMAN CORPORATION
(Registrant)

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

Date: June 17, 2022

/s/ Campbell P. Brown
By: Campbell P. Brown
Director, Chair of the Board

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

/s/ Patrick Bousquet-Chavanne
By: Patrick Bousquet-Chavanne
Director

/s/ Stuart R. Brown
By: Stuart R. Brown
Director

/s/ John D. Cook

By: John D. Cook
Director

/s/ Marshall B. Farrer

By: Marshall B. Farrer
Director

/s/ Augusta Brown Holland

By: Augusta Brown Holland
Director

/s/ Michael J. Roney

By: Michael J. Roney
Director

/s/ Jan E. Singer

By: Jan E. Singer
Director

/s/ Tracy L. Skeans

By: Tracy L. Skeans
Director

/s/ Michael A. Todman

By: Michael A. Todman
Director

/s/ Leanne D. Cunningham

By: Leanne D. Cunningham
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Kelli N. Brown

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

Brown-Forman Corporation and Subsidiaries
Schedule II – Valuation and Qualifying Accounts
For the Years Ended April 30, 2020, 2021, and 2022
(Expressed in millions)

Col. A Description	Col. B Balance at Beginning of Period	Col. C(1) Additions Charged to Costs and Expenses	Col. C(2) Additions Charged to Other Accounts	Col. D Deductions	Col. E Balance at End of Period
2020					
Allowance for doubtful accounts	$ 7	$ 4	$ —	$ —	$ 11
Deferred tax valuation allowance	$ 25	$ 2	$ —	$ 5	$ 22
2021					
Allowance for doubtful accounts	$ 11	$ —	$ —	$ 4 (1)	$ 7
Deferred tax valuation allowance	$ 22	$ 10	$ —	$ 12	$ 20
2022					
Allowance for doubtful accounts	$ 7	$ 7	$ —	$ 1 (1)	$ 13
Deferred tax valuation allowance	$ 20	$ 8	$ —	$ 1	$ 27

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

FIRST AMENDMENT TO
BROWN-FORMAN CORPORATION
AMENDED AND RESTATED
NON-EMPLOYEE DIRECTOR DEFERRED STOCK UNIT PROGRAM

The Brown-Forman Corporation Amended and Restated Non-Employee Director Deferred Stock Unit Program (the "Program") is hereby amended as follows, effective as of the date this First Amendment is adopted by the Board of Directors:

1. Section 7(b) of the Program is amended to add the following paragraph to the end thereof:

Notwithstanding the foregoing, with respect to deferrals for compensation otherwise payable in calendar year 2023 and thereafter, the Participant shall elect at the time specified in Section 4(c) for each year whether clause (i) or (ii) shall apply to deferrals for such year (*i.e.*, a separate distribution election may be made for each year's deferrals). In the event no such election is made for a calendar year, clause (i) above shall apply for distributions of the portion of the Participant's Account (including earnings) attributable to such year.

2. A new Section 7(d) is added to the Program to read as follows:

<u>Special One-Time Election</u>. On a form approved by the Committee, a Participant may elect to modify his or her distribution election under Section 7(b) for the portion of the Participant's Account (including earnings) attributable to calendar years through 2022. Such election must be made no later than August 1, 2022, shall be irrevocable when made, and shall apply only if (i) the election does not take effect until at least 12 months after the date the election is made (or, with respect to installment distributions, the date such installments would have commenced), and (ii) each distribution is deferred for a period of not less than 5 years from the date such distribution would otherwise have been made absent such election.

Exhibit 21

SUBSIDIARIES OF BROWN-FORMAN CORPORATION
As of April 30, 2022

Name	State or Jurisdiction Of Incorporation
Amercain Investments, C.V.	Netherlands
AMG Trading, L.L.C.	Delaware
The BenRiach Distillery Company Limited	Scotland
Brown-Forman Australia Pty. Ltd.	Australia
Brown-Forman Beverages Europe, Ltd.	United Kingdom
Brown-Forman Beverages Worldwide, Comercio de Bebidas Ltda.	Brazil
Brown-Forman Deutschland GmbH	Germany
Brown-Forman Finland Oy	Finland
Brown-Forman France	France
Brown-Forman Holding Mexico S.A. de C.V.	Mexico
Brown-Forman Hungary 1 Kft.	Hungary
Brown-Forman Korea Ltd.	Korea
Brown-Forman Netherlands, B.V.	Netherlands
Brown-Forman Polska Sp. z o.o.	Poland
Brown-Forman Scotland Limited	Scotland
Brown-Forman Spain, S.L.	Spain
Brown-Forman Spirits (Shanghai) Co., Ltd.	China
Brown-Forman Tequila Mexico, S. de R.L. de C.V.	Mexico
Jack Daniel Distillery, Lem Motlow, Prop., Inc.	Tennessee
Sonoma-Cutrer Vineyards, Inc.	California
Valle de Amatitan, S.A. de C.V.	Mexico

The names of certain subsidiaries are omitted from the above listing because such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a "significant subsidiary" under Rule 1-02(w) of Regulation S-K.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-253992, 333-169564, and 333-190122) of Brown-Forman Corporation of our report dated June 19, 2020 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Louisville, Kentucky
June 17, 2022

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-253992) pertaining to the Brown-Forman Corporation Savings Plan for Collectively Bargained Employees and the Brown-Forman Corporation Savings Plan,
(2) Registration Statement (Form S-8 No. 333-169564) pertaining to the Brown-Forman Corporation Nonqualified Savings Plan, and
(3) Registration Statement (Form S-8 No. 333-190122) pertaining to Brown-Forman Corporation 2013 Compensation Plan;

of our reports dated June 17, 2022, with respect to the consolidated financial statements and financial statement schedule of Brown-Forman Corporation and Subsidiaries and the effectiveness of internal control over financial reporting of Brown-Forman Corporation and Subsidiaries included in this Annual Report (Form 10-K) of Brown-Forman Corporation for the year ended April 30, 2022.

/s/ Ernst & Young LLP
Louisville, Kentucky
June 17, 2022

Exhibit 31.1

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

I, Lawson E. Whiting, certify that:

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

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

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

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

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 17, 2022

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

Exhibit 31.2

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

I, Leanne D. Cunningham, certify that:

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

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

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

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

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

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 17, 2022

By: /s/ Leanne D. Cunningham

Leanne D. Cunningham

Senior Vice President and Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Brown-Forman Corporation ("the Company") on Form 10-K for the period ended April 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in the capacity as an officer of the Company, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 17, 2022

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

By: /s/ Leanne D. Cunningham
Leanne D. Cunningham
Senior 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.

CORPORATE INFORMATION

Corporate Headquarters

850 Dixie Highway / Louisville, Kentucky 40210 / (502) 585-1100
www.brown-forman.com / brown-forman@b-f.com

Listed

New York Stock Exchange — BFA/BFB

Stockholders

As of April 30, 2022, there were 2,445 holders of record of Class A Common Stock and 4,791 holders of record of Class B Common Stock. Stockholders reside in all 50 states and in 16 foreign countries.

Registrar, Transfer Agent, and Dividend Disbursing Agent

Computershare
web.queries@computershare.com
(866) 622-1917 (U.S., Canada, Puerto Rico)
(781) 575-4735 (International)
Correspondence: P.O. Box 505000 / Louisville, KY 40233
Overnight Correspondence: 462 South 4th Street, Suite 1600
Louisville, KY 40202

Employees

As of April 30, 2022, Brown-Forman employed approximately 5,200 employees, excluding those employed on a part-time or temporary basis. Brown-Forman Corporation is committed to equality of opportunity in all aspects of employment. It has been, and will continue to be, the policy of Brown-Forman to provide full and equal employment opportunities to all employees and potential employees without regard to race, color, religion, national or ethnic origin, veteran status, age, gender, gender identity or expression, sexual orientation, genetic information, physical or mental disability, or any other legally protected status. It is also the policy of Brown-Forman to take affirmative action to employ and to advance in employment all persons regardless of race, color, religion, national or ethnic origin, veteran status, age, gender, gender identity or expression, sexual orientation, genetic information, physical or mental disability, or any other legally protected status, and to base all employment decisions only on valid job requirements. This policy applies to all terms, conditions, and privileges of employment, such as those pertaining to selection, training, transfer, promotion, compensation, and educational assistance programs.

Form 10-K

Our 2022 Form 10-K is included with this 2022 Integrated Annual Report in its entirety, except for exhibits. Interested stockholders may obtain without charge a copy of our Form 10-K, or a copy of any exhibit, upon written request to: Investor Relations, Brown-Forman Corporation, 850 Dixie Highway, Louisville, Kentucky 40210. The Form 10-K can also be downloaded from the company's website at www.brown-forman.com. Click on the "Investors" section of the website and then on Financial Reports & Filings to view the Form 10-K and other important documents.

Forward-Looking Statements

The 2022 Integrated Annual Report and the embedded electronic content referenced herein contain "forward-looking statements" as defined under U.S. federal securities laws. 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. 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. For a description of these risks and uncertainties, please see "Forward-Looking Statement Information," which precedes Part I, Item 1, Business, as well as Item 1A, Risk Factors, of the Form 10-K included with this 2022 Integrated Annual Report.

Use of Non-GAAP Financial Information

Certain matters discussed in this 2022 Integrated Annual Report include measures not derived in accordance with generally accepted accounting principles ("GAAP"), including "return on average invested capital" and organic changes in income statement line items. Reconciliations of these measures to the most closely comparable GAAP measures, and reasons for the company's use of these measures, are presented in Part II, Item 7, around "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the heading "Non-GAAP Financial Measures" of the Form 10-K included with this 2022 Integrated Annual Report.

Independent Registered Public Accounting Firm

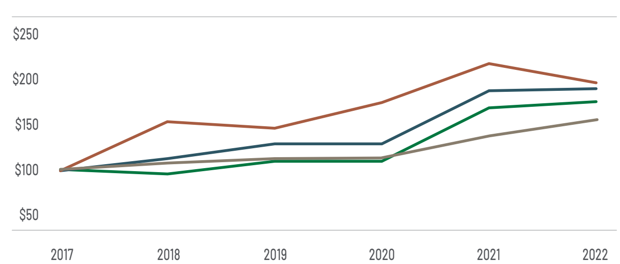
Ernst & Young LLP

Stock Performance Graph

This graph compares the cumulative total shareholder return of our Class B Common Stock against the Standard & Poor's (S&P) 500 Index, the Dow Jones U.S. Consumer Goods Index, and the Dow Jones U.S. Food & Beverage Index. The graph assumes $100 was invested on April 30, 2017, and that all dividends were reinvested. The cumulative returns shown on the graph represent the value that these investments would have had on April 30 in the years since 2017.

Indexed Total Shareholder Return

as of April 30, 2022, dividends reinvested



	2017	2018	2019	2020	2021	2022
Brown-Forman Corporation	$ 100	$ 153	$ 147	$ 174	$ 215	$ 195
S&P 500 Index	$ 100	$ 113	$ 129	$ 130	$ 189	$ 190
Dow Jones U.S. Consumer Goods	$ 100	$ 98	$ 109	$ 109	$ 169	$ 175
Dow Jones U.S. Food and Beverage	$ 100	$ 97	$ 111	$ 110	$ 138	$ 156

Environmental Stewardship

As a responsible corporate citizen, Brown-Forman is committed to environmental sustainability. Our efforts focus primarily on climate action, water stewardship, circular economy, and supply chain. This 2022 Integrated Annual Report is printed on FSC®-certified paper.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C018101

BROWN-FORMAN

850 Dixie Highway
Louisville, Kentucky 40210

Brown-Forman.com