MANY SPIRITS...

...ONE BROWN-FORMAN

DIVERSITY & INCLUSION STRATEGY 2030
GENDER & RACE EDITION

CONTENTS

**MANY SPIRITS, ONE BROWN-FORMAN
ONE STRATEGY, MANY COUNTRIES**

As a global organization, Brown-Forman has employees based in 42 countries, and markets its brands in more than 170 countries throughout the world. That means employees and consumers may experience Brown-Forman and its products in countless ways – because the way an individual interprets and responds to our organization is highly influenced not only by their unique life circumstances, but the environment in which they live, work, and play.

Unfortunately, this paper – and the research embedded within it – could not accurately represent the experiences of every Brown-Forman employee or stakeholder. In many cases we defaulted to using the most readily available information that likewise reflected the experience of the largest number of Brown-Forman employees: our U.S. salaried workforce. By leveraging this group, and particularly its robust set of corresponding data, we were able to streamline and accelerate the strategic planning process. It is our hope that the U.S. analysis is reasonably representative of many of our markets, especially our developed markets, and as such, can serve as a reliable proxy for our global employee population.

As a global strategy, this document will be used to guide the company's decisions and thinking at the highest level. However, we recognize that additional work is needed to customize the content to ensure it is truly applicable to all Brown-Forman's employees around the world. In the coming months, we anticipate producing similar documents for non-U.S. populations and countries, including preparing similar analyses of in-country employees using in-country external data. The Office of Diversity & Inclusion, People Strategy & Analytics, and HR Business Partners will be valuable resources for this work, and look forward to providing ongoing support.

We also recognize that diversity takes many forms, and trying to effectively tackle each aspect of diversity and inclusion in one document would be cumbersome and overwhelming. As such, we made a conscious decision to focus heavily on gender (globally) and race (specifically in the U.S.) with this first edition of the strategy and its accompanying ambitions. Future editions will expand this work to other elements of diversity.

In the world of diversity and inclusion, there are a multitude of terms used to describe diverse populations. These terms differ by geographic location, legal requirements, and ever-changing trends and preferences. For the purpose of this strategy, and conversations within Brown-Forman going forward, the company will use the nomenclature provided below, which is consistent with the terms used by the U.S. Equal Employment Opportunity Commission (EEOC), the federal agency that administers and enforces civil rights laws against workplace discrimination.

Recognizing that it is difficult, or even impossible, to pick a term that addresses the preferences of all Brown-Forman employees, the following terms will be used with only the utmost respect and intentions:

ASIAN	Any person having origins in the Far East, Southeast Asia, India, or the Pacific Islands. This includes individuals from China, Korea, the Philippine Islands, and Samoa. The term Pacific Islanders is sometimes used to describe a subsegment of this group.
BLACK	Any individual with origins in any of the black racial groups of Africa. Within the U.S., these individuals are also often called African Americans.
HISPANIC	A person of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish culture or origin, regardless of race. Other terms used to describe this population also include the gender-specific Latinos and Latinas, as well as the increasingly popular gender-neutral LatinX.
LGBTQI+	A person that identifies as lesbian, gay, bisexual, transgender, queer/questioning, or intersex. The plus sign (+) acknowledges that there are other terms used to describe individuals in this community (such as nonbinary and intersex).
POC	People of Color. A term commonly used in the U.S. to describe a group of individuals comprised of Black, Asian, Hispanic, and people comprised of two or more races. Within the U.K., the terms BAME (Black, Asian, Minority Ethnic) and BME (Black Minority Ethnic) are sometimes used to describe this group. These terms are increasingly controversial, so wherever possible Brown-Forman will use specific references to the identifying race and ethnic groups.
WHITE	An individual with origins in Europe, North Africa, or the Middle East.

Note: In some instances, this document may contain slight variations to account for the terminology used in source material.

INTRODUCTION

As we look to our 2030 strategic ambitions, we are pleased to introduce Many Spirits, One Brown-Forman: Diversity & Inclusion Strategy 2030 – Gender & Race Edition.

The strategy adopts Brown-Forman's strategic construct...

Strategic Position: Where We Are Today
Strategic Direction: Where We Are Going
Strategic Priorities: How We Will Get There

...to create a foundation from which to build a more diverse workforce and inclusive culture.

Thank you to our global Brown-Forman colleagues for your support of this strategy, and the work you've done in this space over the last decade.

Because of your courageous efforts, we are starting from a position of strength. Because of your high expectations, we are focused on building our next generation company and workforce. Because of our collective abilities, we are confident that Brown-Forman will realize the true value of diversity and inclusion and create a stronger, more competitive organization where each individual has the opportunity to reach their desired potential.

WE ARE MANY SPIRITS, BUT WE ARE ONE BROWN-FORMAN.

Respectfully,

Ralph de Chabert
SVP, Chief Diversity, Inclusion, and Global Community
Relations Officer

Kirsten Hawley
SVP, Chief Human Resources and Corporate
Communications Officer

Chris Graven
VP, Director, Global Talent Management

THE BUSINESS CASE

IT'S IN THE NUMBERS

It's hard to ignore the numbers.

Companies with inclusive cultures are six times more likely to be innovative, six times more likely to anticipate changes and respond effectively, and twice as likely to exceed financial targets. Organizations with the highest levels of gender diversity on their executive teams are 21% more likely to outperform their industry on profitability and 27% more likely to have superior value creation. If the executive team ranked among the best for ethnic and cultural diversity, the numbers are even more impressive, with organizations 33% more likely to experience industry-leading profitability. Finally, companies with above-average diversity (across six dimensions, including migration, industry, career path, gender, education, and age) have increases of 19% in innovation revenue and 9% in EBIT (Earnings Before Interest and Taxes) margins, on average. While it is, of course, impossible for these studies to prove causation, the continued correlation over multiple research studies and numerous companies cannot be ignored.

THE BUSINESS IMPACT

STUDIES REPEATEDLY SHOW VALUE OF DIVERSITY & INCLUSION EFFORTS ON CORPORATE PROFITABILITY

6X More Likely to be Innovative

9% Increase in EBIT

19% Increase in Innovation Revenue

2X More Likely to Exceed Financial Targets

27% More Likely to Have Superior Value Creation

33% More Likely to Experience Industry-Leading Profitability

6X More Likely to Anticipate Change & Respond Effectively

21% More Likely to Outperform Industry on Profitability

While many organizations may have initiated diversity and inclusion (D&I) efforts because it was "the right thing to do," it is becoming increasingly clear that diverse workforces and inclusive cultures are equally valuable from a business standpoint. McKinsey & Company, a leading worldwide consulting firm, found that "awareness of the business case for inclusion and diversity is on the rise. While social justice typically is the initial impetus behind these efforts, companies have increasingly begun to regard inclusion and diversity as a source of competitive advantage, and specifically as a key enabler of growth."

Yet, only 13% of organizations have taken the critical step in calculating the positive impact of gender diversity on the business.

We did, for various aspects of diversity, and once again: It's hard to ignore the numbers.

Let's take a recent study from Harvard Business Review and compare it to Brown-Forman's business. The study found that an organization could increase its innovation revenue by increasing the diversity of its management team, with additional additive increases for having workforces with diversity of national origin, industry experience, gender, and career path.

If we took the study's logic and applied it to the entire value chain of Jack Daniel's Family of Brands, the impact is considerable.

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By enhancing the diversity of Jack Daniel's global team, Brown-Forman could experience a revenue increase equivalent to that of its premium American whiskey portfolio.

The following strategy will guide the company on the next stage of its D&I journey. By better understanding the environment in which we work, and our positioning within it, we can ensure that we have initiatives in place to realize the true value of D&I for our people, our brands, our business, and our global community.

Through it all, we won't ignore the numbers. They hold us accountable. They highlight success (or failure). They build the business case.

But in the end, they aren't really what matters. It all comes down to our people and our ability to bring **Many Spirits** together for **One Brown-Forman**.

It is only when diverse perspectives are included, respected, and valued that we can start to get a full picture of the world, who we serve, what they need, and how to successfully meet people where they are.
– Brené Brown, Dare to Lead

STRATEGIC POSITION

Every strategic framework must begin with a comprehensive assessment of the current strategic position. To assess Brown-Forman's strategic positioning related to D&I, we examined two areas: the global trends impacting Brown-Forman, and an internal assessment of Brown-Forman's D&I strengths, weaknesses, opportunities, and threats.

TRENDS

There are many workforce, cultural, economic, and political trends impacting D&I. However, there are seven influential trends that are most critical to Brown-Forman and its D&I initiatives over the next 10 years. While the trends will highlight what is happening around the world, how Brown-Forman responds is up to the company.

1 *POLITICAL TENSIONS MAY CAUSE SETBACKS DESPITE RECENT LEGISLATIVE GAINS*

Global organizations must stay in tune to the ever-changing laws, regulations, and political climate of all the countries in which they operate. There is no part of a business that is free from legislative impact, and D&I is no exception. In recent years, more and more countries are introducing legislation that seeks to create a more equitable experience for all individuals. For example, there has been an increase in countries introducing legislation that would permit same-sex marriages. In 2016, Taiwanese President Tsai Ing-wen campaigned on the promise of marriage equality, and in May 2019, the Taiwanese government became the first Asian country to legalize same-sex marriage. While many countries are making gains in this area, there is still a great deal of progress to be made. Within the U.S. alone, there are 26 states, representing 44% of the U.S. LGBTQI+ population, that do not have laws with explicit prohibitions for discrimination based on sexual orientation or gender identity, including Kentucky, the location of Brown-Forman's corporate headquarters.

At the same time, some countries are putting controls in place to ensure companies are embracing equality. Norway was the first country to institute a gender quota, passing a law in 2003 that required at least 40% of public limited company board members to be women by 2008. Eventually other countries set similar quotas, ranging from 30% to 40%, including France, Belgium, Germany, Italy, the Netherlands, and Spain. Australia passed the Workplace Gender Equality Act 2012, replacing the Equal Opportunity for Women in the Workplace Act 1999, to improve and promote equality for both genders. The Act requires non-public sector employers with more than 100 employees to provide reporting on gender equality indicators such as gender composition, pay rates, and availability of flexible work arrangements. In 2019, European Union (EU) institutions approved a ten-day minimum paternity leave for all EU countries, designing it as a non-continuous leave to increase flexibility for fathers. The U.S. is also seeing increasing momentum with legislation, including banning employers from requesting the salary history of job candidates

to help close the wage gap for women and underrepresented groups. As of May 2019, a total of 16 states and 14 local governments had enacted legislation putting restrictions on this practice.

Despite this progress, the current political climate in many countries has created a divisive environment that has the potential to stall or reverse these gains.

According to a report by the European Network Against Racism, ethnic and religious minorities and migrants continue to struggle against racial discrimination in the workplace, including wage disparities, racist workplace incidents, job insecurity, and poor working conditions. The report found that European women of color are disproportionately affected, as they face discrimination associated with their race, gender, and class.

Chris Stulpin with Design Intelligence, a business consulting firm, describes the situation in the U.S., for example, as "a nation divided against itself, where after years of conversation about the need for true equality and the importance of inclusion, we still fail to provide real and meaningful opportunity to entire groups of people." He goes on to explain how the country has reached a "new political era where employees feel emboldened to express exclusionary views about different demographic groups

leading to escalating tensions in the workplace and diversity dilemmas in organizations." The U.S. is not alone. A 2018 survey from the BBC, with 19,400 respondents across 27 countries, found that 76% of people globally believe their country is divided, with 59% of the belief that it is more divided today than it was just a decade ago.

Employers, therefore, are grappling with the challenges of when to speak up and address the issues happening outside their walls, and when to remain silent. As employees demand more from their employers (see Trend 5 on page 16), the growing geopolitical tensions in society are finding their way inside the walls of organizations around the world.

2 CONSUMERS ARE BECOMING INCREASINGLY DIVERSE

D&I initiatives, particularly when it comes to achieving equal representation of talent, are highly influenced by the composition and trends of the population in the countries in which they operate. At the same time, it is equally important for organizations to understand and mirror the mindsets, preferences, and behaviors of all consumers so that they can properly market their products to an ever-changing consumer base.

The population within the U.S. will continue to evolve in the coming years, with anticipated changes in race/ethnicity composition occurring despite an overall slowdown in population growth.

U.S. POPULATION PROJECTIONS BY RACE/ETHNICITY

DIVERSE POPULATIONS WILL CONTINUE TO GROW IN SIZE OVER THE NEXT 40 YEARS

2020: 6%, 13%, 61%, 18%, 2%

2060: 9%, 15%, 44%, 28%, 4%

● White   ● Asian   ● Black   ● Hispanic   ● Other
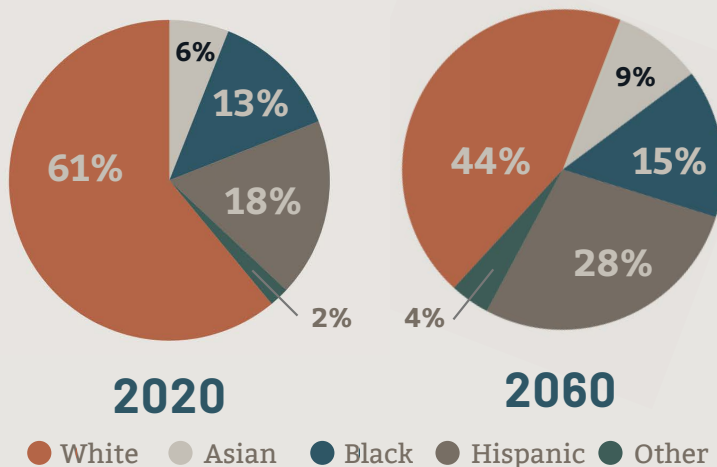
Source: United States Census Bureau

U.S. population projections show a decrease in Whites from 61% of the total population in 2020 to 44% in 2060, while Hispanics increase from 18% to 28%, Blacks grow from 13% to 15%, and Asians increase from 6% to 9%.

The percentage of the U.S. population born outside the country is also expected to increase during this time period. Foreign-born individuals are projected to make up 15% of the U.S. population in 2030 and grow to 17% by 2060. This is a considerable increase from the historic low of 5% in 1970 and even from 2010 when it was 11%.

"With 92% of the population growth in the U.S. over the past 15 years coming from ethnic minorities, it's important for content creators, media platforms, manufacturers, retailers and marketers to understand their future success depends on their ability to appeal and market to a multicultural world," said Andrew McCaskill, former SVP, Global Communications & Multicultural Marketing for Nielsen, the information, data, and measurement company.

This understanding could prove highly valuable for the spirits market, and bourbon in particular. Blacks, for example, represent 13% of the U.S. population, but comprise only

9% of bourbon drinkers – yet, Nielsen research found them to be the most likely demographic to prefer spirits over beer or wine. To increase these numbers, bourbon brands may adopt inclusive marketing practices, which endeavor to appreciate and understand individuals' various identities, differences, and histories while also illuminating places of commonality.

This means brands must have both breadth and depth to their multicultural marketing, no longer relying solely on traditional multicultural marketing practices, which created separate campaigns targeted at diverse consumers. Instead, they are best suited to

> **"**
> *We believe that through diversity, we'll make better decisions. And by better understanding each other, we'll better understand our consumers.*
> *– Owsley Brown II, Brown-Forman CEO, 1993-2005, and Chairman, 1995-2007*

BUYING POWER
ESTIMATED POWER OF DIVERSE GROUPS

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$40
TRILLION
Global Women

$3.8
TRILLION
U.S. Asians, Blacks, & Hispanics

$1.4
TRILLION
U.S. Millennials

45%
OF >$100K INCOMES
Same-Sex Couples

actively include multicultural consumers in the entire strategic process from opportunity assessment to insight development to execution, ultimately resulting in products and campaigns led by the best cultural insights.

Another aspect of marketing to diverse populations is understanding the purchasing patterns of consumers, and the purchasing power of specific market segments. Women, in particular, control an estimated $40 trillion in worldwide spending, accounting for 85% of all consumer purchases in 2018. This is a marked increase from 2013, when they controlled $29 trillion, or 64%, of consumer spending worldwide. Even more, it is estimated that advancing women's equality could increase the global GDP by 31% by 2025, a figure equal to the combined GDP of the U.S. and China.

The buying power of other diverse groups is also increasing, especially within the U.S. The buying power of Asians increased by 68% between 2010-2018 to $1 trillion and for Hispanics by 51% to $1.5 trillion. Also rising is the buying power of Blacks, noted at $1.3 trillion in 2018. In comparison, all but 16 countries have annual GDP of less than $1 trillion.

In 2015, LGBTQI+ Americans had a buying power of nearly $1 trillion, almost equal to that of Asian Americans. In fact, same-sex couples have a higher median income than opposite-sex couples, with same-sex couples accounting for 45% of all couples

with a household income over $100,000 (compared to 41% of married opposite-sex couples).

Finally, from a generational perspective, U.S. Millennials, whose spending power surpassed that of U.S. Baby Boomers in 2018, are expected to spend a total of $1.4 trillion in 2020. They are also using their purchasing power to buy from companies and brands that fit their values. In 2017, a Weber Shandwick and KRC Research study found that more than half of Millennials are more likely to buy from a company with a CEO who has publicly supported an issue they care about. Yet, as noted in Trend 5 on page 16, belief-driven purchases are not necessarily a phenomenon that is isolated to Millennials, a generation fueling many of the shifts happening across society and business.

The rise in buying power is fueled in part by increases in education levels. Harvard Business Review found that women now make up more than 50% of university graduates in countries around the world, and earn the majority of master's and doctoral degrees in the U.S. Also within the U.S., the number of bachelor's degrees awarded to Hispanics has more than doubled over the ten-year period from 2004-2014. Degrees awarded also increased for Black students (by 46%), Asian/Pacific Islander students (by 43%), and White students (by 19%) over the course of the same time period.

With the increase in education,

create one overarching strategy that embraces the total market (i.e. diverse audiences) while continuing multicultural programming to attract and connect with consumers. Inclusive marketing takes a cross-cultural approach and diversifies everything in the marketing process from insights to execution. The gold standard approach is to

more and more diverse individuals will be added to the corporate talent pool, or the collection of individuals who are qualified and able to fill an open position. The talent pool is a more reliable baseline for diverse talent than the general population, as not all individuals are interested in employment opportunities or capable of meeting the educational and professional job requirements (see more in Trend 4 on page 13).

As society becomes more diverse, organizations must continually adjust and monitor their marketing and talent management practices to ensure they mirror the diverse consumers and candidates they're trying so hard to reach.

3 THE WORKFORCE IS COMPRISED OF MORE GENERATIONS THAN EVER BEFORE, EACH WITH ITS OWN VIEW OF D&I

A generation is defined as "a group of people born around the same time and raised around the same place, with similar influences. This affects the way we look at the world around us, our responses, and expectations. [It is] a tool through which you can deduce very powerful clues to begin connecting with and influencing people of different ages."

Based on this definition, it's not surprising that generational models do not necessarily transcend

geographies, as individuals in one country may experience social, political, and economic events that are unlike their peers in other locations. With this in mind, it is important to note that Western generational models, which are used in this document given Brown-Forman's workforce composition, may not be entirely applicable to a global workforce. All statements henceforth must be tested within local markets for accuracy.

For the purposes of this discussion, however, the workforce consists of individuals from five generations, including Traditionalists (1900-1945), Baby Boomers (1946-1964), Generation X (1965-1980), Millennials (1981-1997), and Generation Z (1998 forward). Millennials have surpassed Generation X as the largest demographic of the U.S. workforce, and are projected to make up 75% of the global working population by 2025.

With each generation, preferences, beliefs, experiences, ideals, and expectations shift. This means employers must evaluate their employee value proposition in order to attract and retain employees of all generations, and build a D&I strategy that includes age among its definitions of diversity (alongside race, gender, veteran status, etc.). There is a risk when the majority generation in leadership is developing programs and policies around

MILLENNIAL VIEWS ON D&I

Deloitte study found that Millennials' views differ from other generations

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35%
More likely to focus on unique experiences

32%
More likely to focus on respecting identities when defining diversity

71%
More likely to focus on teamwork when asked about the business impact of diversity

their own expectations, rather than that of their employee base. It also means that beliefs regarding D&I may vary significantly across a single workforce.

These differences are evident, for example, when you consider perceptions of public policy issues facing the LGBTQI+ community, where Millennials and Generation Z are at the

forefront of shifting opinions. A March 2019 article in Harvard Business Review found that 67% of U.S. young adults do not believe a small business owner can refuse to provide service to LGBTQI+ customers on the basis of religious reasons, compared to only 53% of U.S. senior citizens/mature generation (and 60% of all Americans).

Even the way generations define D&I is different. Boomers and Generation X look at diversity as a moral and legal imperative that is the right thing to do for reasons related to fairness, representation, and assimilation. Millennials, on the other hand, are more in tune to the value that increased collaboration and different perspectives offer a business.

With Millennials so attuned to D&I, it's not surprising that they are the most likely generation to consider it an important factor when contemplating a job opportunity. Forty-seven percent of Millennials factor D&I into their employment decisions compared to 37% of Generation X and 33% of Boomers. They are also more likely to be actively engaged with their organization when it fosters an inclusive culture (with engagement at 83% compared to 60% when an inclusive culture is not fostered).

It remains to be seen how Generation Z, which is still only a small percentage of the workforce, will view D&I. It is highly likely, however, "since diversity is the norm for Gen Z, [that] it's not a value that they particularly celebrate or even think a whole lot about." It is simply something they expect. A 2016 EY study of Gen Zers employed full-time in Brazil, China, Germany, India, Japan, Mexico, the U.K., and the U.S. found that respondents most value employers that provide equal opportunity for pay and promotion, as well as development and advancement opportunities. They have identified Apple, Google, Microsoft, Morgan Stanley, Facebook, In-N-Out Burger, StudySoup, Costco, Nike, and Nordstrom as the top ten most desirable employers on Glassdoor, a website for current and former employees to anonymously review companies and their management.

According to the *2018 Deloitte Millennial Survey*, Millennials and Generation Z employees do not have faith in business leaders' commitment to creating an inclusive culture. The survey found that "roughly two-thirds of respondents from both generations not only believe leaders simply pay "lip service" to diversity and inclusion, they also believe that only formal legislation can adequately advance workplace diversity."

Diverse leadership teams are viewed by Millennials to be more successful, more motivating, and more stimulating. The Deloitte survey found that 78% of Millennials who describe their executive team as diverse also report strong profits, a 13-point increase over those with leadership teams unlike the diverse society they support. Though Boomers and

Generation Xers still outnumber Millennials at Brown-Forman, in many organizations, Millennials are already among the leadership ranks, holding approximately 20% of all leadership positions in 2017.

As the balance of generations shift within the workforce, organizations must ensure they can build (or maintain) a culture and employee value proposition that attracts and retains talent with backgrounds and beliefs as diverse as they are.

4 THE WAR FOR TALENT INTENSIFIES WHEN ATTRACTING & RETAINING DIVERSE TALENT

In today's economic climate, with some of the lowest unemployment rates in nearly 50 years, the war for talent is real – and it's magnified exponentially when it comes to diverse talent. As companies have begun to recognize the significant value a diverse workforce can create, the demand for diverse talent has escalated rapidly. In fact, the war for diverse talent may represent the single greatest challenge to an organization's ability to attract and retain a diverse workforce.

The People 2025 Strategy published by Brown-Forman in August 2016 highlights the increasing competition for talent in all sectors of the workforce as the labor supply continues to tighten and global trends indicate a decade-long talent shortage. Among the most significant trends is the change in workforce composition, with retiring Boomers being replaced with smaller (Gen X) or less-experienced (Millennials) generations who are unable to meet the demand for executive-level talent. In addition, Millennials are more likely to switch jobs, a 2016 Gallup poll found 60% of the generation is open to new job opportunities (the highest of any generation). However, this may be a factor of their age, not necessarily their generation. A Pew Research study compared Millennials to Gen X and found that 63% of Millennials stayed with their employer for 13 months or more in 2016, compared to 60% of Gen Xers in 2000. Regardless if it's a generational trend, or a difference in life stage, the simple fact remains: the average tenure for workers decreases substantially in younger employees. The average tenure of 10.1 years for employees aged 55-64, to 7.6 years for ages 45-54 and 4.9 years for ages 35-44, to finally only 2.8 years of service for employees aged 25-34.

As McKinsey pointed out in a 2017 article, "everything suggests that the war for talent will rage on. 'Failure to attract and retain top talent' was the number one issue in the Conference Board's 2016 survey of global CEOs, before economic growth and competitive intensity." The article went on to share that "employers in Europe and North America will require 16 to 18 million more college-educated workers in 2020 than are going to be available. Companies may not be able to fill one in ten roles they need,

much less fill them with top and/or diverse talent."

The global talent shortage is further exacerbated when you consider a diverse talent pool, specifically women (at the manager level and above) and People of Color (POC).

The talent pool for the U.S. market was 56% male and 44% female in 2018. During the same period, from an ethnicity standpoint, it was 82% White, 10% Hispanic, 8% Black, and 7% Asian. (Note: Percentages are rounded to the nearest whole number and do not equal 100%. U.S. policy defines "Hispanic" as an ethnicity, not a race, therefore Hispanics may be classified as White and/or Hispanic.)

The talent pool also shifts by career level, as the percentage of diverse talent will vary at each management level within an organization. This is particularly relevant for gender. Because women are graduating at a higher rate than men today, the talent pool for professional, entry-level positions is greater than 50%. However, women represent only about 35% of the senior leader talent pool. Over time, this number may increase as these younger women mature into senior leadership roles, though it may never reach equal representation if organizations don't adjust their culture, processes, and policies to adequately accommodate the challenges women face in effectively integrating professional and personal

responsibilities, including child and eldercare. Research consistently shows that working women continue to bear the burden of household and dependent care responsibilities, in addition to carrying the "mental load" associated with each.

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According to LinkedIn's 2019 Gender Insights Report, **71% of talent professionals have identified gender parity as a top priority for their company.**

U.S. TALENT POOL
2018 U.S. BUREAU OF LABOR STATISTICS

The below figures represent the U.S. talent pool, or individuals who are qualified and able to fill professional roles. Additional references to talent pools are estimates based on additional, supporting data
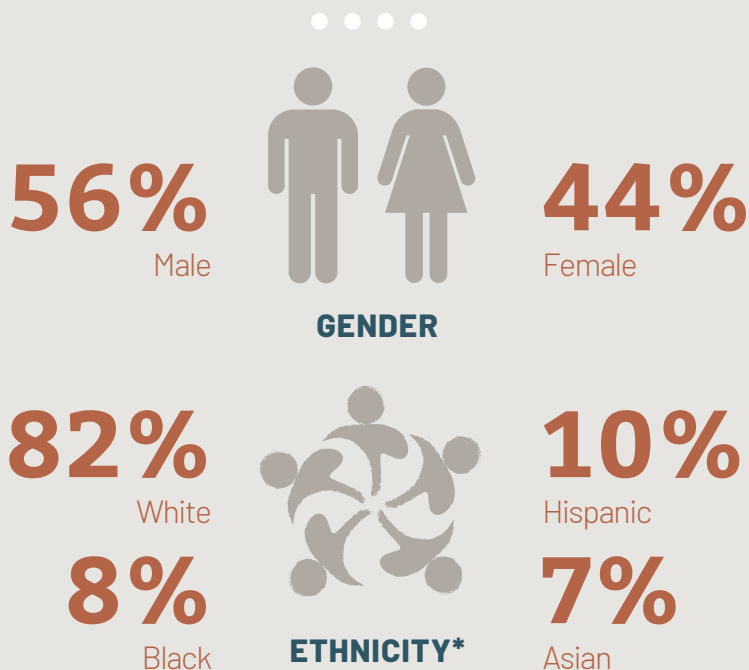
56%
Male

44%
Female

GENDER

82%
White

10%
Hispanic

8%
Black

ETHNICITY*

7%
Asian

Percentages are rounded to the nearest whole number and do not equal 100%. U.S. policy defines "Hispanic" as an ethnicity, not a race, therefore Hispanics may be classified as White and/or Hispanic

Many companies are publishing public statements and reports regarding their diversity objectives and progress; and while many start with gender, there is evidence that similar efforts are being made for other diversity characteristics as well.

Goldman-Sachs, a leading global investment banking, securities and investment management firm, which operates in a field largely dominated by White men, has committed to having 50% representation of women in its incoming analyst class by 2021, with Blacks representing 11% and Hispanics representing 14% of its analyst and entry-level positions. Moreover, they have stated that they're looking for ways to increase representation among LGBTQI+, disabled, and veteran communities. Diageo, the world's largest producer of spirits, publishes an annual *Gender Pay Gap Report* that provides significant transparency into its gender diversity metrics and progress. It has also made a public commitment to having 35% of its senior leadership roles held by women by 2020 and increasing the number to 40% by 2025.

DEFINING INCLUSION

in · clu · sion
/in ˈklo͞oZHən/

Noun. The action or state of including or of being included within a group or structure.
synonyms: incorporation, addition, encompassing

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> " Inclusion, like health and happiness, is not something that you arrive at one day and say, 'We're done!' It's something that you work at every day, a process. Inclusion happens when your recruiting process casts a wider net for qualified candidates. It happens when you give credit to people for their ideas and contributions...Inclusion happens when people in power use that power to bring people in rather than keep people out.
>
> — AMBER BALDET

Bacardi has stated its goal of having at least 45% women in its workforce by 2025. Pernod Ricard, the world's second largest wine and spirits producer, announced on April 3, 2019, as part of its *Good Times from a Good Place* 2030 Sustainability and Responsibility Roadmap, that its top management teams will be gender balanced by 2022 (at the same time it ensures pay equity across the business).

Similarly, other global companies have announced general statements regarding representation, yet do so without declaring formal target dates. Procter & Gamble (P&G) issued a goal to achieve 50/50 representation in all parts of its company and Coca-Cola regularly publishes its gender representation data while emphasizing its focus on "increasing multicultural talent in mid- and senior-level leadership roles."

While these bold, blanket statements sound impressive and are highly motivating, when you dig a little deeper into P&G's activities, you can see that they are taking a pragmatic, multi-year approach to increasing representation. Its "Staff to Win" strategy is focused on building a pipeline of diverse talent and its 2020 goals are described as "sales goals, to accelerate progress in gender balance at all levels. This includes yearly targets; a talent pipeline with focus on high potential candidates; holistic plans based on retirement outlook, historical

attrition and projections; and names/potential promotion timing for [its] global talent pool."

This global competition for diverse talent means that employers that want to attract and retain highly skilled, diverse talent must work harder and smarter to find the talent, get them in the door, and then keep them engaged and committed (i.e. included) when other employers try to lure them away.

In addition to robust D&I programs that impact the culture and employee experience, employers are also looking to attract diverse talent, and the

Millennial/Generation Z workforces, by adding new benefits or perks to their total rewards portfolio. For many employers, this includes expanding their parental leave policies to allow both women and men, who are expressing an increased desire to play a more active role in family life, more time to adjust to life with a new child. Among some of the most unique benefits offerings recently trending include student loan repayment programs, "fur"-ternity and pet bereavement leave, reproductive egg freezing, paid travel, game breaks, and breast milk shipping. While paying careful attention to these trends and employee preferences, employers –

including Brown-Forman – must properly balance premium benefit design with the need for financial stewardship and cultural relevance.

As employers build their employer brands they should always keep current and potential employees at the center. As Jim McCoy, Vice President and Global Practice Leader for ManpowerGroup Solutions said, "Candidates want to be aligned with organizations they feel good about. Their personal brand is tied to the employer they work for. Candidates, like consumers, are now voting with their talents, as well as their wallets."

No one of us is as smart as all of us.
– Brown-Forman company lore often credits this quote to W.L. Lyons Brown, Sr. who was said to have a plaque with this inscription on his desk

5 EMPLOYEES & CONSUMERS ARE DRIVING CHANGE THROUGH INCREASED EXPECTATIONS

There is increasing pressure for organizations, and therefore employers, across the world to take a stand on social and political issues. The recent rise in consumer activism – catapulted to the mainstream in large part by social media movements, such as #MeToo and Black Lives Matter – has created an environment where consumers expect companies to publicly address issues they have previously avoided, from sexual harassment and gender discrimination to racial injustice and immigration.

While companies may have shied away from controversial issues in the past, it is becoming increasingly difficult to do so. Recent research suggests that consumers are starting to "speak with their pocketbooks" and spend their money on the brands and companies that align with their own values and beliefs. In 2018, Edelman, one of the world's most respected communications firms, published the Edelman Earned Brand Study that found "nearly two-thirds of consumers around the world now buy on belief, a remarkable increase of 13 points since 2017. These 'belief-driven buyers' will choose, switch, avoid, or boycott a brand based on where it stands on the political or social issues they care about." The study, which surveyed 8,000 respondents across eight markets including Brazil, China, France, Germany, India, Japan, the U.K., and the U.S., also found that 67% of belief-driven buyers bought a brand for the first time because of its position on a controversial issue and 65% will not buy a brand that stays silent on an issue.

This phenomenon was evident when Nike, the U.S.-based multinational athletic footwear, apparel, and accessories company, created advertising featuring Colin Kaepernick, the controversial former NFL quarterback who first kneeled in 2016 during the U.S. national anthem in protest against racial injustice and police brutality. The ad, which ran as part of Nike's 30th anniversary celebration in 2018, resulted in a 30% increase in sales and a spike in social media posts nearly 50 times Nike's average rate.

These belief-driven buyers are not confined to one market, one generation, or one income level – consumers across all markets, generations, and income levels are buying brands that align with their beliefs. The challenge for organizations and brands, however, is determining what issues are most important to their core target audience, since beliefs themselves may differ dramatically. When you take a position on an issue, it stands to reason that you are just as likely to gain favor with buyers as you are to alienate those that fall on the opposite end of the belief spectrum.

"Social activists. Environmental activists. Consumer activists. Activist shareholders. Today, there is no shortage of activists affecting business operations in some way. These stand-up-for-what-is-right campaigners may either be an employer's best advocates or its worst opponents. In either case, they are change agents."

– Weber Shandwick

EDELMAN TRUST BAROMETER

The 2019 study found that employees place significant trust in their employer, and have high expectations

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75%
Trust their employer to do what is right

71%
Believe it's critically important for their CEO to respond to challenging times

67%
Expect employers will join them in taking action on societal issues

47%
Trust the media to do what is right

In Nike's case, it understood its core target audience, which skews disproportionately younger and more liberal. According to Entrepreneur magazine, "Surveys show that younger, liberal audiences prefer companies to take a stance on important issues...so the brand had good reason to believe that a bold, politically-minded ad would ultimately have a positive impact on its core audience." When featuring Kaepernick, Nike was speaking to its core long-term consumer, rather than a vocal, but less valuable, secondary consumer.

Interestingly, another study from Edelman highlights how these changing consumer expectations may impact organizations from an employer perspective. The 2019 Edelman Trust Barometer, the company's 19th annual trust and credibility survey that captured the sentiments of 33,000 respondents in 27 markets, found that "trust has changed profoundly in the past year" with 75% of global respondents trusting their employer to do what is right over nongovernmental organizations (at 57%), business (at 56%), and the media (at 47%).

This trust is granted with the expectation that the employer-employee relationship is built on more than just traditional components like job opportunities. In fact, 67% of the responding employees expected "prospective employers will join them in taking action on societal issues" and 71% believe it's "critically important for 'my CEO' to respond to challenging times." This expectation is consistent with the general population, with 75% looking to CEOs to lead change versus waiting for the government to take action.

The potential rewards for building trust are significant. Employees who have strong trust in their employers report higher levels of engagement, loyalty, advocacy, and commitment. So, similar to the consumer perspective, organizations must determine what issues are important to their employees, and find the best way to address them in a way that builds trust, creates engagement, and drives growth.

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"We are committed to creating a fully inclusive and diverse workforce and we strongly believe that businesses play a significant role in shaping the future of society. Global businesses like Diageo must make bold moves on policies and the environments in which their employees work to ensure that the progress people deserve happens."

– Mairéad Nayager, Diageo's Chief HR Officer explaining the company's global roll-out of a 26-week parental leave policy as part of its goal to create an inclusive, diverse workforce

6 *TECHNOLOGY IS ACCELERATING D&I CONVERSATIONS, WHILE SUPPORTING TALENT MANAGEMENT PRACTICES THAT ADVANCE D&I OBJECTIVES*

Just as technology has touched almost every industry and changed every human interaction and experience, it has been a driving force behind the recent acceleration of D&I movements and conversations.

The invention and explosion of social media, in particular, has changed the speed and manner in which people communicate, given a voice and platform to any individual with access to the internet, and ensured messages can reach people 24 hours a day, seven days a week, 365 days a year, all across the world.

The #MeToo movement, in particular, illustrates the power of social media and its ability to create a global phenomenon, raise awareness and advocacy, and drive change. The movement started with a single tweet from actress Alyssa Milano, who was inspired to take action by the experience of Tarana Burke, a civil rights activist. Milano used her social media presence to rally all victims of sexual harassment or assault through use of the hashtag #MeToo. According to Facebook, in the 24-hour period after Milano's tweet, the hashtag was used by more than 4.7 million people worldwide and generated more than 12 million posts, comments, and likes. The hashtag even transcended cultures and countries, becoming #YoTambien in Spain, #BalanceTonPorc in France, #WoYeShi in China, #QuellaVoltaChe in Italy, among others. As the movement continued over the coming months, it would be credited with the "fall" of some of the world's most well-known businessmen, journalists, and celebrities, including Harvey Weinstein and Matt Lauer.

While much of the impact of #MeToo was played out in the media headlines, it impacted the corporate boardrooms as well. According to the U.S. Equal Employment Opportunity Commission, claims of workplace sexual harassment increased more than 12% in its 2018 fiscal year and it recovered $70 million from corporations for victims of sexual harassment (up from $47.5 million the year prior).

Furthermore, employees can

use social media platforms (e.g. Facebook, Instagram, and Twitter) and technology to increase awareness for issues of importance to them, potentially creating a public relations and legal nightmare for the organizations they target. Google employees, for example, conducted a massive international walkout in November 2018 to boycott the company's approach to sexual harassment and general fairness with five demands related to sexual misconduct, pay equity, and the reporting relationship of the chief diversity officer.

Employees are using mainstream social media channels while also leveraging platforms designed specifically to evaluate employers. Glassdoor, for example, receives 64 million unique visitors per month. On any online platform, individuals are much more raw, more honest, and more transparent in their beliefs and opinions than in traditional face-to-face communications. In fact, our society is becoming so accustomed to people, including political leaders, speaking out in ways that were previously considered taboo that many worry we will become desensitized to hateful, divisive rhetoric.

At the same time, however, technology –and the massive amount of data it has generated – can help employers enhance their D&I efforts, support their talent management practices, protect

their margins, and grow the business. As the Brown-Forman People 2025 strategy points out, "digital disruption and social networking have changed the way organizations hire, manage, and support people."

It goes on to say, "Data can identify what attracts and retains employees, what drives strong performance, which employees will be successful, what makes the best leaders, and what capabilities are required to deliver high-quality customer service and innovation...Technology can also help companies meet employee expectations for flexibility by simplifying remote work, facilitating collaboration of remote teams, and reducing costs." This may even include deploying tools specifically designed to combat D&I obstacles, from the free GenderDecoder, a simple site that identifies potentially biased language in job ads and job descriptions, to the more sophisticated Greenhouse, a comprehensive talent acquisition platform with an inclusion offering that reduces unconscious bias across the entire hiring process. This means that employers that effectively leverage advances in technology may have a competitive advantage in the war for talent. They will be better equipped to identify and build connections with diverse talent, design people management capabilities that grow strong, inclusive leaders, and provide a culture and infrastructure that meets the

demands and needs of today's workforce and the workforce of the future.

7 ORGANIZATIONS & INDIVIDUALS ARE MOVING ALONG THE D&I CONTINUUM AT DIFFERENT PACES IN DIFFERENT PLACES

While the business case for D&I has made it a key strategic imperative for many organizations across the world, the reality is that many organizations – and the individuals within them and the countries in which they operate – are at vastly different places on their D&I journey. Even more, the continuum looks different for each aspect of diversity. It is quite possible, and even highly likely, that individuals and organizations sit at different places on the spectrum for one aspect of diversity, say gender, while being at a completely different place for another aspect, such as sexual orientation and identity. Complicating this reality further, the ideas, concepts, mindsets, and experiences regarding diversity characteristics are constantly shifting and adjusting, thus making the journey a continuous, never-ending process.

Early adopters of D&I strategies were heavily focused on diversity, or "the mix" of people in an organization. As efforts evolved, the focus has shifted to inclusion, or "making the mix work." Organizations have realized that it isn't sufficient to get

diverse talent in the door, they needed to focus on the employee experience. They must create an environment and culture where each individual – regardless of gender, race, nationality, sexual orientation, religion, or any other diversity characteristic – feels truly valued, respected, and supported. Additionally, they are also aware of the importance of metrics and accountability to ensure progress towards inclusion outcomes. As Harvard Business Review stated, "without inclusion, however, the crucial connections that attract diverse talent, encourage their participation, foster innovation, and lead to business growth won't happen."

To achieve inclusion objectives, organizations must support employees in their individual journeys by creating the organizational structure, employee programs, and leadership tools that can move employees along the diversity continuum. According to Harvard Business Review, this means "today's diversity challenge isn't getting more people to adapt to obsolete norms of leadership...the challenge is to get all managers – and especially current leaders – skilled and ready to lead vastly more diverse businesses and respond to increasingly diverse customer groups."

The first step is raising awareness to the concept of privilege and doing so in a way that encourages healthy, open dialogue. This is critical because "whenever a power structure feels under threat, it is likely to resist. History has proven this repeatedly; advances in equal rights are almost always met with a pendulum swing of backlash."

For example, Harvard Business Review points out that "many white people avoid conversations about race out of fear of 'saying the wrong thing.' And many POC in predominantly white companies may avoid these conversations out of fear of being seen as a complainer,

> **"**
> *I think diversity is a hallmark of the last 20 to 25 years of Brown-Forman. And I expect it to be a foundation for the next 20 years too.*
> – Paul Varga, Brown-Forman President and CEO, 2005 - 2018

or worse. But pretending the elephant in the room isn't there won't make it go away."

One common element of many D&I strategies that helps to facilitate conversations is the creation of employee resource groups (also called ERGs, or affinity/business network groups), or groups of employees who join together in their workplace based on shared characteristics or life experiences. These groups, which are traditionally started independently by employees, serve as a venue for diverse talent to discuss career development opportunities and challenges, build networks, create advocacy and awareness, and eventually drive true cultural change within their organizations. In addition, because ERGs are open to everyone – not just those employees that belong to the particularly affinity group they support – they can increase cultural competency across the organization. Nike, for example, has a collection of ERGs under the NikeUNITED brand that includes eight Employee Networks focusing on employees of various abilities, race, ethnicity, sexual orientation, veteran status, and gender.

This emphasis on inclusion through ERGs is also evident in the diversity model of Pernod Ricard. The company's website states, "We believe in championing an inclusive culture that embraces differences and encourages employees to challenge

themselves and their colleagues. With an agile work environment and six employee resource groups, we provide our employees with an environment where they can thrive and succeed in."

While ERGs and other employer efforts targeted at D&I are a critical step in the journey, change will also require shifting the mindsets of individuals to ensure lasting impact will be realized. As Michael Kimmel, a sociologist at Stony Brook University who specializes in gender studies, pointed out in his TED Talk entitled *Why Gender Equality is Good for Everyone*, "privilege is invisible to those who have it" and "making gender visible to men is the first step in engaging men to support gender equality." The same is true for race, for sexual orientation, for religion, for marital and veteran status, and every other aspect of diversity that makes individuals unique.

Sometimes this even requires navigating environments where the laws of a country work against both the organization's D&I objectives and personal values and beliefs. This is the case for LGBTQI+ rights, which is complicated by the fact that in some countries, including many in which Brown-Forman operates, it is illegal to be gay or even talk about LGBTQI+ topics. The spectrum is vast, from being punishable by death in some locations to marriage equality in others.

Also important is recognizing that diversity isn't confined to characteristics that are readily visible to the eye (such as race, gender), or common in D&I conversations (such as sexual orientation, gender identity or expression, and/or veteran status). Equally important is "cognitive diversity," or the differences in perspectives and processing styles, and "neurodiversity," or the recognition that differences in neurological functioning should be respected and treated the same as any other human differentiator. In fact, a number of organizations are already developing recruitment campaigns to hire neuro-diverse talent into positions for which their skills are particularly beneficial. Yet, "to be successful, the organization needs to make it 'safe' for associates to try new things in new ways without fear of repercussions."

Organizations that want to create inclusive cultures – and ultimately retain the diverse talent they are able to attract – must stay on the front lines of the diversity conversations while ensuring they have the strategy, structure, and processes in place to bring their leaders and employees along on the journey.

Any discussion regarding D&I would be remiss if it didn't address the concept of intersectionality and its impact on diverse talent and organizations.

Intersectionality is defined by the Oxford Dictionary as "the interconnected nature of social categorizations such as race, class, and gender, regarded as creating overlapping and interdependent systems of discrimination or disadvantage." Said another way, intersectionality seeks to understand and describe the many prejudices individuals face as a result of their multiple, overlapping identities and experiences (including their race, class, gender identity, sexual orientation, religion, etc.). A Black woman, for example, cannot separate her identity as a female from her identity as a Black person – and as a result she is faced with a "complex conversion of oppression." This is illustrated by the fact that for every dollar a White male earns, White females make $0.78 and Black males make $0.74, yet Black females make $0.64.

For organizations developing D&I strategies, intersectionality is a critical concept to keep in mind as it has "given many advocates a way to frame their circumstances and to fight for their visibility and inclusion." While many of the topics within this document address D&I through the lens of one specific aspect of diversity (race, gender, and the like), the concept of intersectionality should be woven into all Brown-Forman's D&I initiatives. To support that effort, the following offers some highlights into how the concept plays out across key groups and topics (though, admittedly, it doesn't even scratch the surface of the potential implications for Brown-Forman and its employees):

- **Black women** do not expect to be able to bring their best self to the workplace and simultaneously grow their careers. They may often attribute their lack of career growth to a lack of sponsorship, as they often find it challenging to find sponsors within an organization when they have difficulty connecting with and relating to those with whom they work.

- In addition to the emotional and mental toll, biases can have a detrimental impact on the careers of Black women. For example, **Black women leaders** are subject to more criticism and punishment when making workplace mistakes, and their statements are least likely to be correctly attributed when made in a group setting (when compared to White men, Black men, and White women).

- "**Hispanic women** experience an extension of inequities in both career and personal life when compared to women of other common U.S. cultures and when compared to men. Societal factors including education, cultural practices, and religious traditions can influence or even compromise the career objectives of high-achieving Hispanic women."

- The historically male-dominated Hispanic culture, often described as machismo, makes it especially hard for **Hispanic women** to fight oppression and cultural norms that expect them to "deny assertiveness, independence and self" while remaining "psychologically and economically dependent on their fathers, husbands and other males."

- **LGBTQI+ employees of color** are one of the most disadvantaged groups in America, with higher levels of unemployment and poverty. They also face emotional barriers given the prejudices against LGBTQI+ lifestyles in some corporations and a lack of representation of POC in business.

- A study of **Asian American women** found six forms of discrimination that highlighted the intersection of race and gender (among seven other forms of discrimination). Asian women, in particular, experience discrimination that assumes they are: exotic, not a leader, submissive, cute and small, invisible, and service workers.

SWOT

The traditional SWOT analysis is an invaluable tool to assess Brown-Forman's strengths and weaknesses against the opportunities and threats in the world today and those anticipated over the next several years.

STRENGTHS

1 ELT & LEADERSHIP COMMITMENT

It is widely known and accepted that executive leadership behavior, priorities, and communications set expectations and standards for the organizations that they lead. As such, it's not a stretch to assume the same is true for executive leadership's commitment to D&I. As Harvard Business Review points out, "culture change begins when leaders start to model the behavior they want the organization to emulate."

It is for this reason that there are many D&I efforts targeted at CEOs and executive leadership teams. One such initiative is the CEO Action for Diversity and Inclusion, which promotes a specific set of actions that can "cultivate a workplace where diverse perspectives and experiences are welcomed and respected, where employees feel comfortable and encouraged to discuss D&I, and where best known – and unsuccessful – actions can be shared across organizations via a unified hub." The CEOs from food and beverage companies such as Anheuser-Busch InBev, Coca-Cola, Diageo North America, Papa John's, and Yum! Brands have all taken the pledge.

There are also leadership organizations targeted at a specific element of diversity, such as the Catalyst CEO Champions for Change, a group of more than 60 CEOs who have pledged to advance more women into all levels of leadership, and Out Leadership, which creates CEO events and tools to drive LGBTQI+ equality.

The Executive Leadership Team (ELT) at Brown-Forman is

STRENGTHS

- ELT & Leadership Commitment
- Employee Resource Groups
- A Decade of Progress
- Strong Partnership between HR & D&I
- Pockets of Greatness
- B-F Culture

WEAKNESSES

- B-F Culture
- Leadership Looks Different Than the Workforce
- Workforce Looks Different Than Consumers
- Current Resources May Not Support Future Growth
- Middle Managers Face Competing Priorities
- Inconsistent Accountability Prevents Meaningful Change

OPPORTUNITIES

- Enhance D&I Brand and Increase Communications
- Understand D&I Data & Metrics
- Improve Individual, Leader, & Organizational Accountability
- Continue D&I Focus in Global Talent Acquisition
- Focus on Inclusion
- Increase Awareness & Education to Expand Thinking & Build Capabilities

THREATS

- Low Turnover/Slow Growth Limits Diversity
- Potential for Business Decline
- Talent Acquisition
- War for Talent
- Global Workforce is Difficult to Reach
- Potential Consumer Backlash Against D&I Objectives

highly committed to ensuring the success of the company's D&I efforts. The structure and reporting relationships of the company's Office of D&I, and its ERGs and Diversity Councils, are among the many ways this commitment is illustrated. The company's Chief Diversity, Inclusion, and Global Community Relations Officer, reports directly to the CEO, ensuring the senior-most executive leader at the company is guiding – and ultimately held accountable for – the overall strategy and success of Brown-Forman's D&I initiatives. The company's Global Diversity Council, which sponsored this strategy document, includes four ELT members. Senior leadership is also represented on Diversity Councils throughout the organization, including the 26 councils led by a division or regional leader and supported by an adviser from the Office of D&I. Lastly, each ELT member participated in two cohorts of The Advocacy Program, serving as mentors to POC and engaging in in-depth learning on a variety of D&I related topics.

Finally, the company's ERGs are all sponsored or co-sponsored by members of the ELT or other Executive Leaders. This allows all ERG members to see firsthand the ELT-level commitment and support of the issues that drive inclusion across the organization. In addition, it provides ERG co-leads and steering committee members with the opportunity to build close

relationship with ELT members. This, in turn, may help with the company's gender representation, as women and POC historically have less access to senior leaders compared to their male counterparts. According to McKinsey's *Women in the Workplace 2018* study, this discrepancy could have a detrimental impact on women as "employees who interact regularly with senior leaders are more likely to ask for and receive promotions, stay at their companies, and aspire to be leaders."

Brown-Forman is also fortunate to have a Board of Directors that is fully committed to D&I, including a keen focus on recruiting diverse talent to serve on the Board.

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"D&I has become crucial to the C-suite, as many leading organizations now see diversity and inclusion as a comprehensive strategy woven into every aspect of the talent lifecycle in order to enhance employee engagement, improve brand, and drive performance."

- Deloitte

ESTABLISHING ERGS

Since 2009, Brown-Forman has introduced nine ERGs with regional chapters on all six continents where it has employees

• • • •

2009
BYOD, COPA, GROW, SPLASH
ERGs established for LGBTQI+, Hispanic, Female, and Black employees

2010
BOOMERS
Generational ERG established

FIRST NON-U.S. ERG CHAPTER
First non-U.S. chapter established in Australia with GROW

2011
SPIRIT, YP
B-F employees create an ERG respecting the decision not to drink, and a new generational ERG for younger employees

2013
BRAVE
Veteran ERG established

2014
BOOMERS REBRANDS TO SAGE
New name better supports ERG focus on all B-F generations

BYOD REBRANDS TO PRIDE
New name strengthens global understanding of ERG's focus on LGBTQI+ employees

2018
SPLASH REBRANDS TO BUILD
New name aligns with ERG mission and its focus on employee growth and development

2019
EAST
ERG established for Asian employees

2 EMPLOYEE RESOURCE GROUPS

One of the most common elements of a D&I strategy is the formation of ERGs. In their ideal state, resource groups should support the company's efforts to attract and retain the best talent, promote leadership and development at all ranks, build an internal support system for workers within the company, and drive inclusion among employees at all levels. ERGs often have an external focus as well, helping organizations to ensure their brands are relevant to diverse consumers and their supplier networks are aligned with the company's overall diversity strategy. They are ultimately a resource for the business, and as an editorial in Bloomberg pointed out, "The grassroots elements of ERGs often lay the groundwork for global diversity and inclusion strategies."

Brown-Forman established its ERGs in 2009 with the formation of four ERGs. As of Summer 2019, the company had added an additional five groups for a total of nine ERGs, including those focused on veterans (BRAVE), Blacks (BUILD), Hispanics (COPA), women (GROW), LGBTQI+ (PRIDE), experienced professionals (SAGE), individuals who choose to refrain from drinking alcohol (SPIRIT), and young professionals (YP). Its Asian ERG, EAST, launched in Summer 2019.

While the ERGs were originally

formed at the company's Louisville headquarters, they now have regional chapters throughout the U.S. and have slowly spread across the globe. By early 2019, more than half of the company's ERGs had a global presence. There are COPA chapters in Brazil and Mexico; GROW chapters in Mexico, Australia, and Europe; PRIDE chapters in Australia, Europe, and Mexico; SPIRIT chapters in Mexico and Southeast Asia; SAGE in Mexico, and YP chapters in Mexico, Europe, Brazil, and the U.K.

Brown-Forman's ERG network is aligned with many of its competitors. Pernod Ricard has six ERGs, including one that Brown-Forman does not – a parent-oriented group. Diageo only has four, including groups focused on women, Asian, Blacks, and LGBTQI+ employees. Also notable is Nike, which has eight ERGs under its NikeUNITED umbrella.

As employee-driven groups, employee participation and support is critical to the success of an ERG. According to company records, 75% of Brown-Forman's U.S. salaried workforce is a member of one or more ERG. Outside of the U.S., 21% of employees are members of one or more ERG. While the primary work of the ERGs is driven by a much smaller percentage of the population, these high numbers may be interpreted as an endorsement by B-F employees that they support the work and causes facing their member ERGs.

ERGs are also meaningful because of their ability to develop diverse talent and build members' social networks, a critical advantage of a relationship-based company such as Brown-Forman. GROW, for example, created the GROW Championship Program in 2014 in partnership with HR as a formal leadership development program for highly valued female talent. In the years since, the program graduated 39 women, including 14 in Mexico, and engaged an equal number of senior leaders to serve as advocates for program participants. Today, The Advocacy Program, a similar program for POC, has 27 graduates and 27 senior-leader advocates; Y-LEAD, a development program created by YP, has 23 graduates and supporters; and the COPA Fostering Development Program has 24 graduates in its first two years.

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"You can't underestimate the power of professional networks, because when they are positively focused, you no longer feel alone or isolated. You are connected with people of power in the organization in a way you have never been before. Instead of always feeling like an outsider, you feel as if you belong. You are not alone, and that can be tremendously helpful both personally and professionally."

– Harvard Business Review

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Organizations have also leveraged their ERGs for support in developing new employee policies. Ford, as an example, leveraged its Parenting Network when creating new work/life policies, including adoption assistance and lactation policies. Brown-Forman's HR team used input from GROW for its new flexible work policy, while conversations with YP prompted the review that resulted in a new dress code policy. Similarly, a collaboration with PRIDE helped ensure the company's benefits fully support the needs of its LGBTQI+ employees.

While much of an ERG's work is internal, it can also be leveraged for external-facing initiatives such as marketing and product innovation, ultimately contributing to business results. PepsiCo added 1% to the corporate bottom line when it added products that were supported by its affinity groups, including guacamole-flavored Doritos and soft drinks targeted at Black consumers.

In FY20, Jack Daniel's will launch a LGBTQI+ toolkit, fueled in part by a collaboration with Brown-Forman's PRIDE ERG. The brand also engaged YP as an internal focus group, or sounding board, for Jack Daniel's Tennessee Honey ads and artwork targeted at Millennials. In addition to the external work ERGs engage in to support the brands, they also support the community pillar by volunteering on boards and supporting activities/initiatives with local diverse agencies.

Brown-Forman's success with ERGs led it to be named to the "Best Organizations for Employee Resource Groups" in 2012 by Upward Synergy, an organization that "synergize[s] the collective knowledge, best practices, and passion of ERGs across companies."

More than the external accolades, perhaps the greatest impact of the ERGs can be seen inside Brown-Forman. According to the 2016 Employee Engagement + Enablement Survey, ERG participants were slightly more engaged than the global salaried population (with 85% engagement vs. 84% for the global salaried population – both incredibly high compared to all benchmarks). The same was found to be true in the 2014 survey, which showed a 5% increase in employee engagement for ERG members.

The ERGs were even referenced in an April 2019 Brown-Forman review on Glassdoor that said, "The company 'walks the walk'

with their commitment to diversity and inclusion and corporate responsibility; which is important to me. Employees can get involved with employee resource groups no matter where they work across the world."

3 A DECADE OF PROGRESS

Brown-Forman has made considerable progress in its D&I journey over the last decade.

The company began its exploration in the D&I space in May 2005 when Brown-Forman Spirits America created its first informal diversity task forces focused on the female, Black, and Hispanic employee experience (which were later replaced by the current, formal ERG infrastructure). By November of the same year, the company convened its Inclusion and Diversity Coalition comprised of individuals nominated and selected by senior leadership. This group laid the foundation for future D&I strategies by working against a five-point plan that would 1) create the burning platform and define the business case; 2) prepare leadership; 3) educate the workforce; 4) prepare internal change agents; and 5) integrate accountability.

Brown-Forman's first, and only, Chief Diversity and Inclusion Officer, joined the company in 2007. Since that time, the Office of D&I has grown to a team of seven

full-time employees (see page 68 for org chart) and the company's D&I strategy and initiatives have grown significantly across its four strategic pillars: 1) workplace and workforce; 2) brands and markets; 3) partners and vendors; and 4) communities.

The company's Global Talent Acquisition team (GTA) has enhanced its processes to ensure that it is able to identify, attract, and hire diverse candidates for open positions. This is a critical step, as "Hiring and promotions are the two biggest levers for changing the representation of women across the pipeline. Yet [most] companies are not hiring and promoting women and men at equal rates, especially at the entry and manager levels," according to McKinsey.

Brown-Forman implemented Targeted Selection® interviewing in 2008 and added its unconscious bias module in 2016. According to DDI, the global leadership consulting firm that created it, "Targeted Selection is the most accurate, widely used behavioral interviewing system in the world. It provides a consistent, structured approach to behavioral interviewing, which reduces unconscious bias and improves an organization's ability to choose the candidate that is the best fit for all aspects of the job." By adding the unconscious bias module, Brown-Forman stands out among other organizations, as a mere 19% of companies require

unconscious bias training for employees involved in hiring.

The impact of this training, as well as very focused, disciplined efforts of the GTA team, are evident in Brown-Forman's hiring data. In FY17 and FY18, 55% of the company's open salaried positions were filled by women. In the U.S. specifically, 59% of hires were women. This is higher than the overall female representation at Brown-Forman (which stands at 46%) and the percentage of women in the U.S. talent pool (44%). During this same time period, 20% of open salaried positions in the U.S. were filled by POC (with 9% Black, 6% Hispanic, 3% Asian, as well as 2% of employees indicating multiple race/ethnicity). This is higher than the overall representation of POC in Brown-Forman's U.S. workforce at 16% (with 8% Black, 6% Hispanic, and 2% Asian) but lower than the 25% of POC in the U.S. talent pool (8% Black, 10% Hispanic, and 7% Asian). However, in FY19, the organization hired at a rate consistent with the talent pool, meaning 25% of open salaried positions in the U.S. that were filled by external candidates were POC and 54% of global hires were female. These efforts, particularly promoting women and POC, are critical to driving increased representation across the business.

Through both internal development and external hires, the company has also seen an increase in female representation at the Executive Leader level, which stood at 22% in 2005. Today, females comprise 29% of the Executive Leaders at Brown-Forman (down slightly from its peak of 31% in 2015). Female representation on the company's Board of Directors has also increased during this same time period, from 15% in 2005, to 23% in 2015, and 29% in 2019.

To improve the employment experience for Black women, Brown-Forman established the Black Women's Task Force in 2014. The task force was charged with diving into the experience of Black women, understanding the low engagement scores for the group, and presenting its findings to the ELT. As a result, a two-year project plan was developed and co-sponsored by both Brown-Forman's CEO and Chief Diversity and Inclusion Officer. It included the Black Women's Career Development Program (which graduated 26 participants in February 2018) and the Annual Black Women's Summit.

It should also be noted that BUILD, the Black ERG formerly known as SPLASH, initiated the concept of "Real Talks," or open dialogue sessions that allow the organization to have sensitive conversations about issues that affect minority groups. The sessions, which are open to the company as a whole, have touched on sensitive race issues, current events, as well as developmental opportunities around corporate navigation, networking, and personal brand building. This series has also inspired similar discussions in other ERGs, such as GROW's

B-F MANAGEMENT LEVELS

All salaried positions at Brown-Forman are placed into a management level that corresponds with the scope, impact, and responsibilities of the role

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PROFESSIONAL Individual contributors who focus on day-to-day operations

LEADER Managers of professionals who make strategic regional/functional decisions with leadership consultation

BUSINESS LEADER Leaders of leaders, countries, sub-functions who consult with ELT or regional/functional leadership teams

EXECUTIVE LEADER EVP, SVP, and VP roles with responsibility for significant-sized geographies, functions, and/or people

"Let's Talk" sessions and SPIRIT's "The Elephant in the Room" events.

Another area where Brown-Forman has focused is pay equity, a topic that has garnered significant media coverage over the last few years. A 2016 GROW-sponsored "Let's Talk" session led to a series of focus groups which, when combined with ongoing reviews by Brown-Forman's Total Rewards team, led to changes to its pay practices to ensure a more equitable experience for men and women, particularly within the sales function. To address identified gaps, the company made internal equity adjustments in the U.S. sales

organization in cases where there was found to be discrepancies. In addition, the company stopped asking for salary history during initial external candidate screenings and eliminated the practice of salary "step-ups" for employees in new roles, or increasing the employee's pay to competitive rates in two or more steps over a defined period of time instead of one large increase. The Total Rewards team continues to review pay practices across all regional and functional groups to ensure fair, equitable, motivating, competitive, and transparent pay practices. Brown-Forman will include its pay equity review process among the topics of its planned Total Rewards People Day.

As Brown-Forman's work has progressed, the company has been recognized externally for its commitment to D&I. It has received a perfect score on the Human Rights Campaign Corporate Equality Index for nine consecutive years and the Disability Equality Index for three consecutive years. In addition, Brown-Forman has been named to DiversityInc's "25 Most Noteworthy Companies" for four years in a row, and Military Times' "Best for Vets Employers" for three consecutive years. Brown-Forman was also named a Diversity Best Practice "Leading Inclusion Index Company" in 2018 and 2019 for its efforts and commitment to the three inclusion focus areas:

"

"...we believe that diversity and inclusion make better, stronger, more successful teams. We value and celebrate the unique contribution that every person brings to Brown-Forman, and we promote an open and inclusive culture where people – all people – are treated with fairness, dignity and respect."

– Brown-Forman Code of Conduct

recruitment; retention and advancement; and company culture and transparency. Brown-Forman must now turn to the future and set the strategy for the next ten years, building on the foundation established by so many hard-working, dedicated employees across the globe.

4 STRONG PARTNERSHIP BETWEEN HR & D&I

Given Brown-Forman's nature as a highly collaborative company, it is not a surprise that there is a strong partnership between Brown-Forman's Office of D&I and its Human Resources function. In the company's People 2025 strategy, the organization was tasked with "Building an Inclusive and Diverse Workforce" as one of the seven people-focused strategic imperatives that would enable Brown-Forman to achieve its long-term business objectives. The strategy document states, "HR will partner with the Office of D&I to lead Brown-Forman's efforts to increase the diversity of our workforce and create a more inclusive workplace."

The strategy also outlines five strategic initiatives that will advance the work, including:

- Build diversity talent acquisition expertise within Human Resources.
- Educate managers on the impact of unconscious bias and other barriers to inclusion.
- Partner with Office of D&I to

create formal D&I Champions across the business.
- Include D&I capabilities in leadership assessments.
- Develop and launch a D&I focused People Day.

In the three years since the People 2025 was published, considerable progress has been made against these goals, including the:

- Formation of a People 2025 project team specifically tasked with "establishing a stronger and more significant partnership between Human Resources and the Office of D&I that will enable a broader reach across the company in building and maintaining a diverse and inclusive workforce."
- Creation and launch of High Caliber Hiring, a learning module designed to increase the skill level of Brown-Forman interviewers and address opportunities to appropriately manage bias that can manifest through the talent acquisition process.
- Creation and implementation of a talent acquisition dashboard and candidate slate tracking system for the former North America Region (now USA & Canada) that increased awareness and visibility of talent acquisition and hiring decisions, increased leadership accountability, and ultimately increased the percentage of diverse candidate slates (with the percentage ranging from

69% to 80% over four years). The dashboard laid the foundation for creating similar dashboards in other areas of the business.
- Introduction of three leadership development programs targeting the capabilities required at each level of leadership, including the People Leader, Business Leader, and Executive Leader Programs, each of which includes D&I curriculum and/or assessments.
- Ongoing collaboration between HR's People and Organizational Development team and the Office of D&I to design and facilitate ERG-sponsored learning and development programs.

In tandem with these efforts, Brown-Forman's HR team has focused energies on evaluating its own workforce composition while building the global team's D&I capabilities. As of August 2019, the HR & Communications Leadership team includes four males, two POC, and three non-U.S. based employees – a diverse composition for a traditionally female-dominated function, with two of its members serving as ERG co-leads in FY20-FY21. This ERG involvement extends well beyond the leadership team, with team members across the globe serving as visible and vocal D&I champions, including another ERG co-lead from the Production HR team. Finally, HR training days often dedicate time for D&I skill building, such as unconscious bias, gender bias, generational understanding, and "How to Be an Ally" training.

The partnership between HR and the Office of D&I is fundamental to ensuring that Brown-Forman can attract and retain a diverse workforce that's supported, developed, and united by its inclusive culture. However, the fact that they are distinct functions – with ELT-level leaders both reporting to the President and CEO – remains ideal. After all, "D&I initiatives are more successful when they are anchored to vision, mission, and business strategy of the organization, rather than positioned as a people strategy." The goal, therefore, must be to continue to leverage a strong partnership to fully embed the D&I initiatives across global HR processes, programs, and policies.

5 POCKETS OF GREATNESS

While Brown-Forman's D&I strategy has a global emphasis and reach, there are certain "pockets of greatness" within the company that illustrate how D&I can have a lasting, positive impact on the way a region or a team operates and performs. In these instances, inclusion has been embedded into the fabric of the organization and its leaders not only appreciate the business case for D&I, but they serve as advocates for inclusion across their teams, across the global Brown-Forman enterprise, and sometimes even within their own communities.

In Europe, D&I initiatives are championed by senior leaders across the continent. The group has a regional European Diversity & Inclusion Council and has established councils throughout many of its markets, including in France, Germany, Poland, Spain, and the U.K. In February 2019, the region gained new D&I leadership support through the newly established role of Director of Diversity and Inclusion, International Division. The country or cluster leadership in the region – as well as the succession pipeline for local leadership teams – is strong, with the majority maintaining equal gender representation. It is removing sources of bias from the talent acquisition process, including changes to job descriptions, candidate slates, and interview pools. Finally, the region is always looking for opportunities to improve, and has:

- Rolled out new Gender 101 training to people managers with the goal of having 80% of managers complete the training.
- Analyzed gender-related gaps in employee engagement scores and implemented metrics for measuring progress and accountability for the three issues identified as driving the differences between men and women.
- Identified additional opportunities to increase general awareness for both broad-based D&I issues, as well as gender issues.

Another region that illustrates the value of D&I – and in this case, even stretches the boundaries of cultural norms – is Mexico. "Machismo has long been widespread in Mexican society. Male entitlement – reflected in telenovelas, movies, work settings, families and romantic relationships – has been tolerated, even celebrated," according to The New York Times. While change is occurring, this "machismo" mindset is still present in Mexican society. Even so, Brown-Forman hired a female to lead the company's male-dominated commercial sales operation in 2016 and recruited a female to serve as General Manager for Casa Herradura in 2019. The region has five ERGs, second only to Louisville, and

sponsored a 2017 class of GROW's Championship Program for Mexico-based women. The region is also actively encouraging diversity of thought, bringing new ideas and inclusive thinking to help fuel innovation and drive bottom line growth. Moreover, there has been considerable focus on adapting the environment to be more supportive of workplace flexibility.

This focus on D&I, along with other people practices, helped cement Brown-Forman Mexico's designation as a "Great Place to Work" in Mexico by the Great Place to Work Institute for two consecutive years (2018 and 2019). It can also be seen in employees' comments from the 2016 Engagement + Enablement Survey (see box below).

2016 ENGAGEMENT + ENABLEMENT SURVEY VERBATIMS FROM MEXICO

"Es una empresa que se preocupa por sus empleados y que éstos sean respetados y bien tratados por todos en la organización. Ofrece herramientas suficientes para cumplir nuestro trabajo. El ambiente es de camaradería. Existe mucho potencial de desarrollo. Cuenta con marcas de prestigio y bien valoradas."
English Translation: "Brown-Forman is a company that cares about their employees, we are all respected and well treated by everyone in the organization. They give us all the tools to perform our work. The work environment is of camaraderie, development potential exists and we have prestigious and well-valued brands."

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"El trabajo en equipo con mi departamento, el apoyo muto. Siempre encuentro el apoyo de todas las personas para realizar en conjunto el trabajo. La oportunidad de combinar mi rol de mamá con el de profesionista."
English Translation: "The teamwork in my area, we have mutual support. I always have backup from other people in order to work as a team. [I value] the opportunity to combine my role as a mom and a professional."

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"Lo que valoro de Brown-Formas es el respeto que se tiene por sus empleados y que veo que los lideres de los equipos nos dan con claridad el rumbo que lleva a empresa a mediano y largo plazo y algo mas que valoro es que hoy en dia tiene mucho interes por la diversidad e inclusion de todas las personas, asi como todas las oportunidades que nos brinda para poder desarrollarme como persona y poder hacer una carrera dentro de la empresa."
English Translation: "What I value about Brown-Forman is the respect they have for their employees and that the team leaders give us a clear direction the company takes for medium and long term. What I value the most is that [the company] actually is really interested in diversity and inclusion for everyone as well as all the opportunities they give us to develop ourselves and make a professional career in the company."

Notably, these internal, cultural benefits of Mexico's D&I emphasis are happening simultaneously with strong business results. Brown-Forman is growing total takeaway value by 12% in Mexico (as of March 2019 for a 12-month rolling period), with its tequila and whiskey portfolios experiencing double digit growth at 16% and 10%, respectively. With these numbers, both Brown-Forman portfolios are outperforming their categories in Mexico.

In the USA & Canada division, there are well-established D&I Councils across the sales and marketing teams and two formal partnerships with distributors to recruit and grow diverse talent. More than a decade ago, the division's senior leaders built the New Jersey-based B-F Swarm program, from which it has hired and trained numerous diverse, entry-level sales leaders within the distributor workforce. B-F Swarm participants serve as a dedicated sales force for the New Jersey franchise market and are supported by formal mentors throughout the program's three phases. The Management Development Program was also created by the division's senior leaders in partnership with one of the company's largest U.S. distributors. In this program, diverse talent is hired at the distributor where they can learn the industry and the sales environment. Upon conclusion of the program, participants are able to apply for Brown-Forman opportunities in markets across

the U.S. These unique recruitment strategies and training programs successfully provide diverse candidates significant industry knowledge and distributor experience while preparing them to apply for market manager positions with Brown-Forman.

The work of Brown-Forman's corporate Finance and Information Technology (IT) team illustrates how a "pocket of greatness" can play out in a corporate function with employees located around the world. To illustrate, the team has:

- Established talent acquisition process that requires diverse slates, diverse interview panels, and interview questions focused on inclusion as a core competency.
- Solid talent management practices that include reviewing diverse talent during the annual talent review process and accelerating the development of diverse talent through new programs.

- Increased education and awareness for the entire team through diversity curriculum, ERG involvement, and a required annual "Broaden Your Perspective" performance management goal focused on D&I.

To track its progress, the organization has a D&I scorecard that is updated twice a year and shared with the leadership team. Through this work, Finance and IT has accelerated the development of diverse talent and increased female representation at the Executive and Business Leader levels to percentages that surpass Brown-Forman and external benchmarks.

Similar progress has been made with Brown-Forman's Global Production team, which includes "Build a Diverse and Inclusive Workforce/Culture" among its strategic priorities. To achieve its goal of embedding D&I into the everyday business, the Global Production team has five key focus areas: 1) leadership and accountability; 2) recruitment, retention, development and

advancement; 3) education and training; 4) communications; and 5) supplier diversity. This work is unique among corporate D&I initiatives because of its inclusion of the company's operator and technician (hourly) employee population.

These key focus areas drive the work of the Global Production D&I Council, which is co-led by the Chief Production & Sustainability Officer (CPSO) and VP, HR and comprised of the Global Production Leadership Team, production site leaders, and HR Business Partners. The work and progress is tracked through its Diversity Management Scorecard and includes:

- Regularly scheduled awareness and training activities, including unconscious bias, generational bias, micro-inequities, and cultural competency training.
- A successful Science, Technology, Engineering, and Math (STEM) Rotation Program designed to increase minority representation in STEM fields.

- A talent acquisition process requiring diverse slates and diverse interview panels (with exceptions only being granted after a formal review with the CPSO and VP, HR).
- D&I Councils for the company's production sites, with members that include operators and technicians and support staff and individual scorecards that localize D&I initiatives and priorities (such as training) based on the needs of the site/function.
- A new "test and learn" process for the operator/technician population to determine the best way to integrate D&I work across all populations.
- A "M" (Morale) scorecard that tracks metrics across succession slates, recruitment, awareness training, and engagement. The scorecard, which is reviewed regularly by the CPSO, allows functional and site leadership to identify and address gaps and opportunities.

The production team also sponsors a scholarship at the University of Louisville J.B. Speed School of Engineering to send young women and POC to summer camp to learn about STEM. While there is no guarantee that they will come work at Brown-Forman when they graduate from college, this is a way to help expose underrepresented groups to STEM opportunities.

The commitment to D&I at Brown-Forman, and the great work that results, extends well beyond the functions, regions, and individuals mentioned within this document. It is merely a sampling of the great work that is happening throughout the organization, in pockets both big and small.

6 BROWN-FORMAN CULTURE

Many D&I strategies focus on creating an inclusive culture, or one that leverages diverse backgrounds of individuals to drive value and business results by creating an environment in which employees feel involved, respected, valued, and connected. While this cultural evolution is an objective of Brown-Forman's D&I efforts, there are also many components of the company's existing culture that help to facilitate the ongoing transition to a more inclusive environment for all employees.

Brown-Forman's culture, which is sometimes described as a "culture of caring," is known to be highly collaborative, warm, welcoming, relationship-focused, and based on timeless values of integrity, excellence, teamwork, trust, and respect. These are all characteristics that make D&I a natural fit for the company, or even a more contemporary "decoding" of these values in today's workplace. For example, the emphasis on integrity means that Brown-Forman and its leaders will recognize when it needs to improve, and take the steps needed to "make things right" (as the recent efforts regarding pay equity demonstrate).

Similarly, its welcoming, relationship-based culture makes Brown-Forman a place full of hospitality and congeniality where colleagues are often

treated like friends and family, while celebrating the differences in background, demographics, and experiences.

As such, it is not surprising that the 2016 Engagement + Enablement Survey found that 83% of global salaried employees responded favorably to the statement, "Brown-Forman has created an inclusive environment where people with diverse backgrounds and experiences can succeed," and 85% agreed with the statement, "I believe that Brown-Forman's investment in D&I is valuable." The verbatims collected in the 2016 survey illustrate this sentiment:

- "B-F is a kind, gentle company. There's mutual respect for each other and the culture that embraces diversity and inclusion."
- "[B-F] enables a very comfortable and open working environment where new ideas are welcome and all perspectives are heard."
- "I most value the genuine respect for diversity and inclusion of our people. While we still have progress and important work ahead, I feel confident that the vast majority of our leaders throughout the organization are sincere about fostering a culture where all employees feel not only welcome, but valued."

Brown-Forman's culture is among the many reasons why the company has low turnover and long tenure. The average tenure for global, salaried employees is eight years and 11 years for U.S.-based salaried employees (compared to four years for the U.S. labor market).

While low turnover and long tenure can be a double-edged sword, it does mean that Brown-Forman can focus its energy on highly strategic people needs, such as D&I. As shared in People 2025, "organizations with long tenure typically benefit from deep historical knowledge of the company and its brands, which creates value in every corner of the organization. They avoid the investment in human and financial resources in managing significant turnover and focus on important people issues other than turnover."

"When we create an inclusive culture – where we each take responsibility for the quality of our daily interactions – we can maximize our collective and individual potential and increase our productivity, creativity, and innovation. I am grateful to work in a company where employees are actively engaged in building an environment where we can bring our best selves to work to do our best work. In the process, we are also doing our part, as global citizens, to create a better world.

– Ralph de Chabert, Brown-Forman's SVP, Chief Diversity, Inclusion, and Global Community Relations Officer

WEAKNESSES

1 BROWN-FORMAN CULTURE

Just as Brown-Forman's culture is a strength in its D&I journey, and a source of competitive advantage for the organization, it can also be a weakness in many ways. In an environment that is very familial and relationship-oriented, individuals who don't see many colleagues that look, act, and think as they do, may find it difficult to be themselves at Brown-Forman, despite the organization's best efforts to be inclusive.

The greater an individual's physical distance from the company's corporate headquarters, or their social distance from the majority of the workforce, or the mental gaps they must overcome due to language differences, the harder it will be for an individual to feel part of the "Brown-Forman family" and bring their best self to work each day.

These gaps in experiences are more dramatic today than any period in Brown-Forman's history given the company's growth outside the U.S. over the last 20 years. In 1995, Brown-Forman's European workforce consisted of only six employees. In 2008, it had grown to 316 employees. Today, it is more than 900 employees strong, an increase of nearly 185% in the last 10 years.

It was during this same period

of growth that Brown-Forman increased and formalized its D&I strategy, fundamentally, yet unintentionally increasing the tensions within the company for the purpose of becoming more inclusive. However, not all these tensions have been resolved, as there are still underlying feelings of entitlement and pockets of resistance throughout the organization.

These frustrations and concerns can be seen in the verbatim comments from the 2016 Brown-Forman Employee Engagement + Enablement Survey (see box below).

This may be one reason why Brown-Forman engagement

surveys show considerable difference in responses to several questions across diverse workforce segments. In the U.S., 92% of Asian employees and 87% of White employees agree with the statement, "B-F has created an inclusive environment where people with diverse backgrounds and experiences can succeed." This number decreases dramatically to 68% for Hispanic employees and 59% for Black employees.

One Black male who left Brown-Forman shared his experience in an April 2019 article entitled "Millennials Ditching Corporate America: An Inside Scoop on why Millennials are working for

" 2016 ENGAGEMENT + ENABLEMENT SURVEY VERBATIMS ON D&I @ B-F

"I believe in B-F's diversity and inclusion goals, but when hiring new employees or filling open roles, I often feel that this priority overrides hiring the best person for the job...D&I should be a long-term vision, but I struggle with the accelerated pace at which this seems to be occurring."

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"I believe the intent of diversity [efforts] at Brown-Forman [are] good but the implementation and support initiatives are causing a growing divide between the groups they have created. It is quite clear that if you are a hard-working white male, you will certainly be passed over for someone of a different ethnic group/sex/sexual orientation."

themselves." He said, "the hardest part...for me as a Black male was the daily feeling of having to change who I am in order to fit in. Although bringing your 'true self' to work was encouraged, I always felt like...people who liked me so much didn't really know or see the real me, only the always happy, dressed up, extra proper talking, overly polished version of me, because I'd trained and conditioned myself to be this way based on what/who society tells us we should be in order to get the best jobs in the best places."

This is not a challenge isolated to Brown-Forman. In fact, Harvard Business Review found that "37% of African Americans and Hispanics and 45% of Asians say that they 'need to compromise their authenticity' to conform to their company's standard or demeanor of style." A 2018 study in the U.K. by the Chartered Institute of Personnel Development found that, "Black, Asian and minority ethnic groups are significantly more likely than their white British counterparts to say that they need to change aspects of their behavior to fit in," and it was particularly challenging for people with Indian, Pakistani, and Bangladeshi backgrounds. In the book *Working Identity*, authors Mitu Gulati and Devon Carbado argue that creating and putting forth an "appropriate" workplace identity is particularly taxing for diverse talent "because their working identities must counter common cultural stereotypes." These challenges may be one reason behind Brown-Forman's increased turnover rates for Black and Hispanic employees.

Brown-Forman's long tenure, which is driven by its strong culture, also makes it more difficult for the company to make meaningful changes to its workforce composition, particularly at the Executive Leader level, where turnover rates are even lower than the general population and female representation stands at 29% globally.

Finally, Brown-Forman's emphasis on relationships, both formal and informal, may inadvertently disadvantage diverse employees. As Harvard Business Review states, "A company is built on informal relationships. Those informal – but powerful – sets of relationships create the tracks that move people into senior management. They determine how senior management feels about people. Informal relationships are all about who feels comfortable with whom. POC don't have easy access to these informal relationships."

Ironically, the many characteristics that make Brown-Forman a great place to work (i.e. a wonderful culture, low turnover, strong relationships, generous compensation and retirement benefits, and a focus on

2016 ENGAGEMENT + ENABLEMENT RESULTS VARY BY DEMOGRAPHIC

The percent of U.S. employees who believe "Brown-Forman has created an inclusive environment where people with diverse backgrounds can succeed" is significantly lower for Blacks and Hispanics compared to other races/ethnicities

92% ASIANS
87% WHITES
68% HISPANICS
59% BLACKS
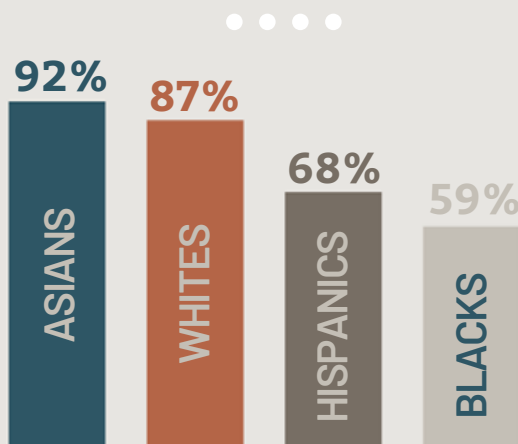
employee development) also make it a challenge to advance in its D&I journey.

2 LEADERSHIP LOOKS DIFFERENT THAN THE WORKFORCE

Despite focused efforts on growing diverse talent, through such development programs as the GROW Championship Program for women and The Advocacy Program for POC, Brown-Forman still needs to increase diversity representation at the Executive and Business Leader levels.

This workforce segment is particularly important to emphasize in D&I strategies, as the strongest correlation between financial performance and gender representation is found at the executive team. According to McKinsey, "Companies in the top-quartile for gender diversity on their executive teams were 21% more likely to outperform their national industry median on EBIT margin and 27% on EP margin." Even more, outperforming companies have a higher percentage of women in revenue-generating positions, or "line" roles, than their underperforming peers.

Despite a sound business case, women are still underrepresented in executive suites around the world, and many men may still not understand or acknowledge the challenges that women face in gaining a seat at the table. A McKinsey study found that only 19% of male respondents strongly agreed that it was more difficult for women to reach top management – in fact, they were six times more likely to disagree with the statement than women. Yet, globally women still hold less than 29% of senior leadership positions. In the U.K specifically, there are only seven female CEOs in the FTSE 100, or the top 100 companies on the Financial Times Stock Exchange by market capitalization.

The challenges are similar with racial and ethnic minorities.

> " You can be a fierce competitor in the marketplace while operating in a compassionate way with teams of people who value inclusion and care for one another.
>
> – Michele Buck, President & CEO of The Hershey Company

Of the Fortune 500 companies, only three are led by Black CEOs (all of whom are male). Furthermore, in the U.K. ethnic minorities hold only 6% of the management positions. As of February 2019, there were only five ethnic minority CEOs in the FTSE 100, and 51 of the companies on the list had no ethnic minority board members.

Asians, in particular, are struggling to reach leadership levels. According to Harvard Business Review, they are the most successful demographic by some measures – education, household income, workforce representation – yet there continues to be a "bamboo ceiling" that makes Asian American white-collar professionals the "least likely group to be promoted from individual contributor roles into management" positions. In fact, the Harvard Business Review study – which used EEOC workforce data – found that "white professionals are about twice as likely to be promoted into management as their Asian American counterparts."

Women and POC are underrepresented in Brown-Forman senior leadership. In 1999, the ELT was 14% female and no representation from POC. Twenty years later, the team is 22% female and 22% POC. When you consider other senior leaders, the numbers are somewhat better. As of 2019, female employees represent 29% of **all** Executive Leaders at

Brown-Forman and 36% of all Business Leaders. By way of comparison, females in the U.S. talent pool, as defined by the U.S. Bureau of Labor Statistics, make up approximately 35% of the executive leader and 40% of the business leader talent.

Despite a fairly purposeful effort, Brown-Forman's female senior executive representation has not increased as much as desired. To provide some context, the U.S. female Executive Leader representation was approximately 23% in 2005, 22% in 2010, and 27% in 2015, an increase of only 4% over 10 years. Four years later, the percentage remains the same, with females comprising 27% of **U.S.** Executive Leaders in 2019.

In addition, in the U.S. only 9% of Brown-Forman's Executive Leaders and 17% of Business Leaders are POC, compared to their talent pool representation of 13% and 19%, respectively.

• • • •

"Gender equality is an issue of international economic and social importance. As leaders and employers, we know there is much more we can do to make a difference. For too long, women alone have led the way advocating for and achieving hard-won improvements when so many men hold the power and influence to help advance this work."

– Founding Members, Male Champions of Change, a coalition of more than 220 leaders across Australia focused on gender inequality
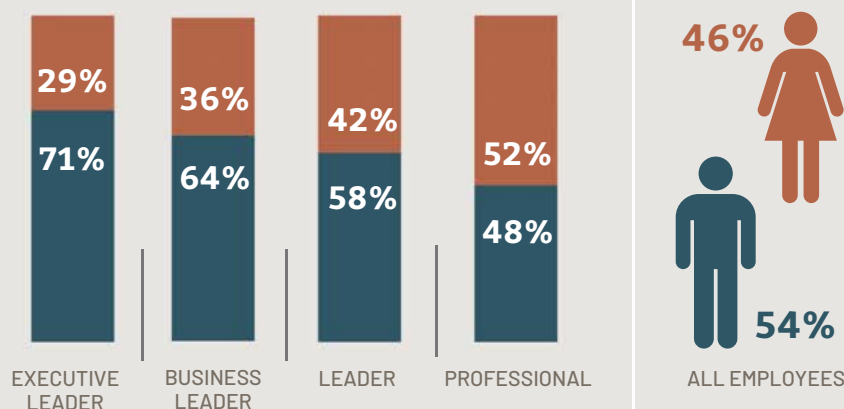
FEMALES IN LEADERSHIP
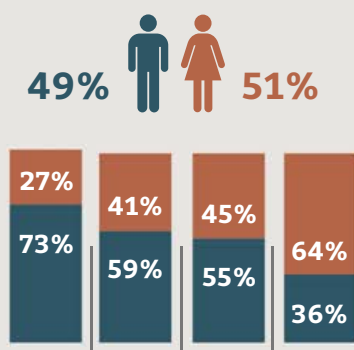*B-F U.S. EXECUTIVE LEADER REPRESENTATION OVER TIME*

23%	22%	27%	27%
2005	2010	2015	2019
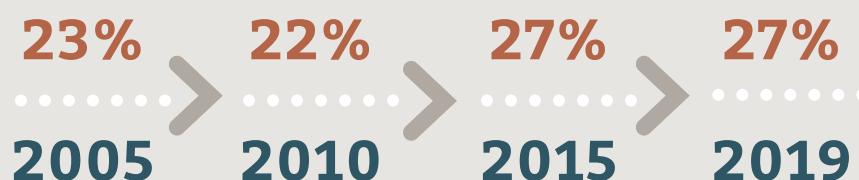
B-F BY MANAGEMENT LEVEL

*2019 WORKFORCE REPRESENTATION**

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GENDER REPRESENTATION: ALL BROWN-FORMAN

	EXECUTIVE LEADER	BUSINESS LEADER	LEADER	PROFESSIONAL	ALL EMPLOYEES
Women	29%	36%	42%	52%	46%
Men	71%	64%	58%	48%	54%

GENDER REPRESENTATION: U.S. WORKFORCE

49% (Men) / 51% (Women)

Women	27%	41%	45%	64%
Men	73%	59%	55%	36%

GENDER REPRESENTATION: INTERNATIONAL WORKFORCE

58% (Men) / 42% (Women)

Women	36%	29%	39%	45%
Men	64%	71%	61%	55%
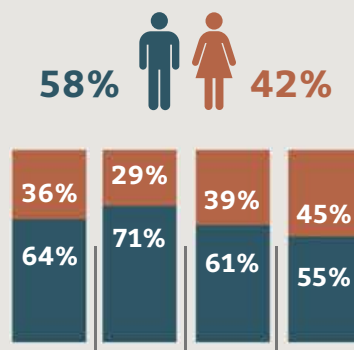
ETHNIC REPRESENTATION: U.S.

	BLACK	HISPANIC	ASIAN
EXECUTIVE LEADER**	5%	3%	0%
BUSINESS LEADER	8%	5%	4%
LEADER	6%	6%	3%
PROFESSIONAL	9%	5%	2%

*B-F workforce data as of August 19, 2019
** With rounding, total B-F POC is 9% for Executive Leaders with 5.49% Blacks and 3.3% Hispanics

These demographics – which obviously skew heavily toward White males – are partially a product of the industry (which tends to be male dominated), its low turnover rates (which is even lower at senior leadership levels), its size (which is relatively small compared to its industry peers), and its compensation and benefits structure (which discourages voluntary turnover, especially at the senior leadership level). Comparatively speaking, Diageo's female representation on its Executive Committee grew from 7% in 2010 to 40% in 2019. The significant difference between the two organizations, despite being in the same industry, underscores the impact that company size, turnover, and corporate headquarters location can have on an organization's ability to drive meaningful change at senior leadership levels.

This differs from other levels of the organization where women and POC make up a greater percentage of the population. Women comprise 42% of Brown-Forman's Leaders, or managers of individuals or small teams, and 52% of Professionals, or individual contributors with roles that do not require significant career or leadership experience.

Studies show that, if given the opportunity, women want to take on additional leadership roles. In fact, according to McKinsey, their career ambitions exceed those of their male counterparts. In its study, 44% of female senior managers

strongly agreed with the statement that "over the course of my career, I have the desire to reach a top management position," compared to only 37% of male senior leaders. Additionally, 58% of women of color are willing to take risks to advance their careers, while only 38% of White women will take the same step.

And despite an ongoing myth, women are equally likely as men to advocate for themselves and request a salary increase. A Harvard Business Review study found that women ask for raises in equal numbers to men, yet are less likely to receive them. The study, conducted in 2014 in Australia among 4,600 employees in 800 workplaces, found that women who asked for raises were successful only 15% of the time, yet men obtained increases 20% of the time.

3 WORKFORCE LOOKS DIFFERENT THAN CONSUMERS

While many D&I conversations, particularly within this document, speak to the internal impact of D&I strategies, there is also significant value from a business standpoint. The more diverse an organization, the greater its ability to understand the needs of, and market to, diverse populations.

This concept is captured in Coca-Cola's D&I Mission statement, which motivates the company to "mirror the richly diverse markets we serve, capitalizing on our inclusive culture to attract, develop, engage and retain a global talent mix to fuel our competitive advantage."

For Brown-Forman, there is a significant opportunity to continue to expand and

enhance its multicultural marketing practice. The group, formerly led by Tracey Johnson (now Brand Director for Woodford Reserve), was applauded in a May 2019 article in The New York Times for serving as an "in-house consulting operation" that helps the company's brands improve their outreach to POC (compared to its original design as a niche group that created separate advertising for diverse consumer segments).

Yet, having a multicultural marketing practice isn't sufficient. Brown-Forman must evolve its workforce to match its current and future consumer base or it will never fully capitalize on the true value of D&I. When considering gender representation, as a whole Brown-Forman's population roughly mirrors the composition of global spirits

"Leaders have long recognized that a diverse workforce of women, people of color, and LGBT individuals confers a competitive edge of selling products or services to diverse end-users."

– Harvard Business Review

consumers. However, when you consider the company's gender representation by management level, women are significantly underrepresented at the higher levels of the organization, where the key strategy and business decisions are made.

This reality is further exacerbated outside of the U.S., where there are fewer employees in Executive and Business Leader roles. For example, in one European country, where spirits consumers are 56% male and 44% female, Brown-Forman has three Executive Leader roles, all held by men. There are eight Business Leader roles, all but two of which are held by men. The situation is similar in another European market, where spirits consumers are 54% male and 46% female, yet 80% of Brown-Forman's Business Leader roles are held by males. Recently, however, a female was appointed to the executive role in the country. A Latin American country is the one location where females are the majority of spirit consumers (at 51% vs 49%), yet

Brown-Forman only has 20% of its Executive and Business Leader roles filled by women. Even when you consider all organizational levels in this country, females comprise only 34% of all salaried employees.

4 CURRENT RESOURCES MAY NOT SUPPORT FUTURE GROWTH

Even with an experienced, ELT-level Chief Diversity & Inclusion Officer, and a team of six talented, dedicated individuals in its Office of D&I, Brown-Forman's D&I efforts also rely on the hard work and dedication of a "volunteer army," or the global employees who step up to spearhead D&I activities in addition to their regular job responsibilities. While this employee-led framework is not uncommon in D&I structures, it may not be the best model for sustained growth and progress.

These challenges are evident in the ERG framework, which relies on employees to commit as much as 15-20% of their work week (in the case of

co-lead positions) to D&I work. Each ERG is organized differently, with the number of leadership positions and committee members differing drastically (from the more robust GROW structure to the more lean BRAVE team). Yet the challenge is the same for each – finding employees with the time to dedicate to leadership positions, keeping them engaged and committed when other work demands interfere, and ensuring ongoing support from their managers for what is sometimes characterized as a "side job" as opposed to being appropriately characterized as the "business of the business."

According to Harvard Business Review, this challenge may be among the reasons why some ERGs falter or are unsuccessful in meeting their stated objectives. Its August 2017 article entitled "Deloitte's Radical Attempt to Reframe Diversity" claimed that few ERGs "were properly funded, their leaders were usually doing the work in their spare time, and the visibility they gained from running an ERG didn't

necessarily serve them well in getting a promotion to a big operational role in the business."

While Brown-Forman ERGs continue to succeed despite these challenges, there is some evidence that suggests a possibility for burnout or disengagement among ERG leadership. Over the years, many ERG co-leads expressed concerns that the majority of the ERG work is handled by only a small fraction of the group's membership.

The structure of ERGs, which brings in new employees every year to serve on steering committees for a two-year rotation, requires the sitting ERG leadership and the Office of D&I to provide ongoing education and onboarding efforts for new leaders. While this process ensures fresh thinking and diversity of thought, and prevents potential burnout, it increases the demand placed on current leaders during the transition.

Finally, Brown-Forman's Office of D&I runs lean (much like the rest of the organization). Currently, only one team member is located outside of Louisville, which could limit the team's ability to reach and influence a global audience. The team's leader, Chief Diversity, Inclusion & Community Relations Officer, Ralph de Chabert, has unintentionally become the sole D&I face and brand – not the best way to build a global, meaningful brand.

Even though he's backed by a team of professionals who work tirelessly and creatively to champion the company's D&I goals and objectives, the fact remains that the Office of D&I is not adequately staffed and equipped to embed its work across the organization, drive global communications and awareness, and transition perceptions of D&I from a "project" to an integral part of Brown-Forman's business strategy.

5 MIDDLE MANAGERS FACE COMPETING PRIORITIES

For D&I to be successful in any organization, it needs middle managers to actively engage as the "organizational glue" tying the vision of senior leadership to the daily reality for employees across the organization. The support of all middle managers is critically important to the success of D&I initiatives and outcomes for a number of reasons. This group is on the front-line, making day-to-day decisions that impact an organization's ability to build and maintain a diverse workforce and an inclusive culture, all while maintaining a focus on delivering business results. Moreover, they hire and develop employees, set individual performance goals and expectations – and then evaluate results. They approve (or reject) requests from employees to work flexibly, to participate in ERGs, to attend diversity events and training and the like. They have more

influence on the daily experience of employees than any other individual in an organization.

Yet, many D&I conversations, in organizations both large and small, speak about the challenges posed by members of the "frozen middle," a term used to describe those middle managers who prevent the change that's championed by senior leaders and desired by individual contributors from flowing seamlessly throughout an organization. These individuals are often described as the "in-group," those who enjoy unearned privilege and advantages created by certain aspects of their identity (e.g. race, gender, nationality). These individuals may be at different places in their D&I journey, some unintentionally unaware, others cautiously optimistic, and others staunchly opposed.

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"To opt out of conversations about privilege and oppression because they make you uncomfortable is the epitome of privilege."

– Brené Brown, Dare to Lead

Conversations with those middle managers who are reluctant to support D&I initiatives aren't easy, but they are necessary. A Harvard Business Review article points to "social science research [that] suggests that people tend to react with anger and irritation when confronted about their biases – particularly when those biases are accurately labeled as such. Although such interactions may be unpleasant, they also tend to lead to behavioral change, and so should be welcomed as opportunities for growth." This requires moving the reluctant middle managers from passive bystanders to active D&I champions, to compel them to stop resisting the change, and instead be part of the movement.

As organizations proceed in their quest to hire, retain, and promote diverse talent, the challenge, according to Harvard Business Review, is to hear the in-group's feelings and frustrations and, ultimately, to help them better understand the fundamental objectives of the D&I strategy and its potential to enable business growth. Otherwise, their resentment, frustrations, and beliefs that diverse talent is receiving "unfair and unmeritocratic" treatment will come out in informal company chatter, online comments, retention rates, etc.

This requires a shift in mindset from one of equality to equity. As Bernard J. Tyson, Kaiser Permanente's Chairman and CEO said, "Equality says everybody gets equal. Equity says no, everybody gets what they need. Part of building an inclusive environment is not how you're going to change the person. It's how you're going to change yourself and the environment in which the person is going to have to succeed."

Brown-Forman still has considerable work to do to engage more of its middle managers, who already have many competing demands for their time, their energy, and their mindshare. This includes

EQUALITY VS. EQUITY
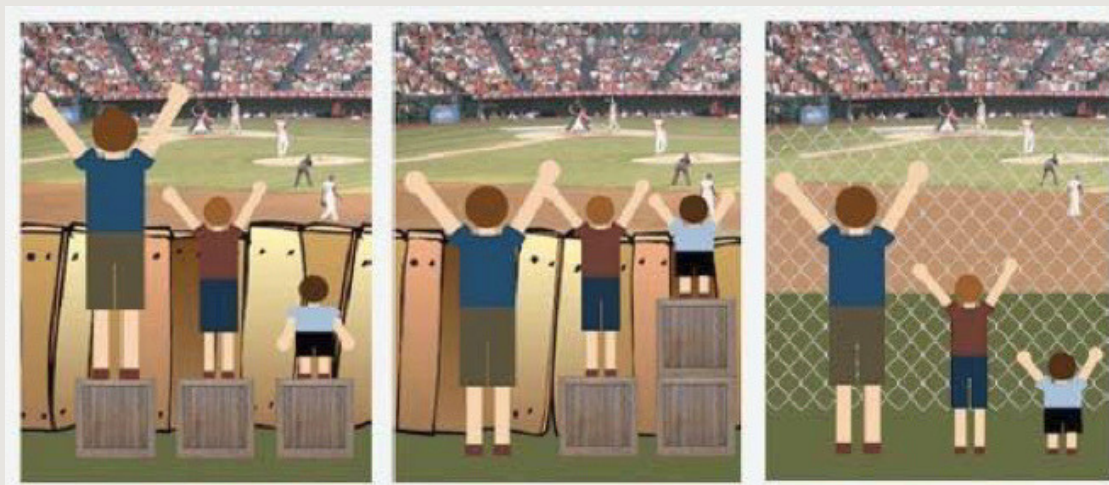
IN THIS IMAGE, EVERYONE RECEIVES THE SAME SUPPORT. THEY ARE TREATED **EQUALLY.**

HERE, PEOPLE ARE GIVEN DIFFERENT SUPPORTS TO HAVE EQUAL ACCESS. THEY ARE BEING TREATED **EQUITABLY.**

FINALLY, THE **BARRIERS ARE REMOVED** BECAUSE THE CAUSE OF THE INEQUALITY WAS ADDRESSED.

This series of images, which was created by Craig Froehle, has been widely circulated when discussing the concepts of equality vs. equity. While it is not a perfect representation of the challenges presented to individuals of diverse circumstances and backgrounds, since not all inequities are inherent to individual characteristics (e.g. height), and not everyone always starts on "level ground," it quite accurately depicts Brown-Forman's desired future state. The end goal of the company's D&I initiatives is not the first (equality) but the third, where all systemic barriers are removed, inclusion is at the core of the culture, and each person can experience the organization fairly.

increasing awareness and exposure to the business case behind D&I, or the positive outcomes possible at the individual, team, and business level. It requires increased training on unconscious biases that may inadvertently create social barriers for diverse talent. It suggests that more individuals at the Leader and Business Leader levels should be involved in ERG activities and initiatives. It includes setting people leader performance objectives that are tied to D&I learning and outcomes. And finally, this means better defining what "inclusive leadership" looks like, teaching managers how to lead and develop employees that may think, act, and look differently than they do.

## 6 INCONSISTENT ACCOUNTABILITY PREVENTS MEANINGFUL CHANGE

As organizations evolve along the D&I continuum, part of the evolution includes implementing metrics and processes that hold the organization and its leadership more accountable for the success of D&I initiatives. This accountability is inconsistent across Brown-Forman, preventing the organization from experiencing fundamental changes in its culture and workforce composition.

This critical step may be among the most meaningful milestones along the journey. In fact, it may be the difference between success and failure, aspiration and reality.

According to Deloitte's 2017 Global Human Capital Trends research, while 70% of responding companies promote their organization as a diverse and inclusive organization, only 12% have actually achieved this standard and even fewer tie compensation to diversity outcomes (at 6%).

The tie to compensation is critical according to Jennifer Reynolds, President & CEO for Toronto Financial Services Alliance, "For business leaders hoping to drive transformational change in their talent pool and
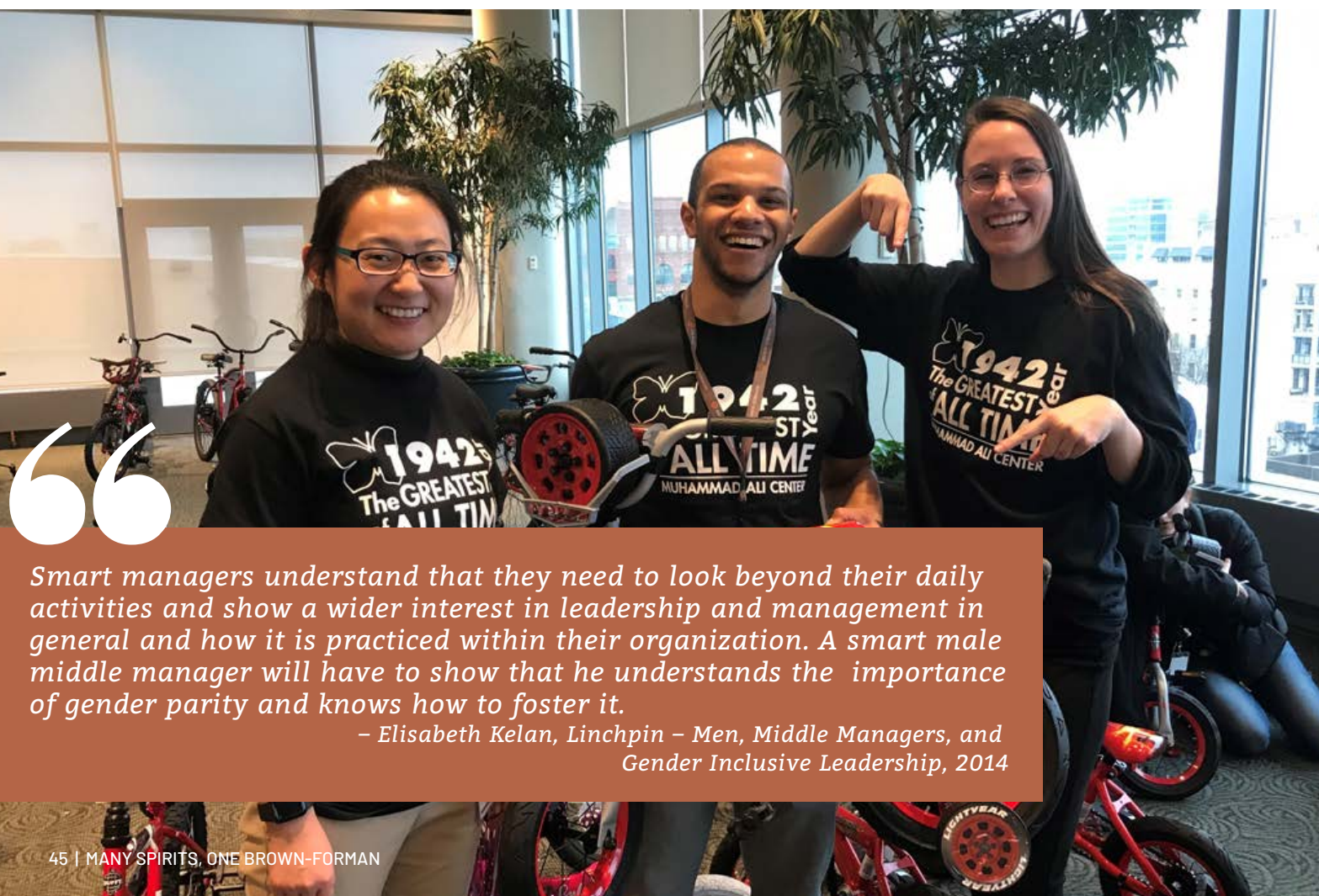
> " Smart managers understand that they need to look beyond their daily activities and show a wider interest in leadership and management in general and how it is practiced within their organization. A smart male middle manager will have to show that he understands the importance of gender parity and knows how to foster it.
> – Elisabeth Kelan, Linchpin – Men, Middle Managers, and Gender Inclusive Leadership, 2014

company, there is no doubt that compensation is an integral part of that process. Management at all levels needs to be held accountable for hiring, developing, and promoting diverse talent. They need to be compensated for the success of that talent in order to truly be invested in driving diversity in the organization. If performance evaluations do not include clear objectives and rewards for the diversity goals of the company, then employees will quickly dismiss the initiative and focus on those objectives that result in greater compensation and more rapid promotion.

From a workforce composition perspective, "research shows that setting and following through on diversity goals is the most effective method for increasing underrepresentation of women and minorities."

Yet, according to *Women in the Workplace 2018* by McKinsey, only 38% of companies have set target goals for gender representation, and a mere 12% share the majority of their diversity metrics with employees.

The study also found that only 42% of organizations hold senior leaders accountable for making progress toward gender parity.

Before today, Brown-Forman had not developed or published ambitions for increasing diversity representation across the global organization, though this has been a stated objective and focus of D&I efforts. There are some places within the organization, however, that have had functional or regional-specific diversity scorecards to bring visibility to the work and the progress being made. The Global Production Diversity Management Scorecard, for example, translates functional-specific D&I objectives into localized scorecards for all leaders and production sites.

For Brown-Forman to accelerate its progress in achieving parity across all dimensions of diversity, and continue on its path to true inclusion, it is time to draw the line in the sand and increase individual, leader, and organizational accountability.

"Saying there is no deadline on this, or that things will right themselves, is an ahistorical way of looking at the advances that have been made in terms of equity and representation," said Katherine Maher, CEO and Executive Director, The Wikimedia Foundation. "It has always required people to do the work. It has always required people to stand up and make it a priority."

1 *ENHANCE D&I BRAND AND INCREASE COMMUNICATIONS*

With its significant expertise in brand management, Brown-Forman has the unique marketing and communications capabilities needed to define and create a D&I strategy and brand that is effectively positioned, marketed, and communicated, both internally and externally.

This starts with identifying target audiences, and then intimately understanding their perceptions and experience with D&I, as well as Brown-Forman's culture and employee experience. According to PricewaterhouseCooper's 2015 Millennial Survey, 80% of Millennials agree that D&I policies impact their employment decisions.

However, employees are naturally more skeptical of employer-made claims, with 61% of employees (or 62% of women, 65% of Millennials, and 66% of emerging market candidates), indicating that they are more skeptical of "what employers say about themselves than they were three years ago." As such, many employers are encouraging employees to submit reviews on Glassdoor, a platform that's deemed much more credible by job candidates than employers themselves.

It is also important, particularly for internal audiences, to define the

business case, or the "why" behind the D&I strategy. Equally important is making sure the D&I strategy is intrinsically tied to the business strategy. A common disconnect between D&I and organizational strategy occurs when you create a D&I brand strategy that is separated from the organizational brand strategy, thus "requiring the organization to manage multiple stories."

Johnson & Johnson, for example, states its D&I vision is "for every person to use their unique experiences and backgrounds, together – to spark solutions that create a better, healthier world." For Brown-Forman, D&I needs to be placed into the context of "Brown-Forman: Our Story," not "Diversity & Inclusion at Brown-Forman."

Finally, organizations must deploy an integrated, multimedia approach to market its D&I brand, recognizing that not all consumers (which, in this case includes employees, potential employees, investors, etc.) digest information in the same manner. Even more, there can be considerable differences even within one segment based upon different factors (i.e. employee preferences may differ by age, tenure, location, role, and the like).

E. & J. Gallo Winery, for example, held a livestream panel discussion in April 2019 from Twitter headquarters with Twitter Blackbirds, the social media giant's Black ERG, on the topic of "inclusion and diversity in the wine and spirits industry," simultaneously illustrating its strong command of social media tools while leveraging partnerships with ERGs from other organizations.

2 UNDERSTAND D&I DATA AND METRICS

Before individuals and leaders can be held accountable for the success of the D&I strategy and efforts, they must have access to and understanding of the metrics that will define individual and/or collective "success." However, only 39% of diversity leaders were satisfied with their ability to take action against D&I metrics. While it is universally understood that sharing more data and metrics is ideal, the level of transparency into the data may depend on an individual's role and position within the organization. The Gartner Chief Diversity Officer Forum Discussion Materials suggests the following, "Senior executives need to understand the entire D&I picture to drive action. Middle managers work more effectively if guided toward a few key areas. HR needs full transparency into D&I metrics to inform the talent strategy, but heads of D&I should report metrics to the business in a stand-alone dashboard."

Each organization must identify what metrics it wants to track, the individuals responsible for updating them on a regular basis, and the method and frequency by which they are communicated to the accountable individuals and teams.

3 *IMPROVE INDIVIDUAL, LEADER, & ORGANIZATIONAL ACCOUNTABILITY*

To ensure an organization is making continued progress against its D&I strategy and objectives, it must hold individuals, leaders, and the global organization accountable for achieving specific, documented goals. These goals should link back to specific strategic initiatives, and can be both short- and long-term in nature. For individuals, this may mean including a D&I objective in their annual performance management goals, or assessing their behavior and performance against critical cultural competencies.

For leaders, this could include more specific requirements around recruiting, promoting, and developing diverse talent within their functional and regional areas of responsibility through formal scorecards. In addition, leaders may also be asked to serve as a mentor or advocate for diverse talent.

According to Harvard Business Review, "For women and POC, the key to rising above the playing field that remains stubbornly uneven is sponsorship. A sponsor is a senior-level leader who elevates their protege's visibility within the corridors of power, advocates for key assignments and promotions for them, and puts their reputation on the line for the protege's advancement. For those who feel marginalized by their gender, ethnicity, age, sexual identity or education and economic background, sponsorship is particularly crucial in invigorating ambition and driving engagement...Lack of sponsorship increases someone's likelihood of quitting within a year."

The ultimate in accountability, some companies have even tied leader compensation and bonuses to D&I results. Sodexo, a French food services and facilities management company, is a leader in this space. It has linked as much as 25% of the total bonus for

managers and executive leaders to D&I goals. Other companies, like Microsoft and Apple, connect executive and staff compensation to D&I objectives and, as a result, have seen improvements in retention for underrepresented groups. Allstate has a Quarterly Leadership Measurement Survey for its department managers, connecting annual reviews and pay decisions with the leader's team demographics, promotion rates, retention, and turnover.

For the organization as a whole, increasing accountability may come in the form of setting, publishing, and tracking metrics for the global representation and employment experiences of females, POC, and other diverse employee segments.

4 *CONTINUE D&I FOCUS IN GLOBAL TALENT ACQUISITION*

As more companies place an increased emphasis on D&I, the harder it will be for an employer to recruit and retain the desired talent – the laws of

of supply and demand will simply work against it. Yet, at the same time, it is this increased emphasis that will attract the individuals who desire an employer where diversity is celebrated and inclusion is ubiquitous.

As Harvard Business Review suggests, "if the goal is proportional representation over the long term, it's better to overcorrect for bias early on, by hiring more people from traditionally underrepresented groups, than it is to undercorrect." However, this is not necessarily accomplished by favoring a particular race or gender explicitly, but by making simple adjustments to the selection process, such as using blind resumes in the talent acquisition process and objective metrics in performance management.

It may also be beneficial to include compensation and benefits information on job descriptions, which is typically of more interest to women candidates. Moreover, according to LinkedIn, "when an employer shares salary information in job posting, this could be seen as a signal that they are committed to transparency and fair pay regardless of the candidate's gender or background."

Organizations have a long way to go in this arena. McKinsey found:

- Fewer than one in three companies set diversity targets for hiring and promotions.
- Fewer than one in four companies use tools to reduce bias when reviewing resumes.
- Fewer than half of companies require diverse candidate slates for external hires.
- Only a quarter of companies require diverse slates for internal promotions.

While there is still much work to be done, the trend is moving in the right direction. LinkedIn found that "78% of talent professionals and hiring managers say that diversity is the top trend impacting how they hire" while 71% report that "achieving gender parity at their company is a top priority."

5 FOCUS ON INCLUSION

While talent acquisition processes and efforts can go a long way in increasing the diversity of an organization, it is through inclusion that real cultural change will occur. As Harvard Business Review stated, "Diversity equals representation. Without inclusion, however, the crucial connections that attract diverse talent, encourage their participation foster innovation, and lead to business growth won't happen." Or, the business case for D&I, quite simply, won't be fulfilled.

This means that inclusion must be present in every interaction between colleagues, a cultural competency of every leader, and a guidepost for every people-related business decision. It means that the workplace must allow each individual to bring their best self to work, not force individuals to change to conform to the workplace. Deb DeHaas, Deloitte's former Chief Inclusion Officer said, "Inclusion is leadership in action...it's everyone's responsibility, every day and at every level, to create the culture that can make that happen."

It begins with day one. A Harvard Business Review study found that employees are 42% less likely to indicate that they will leave their job within a year if they are able to bring their "whole selves" to work. Employers have the opportunity, from the moment an employee accepts a job offer, to build an inclusive environment where the

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"Diversity is being invited to the party. Inclusion is being asked to dance."

– Vernā Myers, VP, Inclusion Strategy at Netflix and author, inclusion strategist, and cultural innovator

employee feels valued for who they are and what they bring to the table. From an onboarding perspective, employers must incorporate D&I information into orientation, provide corporate materials and information that ensure new employees feel in the know regarding the company's big picture strategy, and introduce the acronyms and terminology that will help individuals speak the same language as their new colleagues.

It is equally important to build inclusion principles and competencies into a company's leadership development strategy and programs. Employees who describe their managers as inclusive are

1.3 times more likely to "feel that their innovative potential is unlocked."

However, building productive, successful workplace relationships – particularly across racial boundaries – requires trust and risk taking, since most people are naturally drawn to individuals similar to themselves. As such, Harvard Business Review suggests that organizations that "hope to increase diversity and promote the careers of racial minorities can benefit from being aware of these challenges – and [take the necessary] steps to make employees from varied demographic groups feel comfortable engaging with one another."

Inclusion is also about versatility, flexibility, and ensuring a work environment is adaptable to the needs of the diverse populations it wishes to attract and retain. Women, for example, are more likely to leave a company if it is not conducive to their needs.

In fact, 69% of women who depart an organization would have stayed at their current employer if it had a flexible work option. Millennials also value flexibility – 77% believe a flexible schedule would make them more productive while 39% report that their workday isn't conducive to exercise and healthy living. This may be why LinkedIn, according to its *Global Talent Trends 2019*

> " *I believe that inclusion is the antidote to complexity and the catalyst for innovation. Our ability to seek and value diverse perspectives enables us to better understand and navigate complex problems and create innovative ideas in every corner of our business.*
> *– Kirsten Hawley, SVP, Chief Human Resources and Corporate Communications Officer*

report, found a 24% increase in the number of people who consider flexible work arrangements to be an important factor when considering a new job. In addition to serving as a talent magnet, flexible work helps employers expand their talent pool to diverse talent, including people with disabilities, military spouses, caretakers, and residents of remote areas.

In the end, inclusion must be woven into the fabric of an organization if it wants to retain its diverse employees. As Harvard Business Review indicates, "Simply hiring members of a minority group won't ensure that they feel comfortable or equipped to build the relationship necessary for advancement. And as companies invest in mentorship and sponsorship programs, making these relationships flourish among workers of differing races may require special effort." It's a constant process that takes time, focus, commitment, and continued vigilance to get it right.

6 INCREASE AWARENESS & EDUCATION TO EXPAND THINKING & BUILD CAPABILITIES

D&I, even within this particular document, is often described as a journey or continuum. Yet, in actuality and in practice, it is an ongoing process that requires continuous awareness and constant attention. In fact, even the way we define

diversity changes as the experiences of underprivileged groups continue to evolve with societal movements and events.

Consider, for example, the concepts related to gender identity. In recent years, there's been an increase in understanding and awareness around gender identity and individuals who may not identify with the gender they were given at birth – an evolution that requires education and conversation, and creates opportunities for employers to evaluate the impact to their business, their workplaces, and, most importantly, their employees.

This means an unrelenting focus on increasing awareness and education throughout all parts of the business, for all employees, including those already committed to D&I efforts and outcomes, and those still struggling to understand their place in the conversation.

FLEXIBLE WORK WORKS

STUDIES SHOW FLEXIBILITY IS VALUED BY EMPLOYEES AT ALL LIFE STAGES & AGES

69%
Of women would have stayed at their employer if it had a flexible work option

24%
Increase of people who consider flexible work arrangements an important job factor

77%
Of Millennials believe a flexible schedule would make them more productive

39%
Of Millennials say their workday isn't conducive to exercise and healthy living

15 GENDER IDENTITY TERMS TO KNOW TO BUILD AN INCLUSIVE WORKPLACE

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GENDER IDENTIY — A person's lived experience of being a man, a women, or neither, or somewhere in between

GENDER EXPRESSION — The way a person expresses their gender externally (e.g. dress, hairstyle, and behavior)

SEXUAL ORIENTATION — The gender(s) someone is attracted to

QUEER — A catch-all term when discussing gender identities and sexualities other than straight and cisgender

CISGENDER — Describes people whose gender identity corresponds with their birth sex

CISHET — People who are both cisgender and heterosexual

NONBINARY — Umbrella term for people whose gender identity is neither solely male nor solely female

GENDERQUEER — People who identify as neither just male or just female, but as both, neither, or some combination

TRANSGENDER — An individual who has a gender identity that is not aligned with the sex they were assigned at birth

GENDER NONCOFORMING — Someone whose gender expression does not adhere to what is considered "normal" for their gender

GENDERFLUID — Someone who has a gender identity that isn't fixed but varies over time

INTERSEX — Umbrella term used to describe individuals whose biological sex varies in some way from our binary understanding of men's and women's bodies

AGENDER / GENDER NEUTRAL — Individuals who identify as not having a gender

GENDER QUESTIONING — When an individual explores their gender identity and considers how they want to express it

GENDER TRANSITION — Process by which a transgender person begins to live their life in a way that matches their gender identity, rather than their birth sex

Source: LinkedIn, May 20, 2019

It's important here to note that success will not come from simply adding more training, for individuals can sit in a conference room for days and still not change their behavior.

Instead, an organization must embed the principles of inclusion into every aspect of the business in a way that shifts thinking and enables change, holds leaders accountable, and encourages employees to engage productively with individuals whose experiences and mindsets are different than their own. It means leaders must have the self-awareness to honestly acknowledge their position on the D&I continuum, while committing to ongoing learning and growth.

To borrow the words of Michael Kimmel, whose words ring true for not just gender equality, about which he was speaking, but all aspects of diversity: "Equality is in the interest of countries, of companies... Equality is not a zero-sum game. It is not a win-lose. It is a win-win for everyone."

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"Diversity and inclusion is not a program with a beginning and an end. It is a business imperative that is critical to our future as an innovator."

– Brian L. Roberts, Chairman & CEO, Comcast

THREATS

1 LOW TURNOVER/SLOW GROWTH LIMITS DIVERSITY

An organization's ability to increase employee diversity is dependent on its ability to make adjustments to its workforce composition, which is driven by two primary factors: business growth and employee turnover. Because, quite simply, to add diverse talent to a workforce, you need open positions. To provide opportunities for internal movement, you need open positions. For organizations with slow growth rates and low turnover, it will take many years to make meaningful changes to workforce composition. Or, in other words, reaching representative parity among diverse populations will likely be a multigenerational effort that requires commitment, consistency, and patience.

2 POTENTIAL FOR BUSINESS DECLINE

The unpredictability of the beverage alcohol industry, which is currently plagued with the retaliatory tariffs placed on U.S. imports, including American Whiskey, by the European Union and other governments in response to U.S. taxes on imported steel and aluminium – creates a volatile, uncertain, complex, and ambiguous marketplace in which companies can experience dramatic shifts in business results from one year to the next. In this environment, organizations may struggle to retain (much less, increase) the resources needed for effective, consistent D&I initiatives. In addition, it could prove difficult to ensure continued focus on D&I as priorities shift and leaders direct all their energy to addressing the immediate business needs.

3 TALENT ACQUISITION

An organization's ability to recruit diverse talent is complicated by many factors, particularly for organizations like Brown-Forman. While there are some organizations that may attract more than their fair share of a particular labor market, this is not a realistic option for Brown-Forman.

With U.S unemployment rates and demand for diverse talent at an all-time high, talent acquisition partners are hearing anecdotes of employers that are willing to pay above-market salaries to recruit diverse talent into their organization. While Brown-Forman has had a premium-pay philosophy for all employees, it has not specifically used above-market salaries to attract diverse talent, which could be a disadvantage.

In addition, location can present a challenge in talent attraction. As a mid-sized U.S. city with few multinational organizations, Louisville, in particular, is not a preferred location for POC or female executives with a professional spouse or partner, though this isn't as much an issue for global locations or roles where remote work is possible. Certain populations (such as the LGBTQI+ community) may be averse to working in locations (i.e. countries, states, and even cities) where LGBTQI+ rights aren't as progressive with respect to laws or the court of public opinion.

4 WAR FOR TALENT

In April 2019, the U.S. jobless rate fell to 3.6%, its lowest level since December 1969. It is one data point for one month, in one market, yet it illustrates a key point in the global war for talent: A majority of people, at least in the U.S., are already participating in the labor market, creating a unique supply/demand dynamic.

As the war for talent rages on, employees and job candidates have more negotiating power than ever before. They are also equipped with more knowledge and more information than previous generations, thanks in large part to advances in technology that have given rise to the so-called "informed candidate."

Employers must find a way to break through the noise, to stand out from the competition, and convince qualified, diverse talent that their organization is the ideal place to build and grow a career.

5 GLOBAL WORKFORCE IS DIFFICULT TO REACH

While technology has increased our ability to communicate and collaborate across massive geographic barriers, there is still an inherent disadvantage to effectively reaching and communicating with a global workforce.

These communications barriers can stem from multiple factors such as employees working in remote locations or locations where popular forms of communication are blocked (e.g. Google in China, and LinkedIn in Russia), and employees working in production facilities with limited access to communications technology.

While there's no more effective medium than face-to-face communications, particularly for D&I topics that can often be personal, sensitive, and emotionally charged, this is not a feasible and realistic option for most global organizations. This includes Brown-Forman, which has 17% of its salaried workforce in a location with less than 25 colleagues. Ultimately this means they are significantly less likely to be able to participate in ERG events, interact directly with senior leaders, or have encounters with colleagues that think, act, and behave differently than they do.

Organizations must find a way to reach employees and engage them in D&I conversations, no matter how far they sit from corporate headquarters, how often they interact with senior leadership, or how "connected" they are to technology on a day-to-day basis.

6 POTENTIAL CONSUMER BACKLASH AGAINST D&I OBJECTIVES

As the 2018 Edelman Earned Brand report indicated, belief-driven buyers represent the majority of the population in markets around the world, spanning consumers of all generations and income levels. However, organizations must be careful to recognize that the beliefs themselves are not as uniform as buying habits, with a social issue often having an equal number of supporters and adversaries.

In this environment, often a company's internal posture and stated goals regarding key social issues will conflict directly with the beliefs and ideals of their core, consumer audience, thus forcing an organization to wrestle with the challenge of supporting its internal audience without alienating a critical consumer segment.

STRATEGIC DIRECTION

VISION

Create an environment where leveraging diversity and inclusion occurs naturally, giving us a sustainable marketplace advantage.

MISSION

We will **create an inclusive culture** that values diversity and encourages trust, openness, and mutual support so that **we can each bring our best self to work**.

We will **build high-performing teams** comprised of diverse skills, cultures, and experiences.

We will **demonstrate diversity and inclusion** leadership across our business and be recognized internally and externally as one of **the best places to work**.

MEASURING SUCCESS

With the depth and breadth of importance that D&I will have on Brown-Forman's future, it is critical the company establishes a method to gauge its progress. To do this, Brown-Forman will set aggressive, yet achievable, diversity and inclusion ambitions, and measure its progress towards these ambitions via a number of key performance indicators (KPIs).

2030 AMBITIONS

Given the internal and external D&I factors at play, Brown-Forman can achieve the following ambitions with a mindful and continuous focus on recruiting, retaining, and developing diverse talent:

1 *BY 2030, BROWN-FORMAN INTENDS TO HAVE A GENDER-BALANCED GLOBAL SALARIED WORKFORCE, WITH PARITY AT THE PROFESSIONAL AND LEADER LEVELS AND FEMALE GROWTH AT THE BUSINESS AND EXECUTIVE LEADER LEVELS*

Brown-Forman set a 2030 ambition that accounts for its current structure, historic statistics and forecasts for turnover, job creation, and advancement opportunities. By 2030 the company intends to grow global female representation at the senior leadership level, including Executive and Business Leaders, to **40%** from its current level of 34%. These increases represent a stretch for the organization, yet are still achievable.

Within this same period of time, Brown-Forman aims to have at least 50% of Professional- and Leader-level positions filled by female employees (with female global representation currently at 42% for Leaders and 52% for Professionals).

2 *BY 2030, BROWN-FORMAN INTENDS TO SUBSTANTIALLY INCREASE ITS RACIAL AND ETHNIC DIVERSITY*

Brown-Forman intends to increase its representation of all key racial and ethnic demographic groups at all management levels, with an increase in the U.S. from 16% to **25%**. It is important to note that ethnic demographics vary country by country, and in some cases it is difficult and/or against the law to obtain ethnicity data. Brown-Forman intends to set country-specific ethnicity ambitions (where legal) as data becomes available to ensure progress is made on a broader, global basis.

3 *BROWN-FORMAN WILL IDENTIFY AND ESTABLISH ADDITIONAL D&I AMBITIONS IN THE FUTURE, PARTICULARLY ON A COUNTRY/REGION SPECIFIC BASIS*

Recognizing that these ambitions only begin to touch the important areas encompassed by D&I, Brown-Forman will continue to add and track additional ambitions between FY20 and FY30. This may include broad ambitions or those particular to specific locations. For example, ambitions may expand within the U.S. to include groups such as generations, veteran status, or disabilities.

2030 B-F AMBITIONS

40%
Female Senior Leaders
B-F intends to grow global female representation at the senior leadership level

25%
People of Color
B-F intends to increase U.S. representation of key racial and ethnic groups at all management levels

> " *We've done a wonderful job increasing education and awareness for diversity and inclusion across the organization, and a lot of time talking and debating. It's time to take the next step.*
>
> – Lawson Whiting, President and CEO

KEY PERFORMANCE INDICATORS

Progress against Brown-Forman's D&I ambitions will be measured by a number of KPIs at varying frequencies. These KPIs will help determine the company's advancement along the D&I continuum, as well as help identify areas of opportunity, in a timely manner, for continued focus and growth.

2 *REPRESENTATION: COMPARING BROWN-FORMAN POPULATION TO THE TALENT POOL (ANNUALLY)*

- **Brown-Forman Population vs. Talent Pool:** Review employee demographics (gender and ethnicity, when possible) against the broader talent pool for each market to determine progress toward representation. The definition of talent pool may vary depending on the type of role and its location.

4 *INVESTMENT: MEASURING PAY TO ENSURE EQUAL PAY FOR EQUAL WORK (ANNUALLY)*

- **Global Competitive Benchmarking of Brown-Forman Jobs**: Review all jobs against the competitive external market to ensure roles are paid fairly both within the market and across Brown-Forman.

1 *POPULATION: MEASURING GENDER AND ETHNIC DIVERSITY (QUARTERLY)*

- **External Hires**: Review the demographics of individuals joining Brown-Forman.
- **Total Population**: Review total global population to compare against baseline.
- **Country Population**: Review for progress within each location. Reviews of ethnicity may be limited depending on availability (legal or otherwise) of data.

3 *PRESENCE: MEASURING THE GENDER & ETHNIC DIVERSITY OF MANAGEMENT LEVELS IN COUNTRIES THAT CAN BE MEASURED (BI-ANNUALLY)*

- **Management Level Representation**: Review gender and ethnic diversity of management levels.

5 *ENGAGEMENT: MEASURING EMPLOYEE COMMITMENT TO BROWN-FORMAN (AS AVAILABLE, BEGINNING FY20)*

- **Engagement + Enablement Surveys**: Review Brown-Forman engagement and enablement scores across all diversity metrics.

OTHER METRICS

Brown-Forman's Office of D&I has a number of additional metrics to ensure continued support of D&I within the company's business partnerships and the surrounding community

16%
Supplier Diversity
Percentage of suppliers that Brown-Forman aspires to be women and/or minority-owned businesses by 2030 in locations such as the U.S., the U.K., and Australia where the process is viewed through a governmental lens

10%
Community
Percentage of U.S. community outreach and contributions that Brown-Forman aspires to go to organizations that benefit diverse groups

STRATEGIC PRIORITIES

STRATEGIC IMPERATIVES

Armed with its deep knowledge of the trends impacting D&I – within the marketplace and workplace, for consumers and employees of all kinds – as well as the company's strengths, weaknesses, opportunities, and threats, Brown-Forman established six strategic imperatives that will enable the company to achieve its long-term D&I mission and vision. These imperatives are intended to serve as a global framework to guide the company's decisions and thinking at the highest level. Yet, as the framework is rolled out to Brown-Forman employees across the world, it must be customized to the local cultural and people needs.

1 BUILD & COMMUNICATE A RECOGNIZABLE D&I BRAND

In FY19, Brown-Forman experienced one of the most significant transitions in the company's recent history. It bid farewell to long-time Chairman, CEO, and D&I champion, Paul Varga, and

welcomed Lawson Whiting, 21-year company veteran and former EVP, Chief Operating Officer, to the role of Chairman and CEO on January 1, 2019. The transition prompted significant reorganization in many of the company's regions and functional groups, with the majority of the company's salaried employees experiencing a shift in role, team, or leader as a result.

With this transition as a backdrop, there is perhaps no greater time in the company's history for it to build and communicate a strong, recognizable, and global D&I brand, one that is intrinsically tied to the organization's overall corporate strategy.

To communicate this commitment, the ELT will embed the value of inclusion into the company's strategic themes alongside agility, simplicity, transparency, and empowerment. The theme will be included in all ELT-level communications whenever and wherever possible.

Brown-Forman must apply the same marketing and brand-building acumen for its D&I

brand as it does its global consumer brands, effectively communicating the brand to internal and external audiences, including current and potential employees.

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"Crafting a truly effective I&D strategy is no small effort, but the potential benefits of stronger business performance are well worth it."

– McKinsey & Company

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2 DEFINE & BUILD INCLUSIVE LEADERS

Most leaders are clear on the definition of diversity, it is the inclusion portion of the equation that they find most challenging. Many leaders need help creating an environment where team members can be

their best selves and feel valued for their unique talents and perspectives.

As a Medium article on D&I trends highlighted, "inclusion is now a requirement for being a good manager…[There is] a desperate need to fill the gap that exists in the traditional manager training approach, where essential managerial skills don't include skills to foster an inclusive work culture for their teams."

Leaders also need to understand that acknowledging their biases is one of the first steps in becoming a more self-aware, inclusive leader. Moreover, there is no shame in having biases, the key is addressing them, learning from them, and ensuring they don't interfere with business and people decisions.

Howard Ross, a global consultant focused on D&I and cultural competency, highlights this point when he said, "We've emphasized that bias is a bad thing as opposed to understanding it's normalcy."

Darlene Slaughter, the Chief People Officer, March of Dimes has said, "There's always a person that raises their hand at workshops and says, "I don't see colour." Well, I don't necessarily believe that. So now I have a trust issue with you. If I ask you what I am wearing, you certainly can see the colour of my clothes. So, what I need for you to

understand is that as a black woman, you can see my colour, and you can say that you see my colour, because it shapes the life experiences that I've had."

When addressing the value of healthy conversations around race specifically, Harvard Business Review pointed out, "when conversations about race occur within a larger investment in inclusion, those discussions gain a context that helps employees understand why they're valuable and where they fit into the overall business strategy. Cordoning off diversity and inclusion efforts in a single department signals those issues aren't priorities, making challenging

conversations easier to avoid." The article further suggests that instead of avoiding conversations about race (or other aspects of diversity), which can feel uncomfortable, leaders need to expect conflict, be open to learning and self-reflection, and recognize that personal and social identifies can influence workplace interactions.

The organization must communicate (and then reinforce) that inclusion is not an "optional" leadership skill, it is a requirement and baseline expectation of every leader across the organization, at every stage of his/her/their career. Brown-Forman will promote inclusion across its

workforce by building inclusion competencies in leaders. This begins by understanding and defining the skills and competencies expected, assessing leaders against these competencies, and building the required skills in established and developing leaders where gaps exist.

The Office of D&I must also strengthen its partnership with Brown-Forman HR teams in support of this objective. Together, they must build inclusion competencies into the criteria considered for internal promotions. They will build the organization's collective courage to resolve the internal resistance that still exists within the business. In addition, they must work together to ensure future regional and functional reorganizations are intentionally and purposely creating diverse teams.

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"The level of collective courage in an organization is the absolute best predictor of that organization's ability to be successful in terms of its culture, to develop leaders, and to meet its mission."

– Brené Brown, Dare to Lead

In Brown-Forman's effort to win the war for diverse talent, it will refine and enhance its talent acquisition and talent management practices so that it can continue to attract diverse employees who understand that Brown-Forman offers the culture, career opportunities, and total rewards needed to ensure every individual can grow and thrive. It must fully leverage its own global expansion to identify and mobilize diverse talent throughout the organization, opening them up to new career opportunities in different parts of the company, and the world. Through all of these actions, Brown-Forman must keep current and potential employees at the forefront, building an employer brand that will cement the company's position as an "employer *by* choice," not just an "employer *of* choice."

To do so, Brown-Forman will continue to build upon the foundation that GTA has developed. It will be critical to identify targets for both slates and hires with full transparency around progress by function/region.

To reach candidates who value D&I, Brown-Forman will need to further develop its "Brand Brown-Forman" and then update employer branding materials and social media channels to showcase the company's commitment to D&I.

To ensure that all candidates have a fair opportunity to be hired by Brown-Forman, it will look for every opportunity to remove bias from its processes, such as gender neutral job descriptions, blind resume screenings, and diverse candidate and interviewer slates. The company should also continue to ensure compliance and global adoption of unconscious bias training.

To expand its talent pool, Brown-Forman will reevaluate requirements for specific roles, such as previous industry experience or required relocation. It can also increase its investment in the Management Development Program with its distributor partner to bring more female POC into the beverage alcohol industry. Similarly, to increase educational opportunities for POC and female STEM students, the company could fund scholarships to colleges and universities that provide STEM-related degrees.

To communicate its efforts, Brown-Forman will also explore opportunities to increase its Glassdoor reviews related to D&I, as they are seen as much more credible than employer-generated content, including requesting anonymous, candid feedback during ERG events and via other D&I-driven communications platforms.

It can also build an employee advocacy program to capitalize on employees' social media networks (particularly on such platforms as LinkedIn), which collectively are ten times larger than that of a corporate brand and whose "shares" get double the click-through rates of corporate postings.

4 RETAIN PROPORTIONAL TALENT

It is not enough for Brown-Forman to get talent in the door, it must find a way to keep diverse individuals engaged and committed to the company and its strategic objectives. The business case simply requires it, as Fortune's research suggests, "the more consistently all people in an organization consider their workplace great, the more that company gets a leg up on rivals in areas including growth, retention and extra effort."

Brown-Forman will continue to build a supportive infrastructure for employees to successfully integrate work demands with their personal interests at all stages of their career journey. This may include developing programs, policies, and practices for employees from dual-career families, finding creative solutions for leaders with a professional spouse to take advantage of short-term and/or expat assignments, and facilitating connections between employees so that they can form smaller, more intimate networks to lean on for career support and guidance.

Brown-Forman will make a concerted effort to increase the representation of women and POC among its management levels with a multipronged approach. It will identify leadership teams where there is only one female or POC and then work the

manager to expand the team, or find other ways to add diverse perspectives. To increase the number of female and POC vice presidents, it will establish clear officer title criteria to ensure appropriate representation in Executive Leader roles and consider increasing the total number of vice president positions. It will also continue to look for ways to build leadership capabilities and experiences so that when positions open, women and POC have the skills necessary for the role.

While exit interviews have been a bit ad hoc in the past, Brown-Forman will develop a robust process to gather, analyze, and evaluate the reasons why employees have voluntarily left the organization, and then systematically address identified issues that are within the company's control.

5 LEVERAGE DATA & TECHNOLOGY TO MEASURE, INFORM, & INFLUENCE CHANGE

Brown-Forman must be transparent regarding its diversity objectives and ambitions, as well as reporting progress against its ambitions on a consistent, regular basis. There is, perhaps, no more important step to creating a more inclusive culture than sharing employee diversity numbers and ambitions.

This must be done globally, but also within each region and functional team. Additionally, information will be shared with ERG steering committees at the conclusion of each fiscal year to support their annual strategic planning process, and ensure everyone is utilizing the same data for communications and planning purposes.

As part of this effort, the Office of D&I must partner with HR's People Analytics and Master Data teams to build the tools, capabilities, processes, and workflow to accurately report on the company's workforce, ensure compliance with our people data policy, and ultimately, safeguard the integrity and privacy of individual and aggregate data.

To assist with the collection, maintenance, and integrity of people data, Brown-Forman will increase efforts to obtain employee gender and ethnicity everywhere permitted by law. It will also seek to modify internal systems to allow for transgender and non-binary gender identification.

6 BUILD LEADER & ORGANIZATIONAL ACCOUNTABILITY INTO EXISTING SYSTEMS & PROCESSES

Finally, Brown-Forman will build accountability into its existing systems and processes so that all individual contributors and leaders are responsible for building an inclusive environment where diversity is celebrated and cultivated. This includes such activities as building quantitative D&I objectives into the annual Performance and Growth Planning process for every Executive Leader, Business Leader, and Leader, and qualitative inclusion objectives for every Professional. To ensure success, it will also conduct regular reviews of regional and functional groups to measure progress against the stated short-and long-term diversity objectives, similar to any other business goals. This will require ELT members to partner with their respective HR Business Partners and the Office of D&I to understand the detailed needs, and progress, of their organizations.

Taking it a step further, Brown-Forman will look for ways to establish accountability, not only internally but externally as well, evaluating such options as the Bloomberg Gender-Equality Index, CEO Action for Diversity and Inclusion, Catalyst's CEO Champions for Change, EDGE Certification, and The United Nations Global LGBTI Standards of Conduct for Business.

STRATEGIC INITIATIVES

To achieve the established, long-term strategic imperatives, the most critical initiatives for the next two fiscal years are as follows:

Build & Communicate a Recognizable D&I Brand

- Create and launch a communications plan for Many Spirits, One Brown-Forman: Diversity & Inclusion Strategy 2030 – Gender & Race Edition.
- Embed D&I more clearly into B-F Values.
- Engage the Brown-Forman Global Brands and Corporate Communications organizations to drive the development of the Brown-Forman D&I brand.
- Reevaluate existing D&I mission and vision statements for potential revisions that better integrate Brown-Forman's business strategy.

Define & Build Inclusive Leaders

- Define what it means to be an inclusive leader at Brown-Forman; determining the competencies and metrics required to measure individual success.
- Reassess all current leadership and development programs to ensure that inclusion competencies play a meaningful role in program design.
- Develop learning curriculum for key inclusion competencies outside existing leadership development programs (e.g. emotional maturity, active listening, conflict resolution, etc.).
- Build inclusion competencies into performance reviews, promotion criteria, and officer nominations.
- Increase % of employees participating in cross-functional, cross-border, or cross-market assignments, thus expanding their exposure to different ways of working and thinking.
- Increase participation of middle managers in D&I initiatives, including ERG steering committees, D&I councils, and the like.

Win the War for Diverse Talent

- Set and track annual diversity slate and hiring metrics by function/region.
- Build a stronger corporate brand – "Brand Brown-Forman" – that appeals to candidates who value D&I; leverage branding materials and social media to showcase D&I commitment.
- Reduce bias in the talent acquisition process by ensuring that hiring processes are neutral and all interviewers have attended a program that minimizes bias and improves hiring decisions.
- Expand talent pool by reevaluating specific role requirements, investing in local feeder programs, as relevant to local needs.

Retain Proportional Talent

- Continue to assess total rewards programs to ensure a supportive infrastructure for all employees at every stage of their career journey.
- Refine promotion and development processes to ensure that women and POC have the skills necessary to move to senior leadership roles.
- Develop a robust exit interview process to better understand voluntary departures; subsequently develop retention solutions that address identified gaps.

Leverage Data & Technology to Measure, Inform, & Influence Change

- Set, track, and communicate diversity ambitions by function/region.
- Identify markets where tracking ethnicity data is legal and begin the collection process.
- Develop bi-annual reporting system for all employees to see progress against diversity ambitions.

Build Leader & Organizational Accountability into Existing Systems & Processes

- Build D&I objectives into the annual Performance and Growth Planning process for every people leader.
- Build D&I objectives into the annual Performance and Growth Planning process for every Professional.
- Conduct regular reviews of regional/functional groups to measure progress against stated short- and long-term D&I objectives.

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"As a global society, we all need to recognize that every person counts. That all people deserve and can have a great experience at work. And that when they do, there's a ripple effect—as those employees leave good days on the job to be better parents, community members, citizens."

– Fortune

APPENDIX

THANK YOU

A work of this magnitude could not have been possible without the dedication, energy, creative ideas, passion, and support of Brown-Forman employees across the world. Developing *Many Spirits, One Brown-Forman* has truly been a collaborative effort that showcased the best of our company and the importance of our core values.

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– Ralph, Kirsten, and Chris

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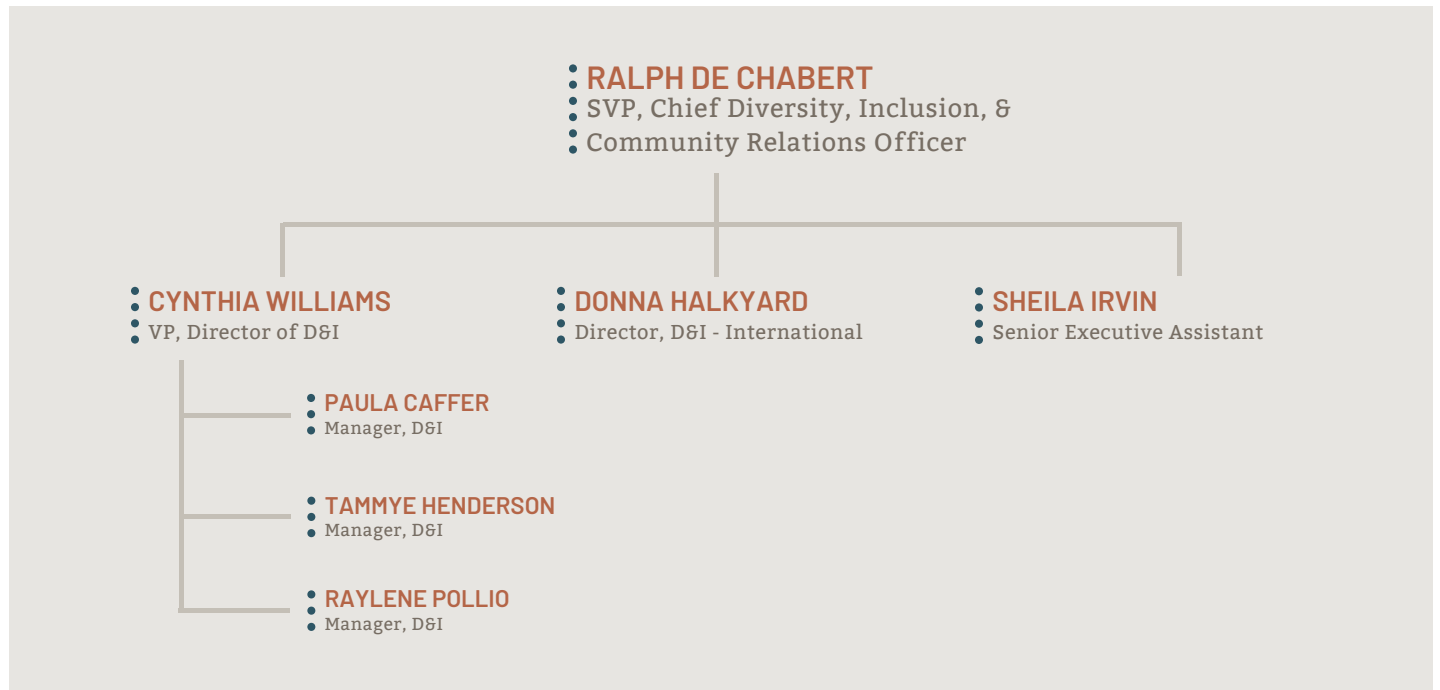
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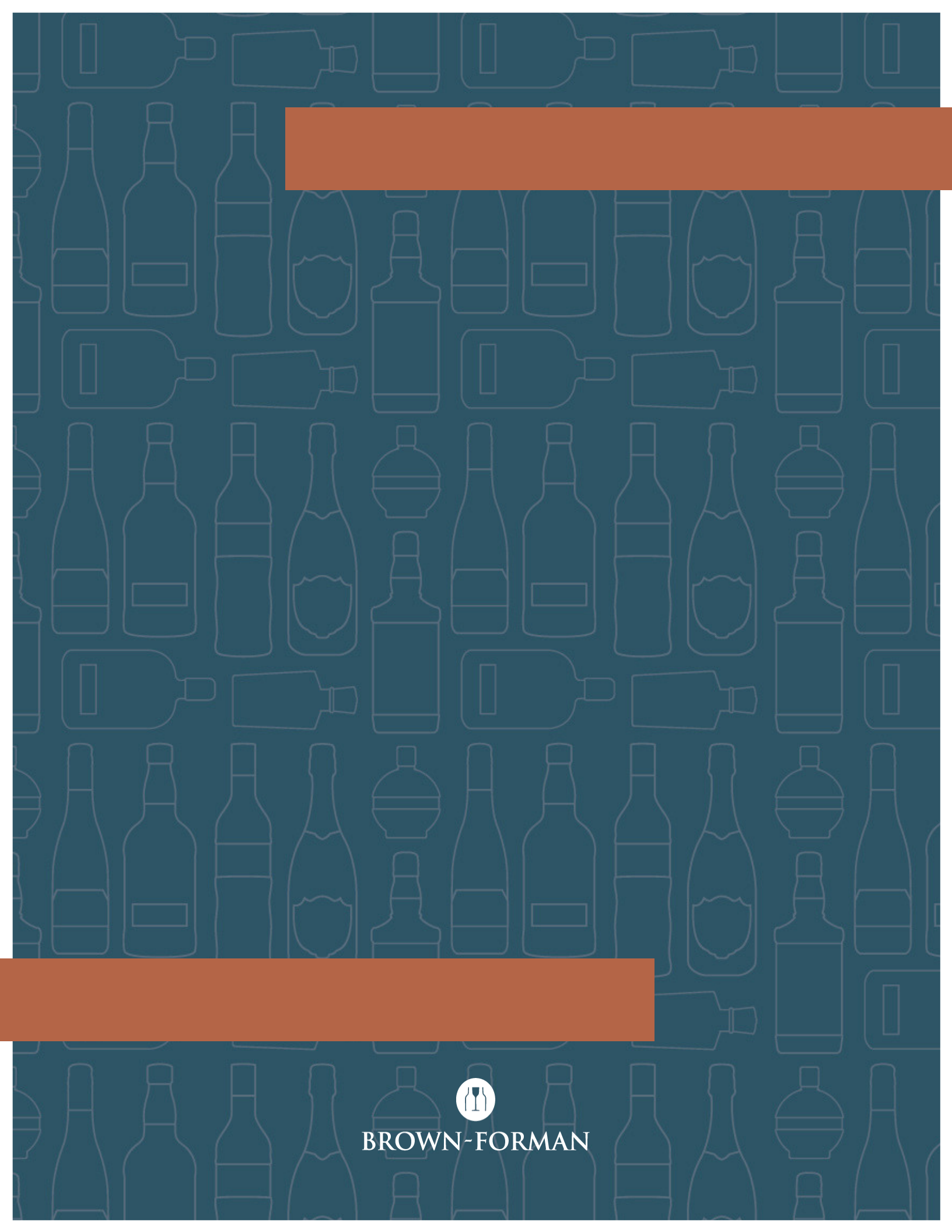
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