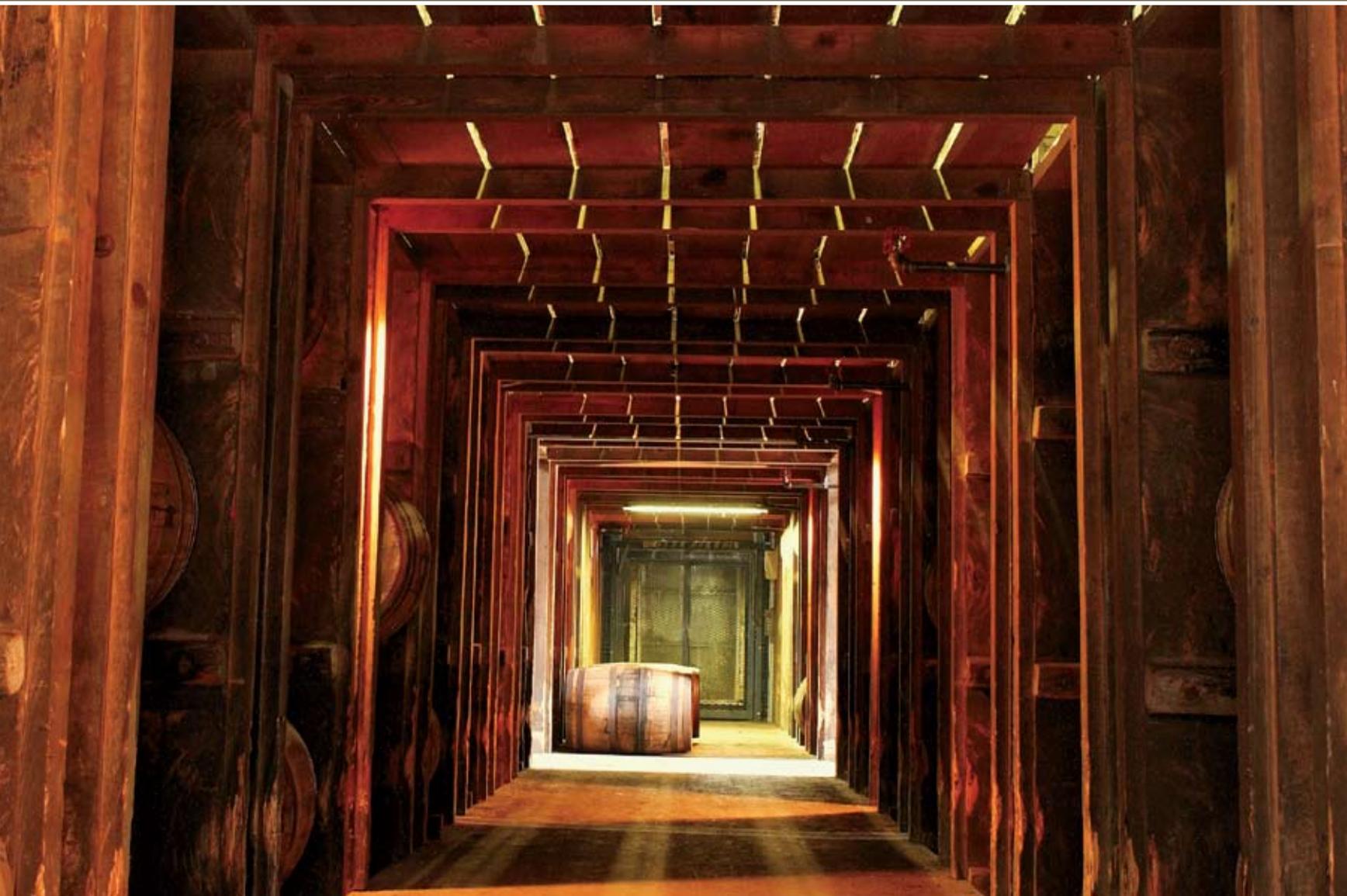


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# OUR LONG-TERM PERSPECTIVE

BROWN-FORMAN CORPORATE RESPONSIBILITY REPORT

2007-2008



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**ABOUT THIS REPORT** This report describes the corporate responsibility efforts undertaken by Brown-Forman owned entities and its many individual brands. • It does not include data or policies related to Casa Herradura. In January 2007, Brown-Forman acquired substantially all of the assets of Casa Herradura (Grupo Industrial Herradura, S.A. de C.V.). We chose not to include data related to Casa Herradura in this report because the acquisition occurred near the end of our fiscal year. • Unless otherwise noted, data are for our fiscal year 2007, which ended April 30, 2007. • Financial data is shown in U.S. dollars. • Our primary intended audiences for this report are our employees, shareholders, and stakeholders who have a particular interest in our company or industry. We have aimed for ease of reading, in the hopes that these audiences will take the time to review this report, learn about us, and offer their feedback and ideas as we move forward.

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# A LONG-TERM PERSPECTIVE?

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A TOUCHSTONE OF WORKING AT BROWN-FORMAN IS THE BELIEF THAT OUR COMPANY HAS THRIVED BECAUSE OF OUR LONG-TERM PERSPECTIVE.

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We believe it has helped us grow for more than a century—137 years and counting. The refrain from management is constant: We make our decisions based on a long-term perspective. An “*unusually* long-term perspective” is how our CEO puts it.

**It is quite different when we see it in question form.** The question mark forces us to admit that the expression may sometimes be less a statement of fact than a challenge. It adds a bit of humility and suggests that we have a way to go before we can claim to have a genuinely long-term perspective in all areas of our business.

The work of corporate responsibility pushes us in this direction. It demands that we expand our focus to consider our impacts, far and wide. It pushes us to include the current and future prospects of others in decisions that we make. Yes, we take pride in building the lasting value

of our brands, but what about the long-term needs of the communities in which we operate? Are we considering, on a consistent basis, how our actions affect the health of our natural resources? Do we fully consider the effects, both positive and negative, that our products might have on our customers and society? Are we enhancing the life experiences of our employees? We begin to see that the question may be more appropriate than the statement. We begin to see that there is much more we can learn about how our business affects others.

So we ask the question: What does it really take, in the 21st century, to run a company with a long-term perspective? We ask it of ourselves, and we ask it of others. This report does not pretend to answer the question. It does, however, accept its legitimacy. And, it accepts the question as our challenge.

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# WELCOME

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IT IS MY PERSONAL RESPONSIBILITY, AND HONOR, TO WELCOME YOU TO BROWN-FORMAN'S FIRST CORPORATE RESPONSIBILITY REPORT.

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2 **W**ith this report, we add a more formal reporting dimension to a process that has been ongoing at Brown-Forman for years. As a company that has been led for much of its history by members of the Brown family, we've taken a familial approach to responsibility issues. We've worked hard to make a difference in our community, show respect for our consumers, treat our employees and business partners well, and protect the integrity of our brands, which includes what we term the "Brown-Forman brand."

Most families don't have formal policies to identify or track their sense of responsibility. They typically just live by their strong sense of values. It should be no surprise that many family companies have the same tendency—to act responsibly because they're guided by their values and less by a well-conceived "master plan." That has been the case with Brown-Forman. It's time, though, for us to begin to more clearly articulate our views and our aspirations. In doing so, we hope to communicate better and motivate ourselves and others to act with a heightened sense of responsibility.

I'm proud that we have a strong foundation from which we can write our first report. We have long been concerned about social, environmental, civic, financial, and personal responsibility issues. Our company has, for decades, been a leader in moving our industry toward more responsible positions and behavior. We've been open to changes and have helped others see the value of change as well. Many of our brands, production operations, and people have shown consistent excellence on environmental and social issues, even if they've done so rather quietly.

Discussing responsibility, in writing, has been both exciting and challenging for us. Writing this report helps us both celebrate progress and realize how much important work there still is to do. Just as with our fine Brown-Forman brands, I'm quite pleased with the progress we're making on corporate responsibility, while also believing that our best work and best days are still ahead of us.

Our company's overarching purpose is to *"Enrich the experience of life, in our own way, by responsibly building beverage alcohol brands that will thrive and endure for generations."* This enrichment of life depends on responsible consumption and behavior. We want society to enjoy the benefits that can be derived from the responsible use of our products, while avoiding the widely known harms that

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# MOST FAMILIES DON'T HAVE FORMAL POLICIES TO IDENTIFY OR TRACK THEIR SENSE OF RESPONSIBILITY.

THEY TYPICALLY JUST LIVE BY THEIR STRONG SENSE OF VALUES. IT SHOULD BE NO SURPRISE THAT MANY FAMILY COMPANIES HAVE THE SAME TENDENCY—TO ACT RESPONSIBLY BECAUSE THEY'RE GUIDED BY THEIR VALUES AND LESS BY A WELL-CONCEIVED "MASTER PLAN." IT'S TIME, THOUGH, FOR US TO BEGIN TO MORE CLEARLY ARTICULATE OUR VIEWS AND OUR ASPIRATIONS.

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can occur from irresponsible use. This is a delicate balancing act and something that will be with us forever, but we accept the challenge as part of our commitment to responsibility.

In order to pursue our lofty ambitions, we will need two things—more information and more leadership. We need to understand very well the problems (and benefits) associated with alcohol consumption in order to develop informed, balanced viewpoints. Once we have digested the right information in the right way, we will be better prepared to assert ourselves, hopefully in unison with other parties bringing a similarly balanced approach. When required, however, we will need the courage to act on our own.

It's natural for an industry that is heavily regulated (and that once endured a U.S. prohibition on the marketing and sale of its products) to have a somewhat defensive reflex. And to some extent, we will always be required to defend ourselves. However, as we bring the same creativity and energy to the broad topic of responsibility that we deploy in building our brands around the world, we can



PAUL VARGA, President and Chief Executive Officer

dramatically improve our pursuit of enrichment.

This report doesn't put us on an entirely new path. Rather, it gives us a means of traversing a path identified by my predecessor, Owsley Brown II. In his career spanning four decades, Owsley showed great skill in helping us see the balance between our responsibilities to shareholders and our responsibilities to the world around us. He did so with a powerful

ability to enable us to think broadly. He helped us see that responsibility, while not having its own separate line on a P&L statement, still very much helps the bottom line. In doing so, he made the business case for corporate responsibility. As he retires as Chairman, we hope this report, and its aspirations, will honor and enhance his legacy.

Sincerely,

A handwritten signature in dark ink that reads "Paul C. Varga". The signature is written in a cursive, slightly stylized font.

Paul Varga

KEY STATISTICS

FOUNDED:

1870

HEADQUARTERS:

Louisville, Kentucky, USA

EMPLOYEES:

4,438 as of April 30, 2007  
(includes Casa Herradura)

TOP 5 EMPLOYEE LOCATIONS:

United States, Mexico, Australia,  
China, Poland

TOP 5 BRANDS BY VOLUME:

Jack Daniel's, Southern Comfort, Finlandia,  
Fetzer Valley Oaks, Canadian Mist

TOP 5 MARKETS BY VOLUME:

United States, United Kingdom, Australia,  
Poland, Germany

DEPLETIONS:

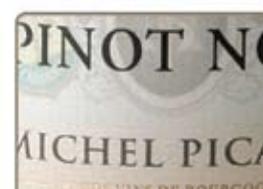
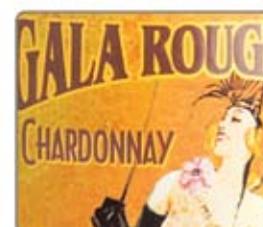
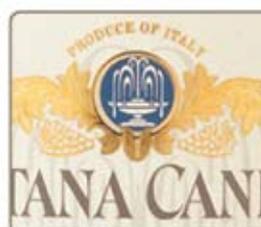
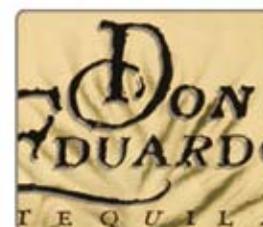
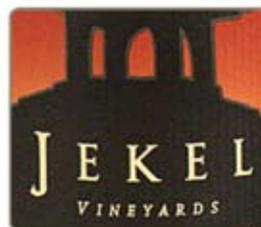
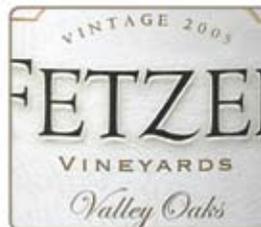
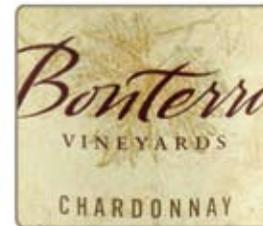
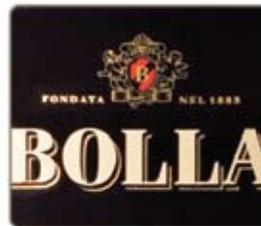
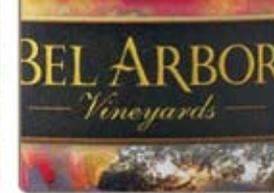
Over 30 million 9-Liter cases worldwide

SIZE:

Brown-Forman is one of the 10 largest  
spirits companies in the world

FISCAL YEAR 07 NET SALES:

\$2.8 billion

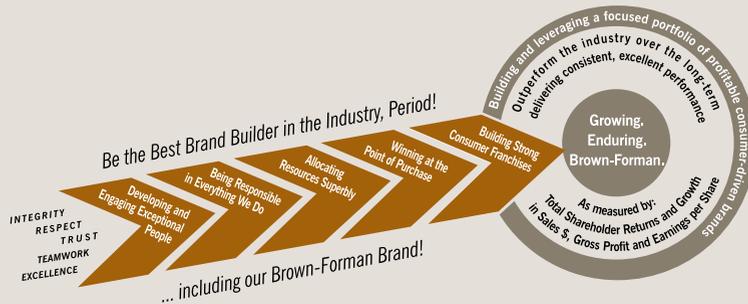


# BROWN-FORMAN

IS A DIVERSIFIED PRODUCER OF FINE QUALITY BEVERAGE ALCOHOL BRANDS AND PRODUCTS. WE WERE FOUNDED IN 1870 BY GEORGE GARVIN BROWN. HIS ORIGINAL BRAND, OLD FORESTER KENTUCKY STRAIGHT BOURBON WHISKY, WAS AMERICA'S FIRST BOTTLED BOURBON. THAT BRAND HAS REMAINED STRONG, AND IS NOW ONE OF MORE THAN 35 BRANDS IN OUR PORTFOLIO.

**OUR PURPOSE** is to enrich the experience of life, in our own way, by responsibly building beverage alcohol brands that thrive and endure for generations.

**THE BROWN-FORMAN ARROW** visually captures our overarching objectives, the five strategic imperatives to reach them, and the values that guide our efforts. As this illustrates, **Being Responsible in Everything We Do** is critical to our success.



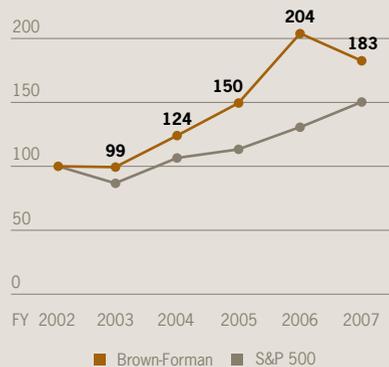
## FINANCIAL HIGHLIGHTS

**REPORTED EARNINGS PER SHARE**  
[Dollars]



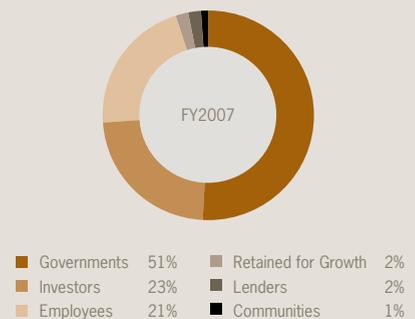
In FY07, diluted earnings per share reached a record \$3.22, growing 11% after adjusting for timing-related and certain other items.

**TOTAL SHAREHOLDER RETURN vs. INDEX**  
[Dollars]

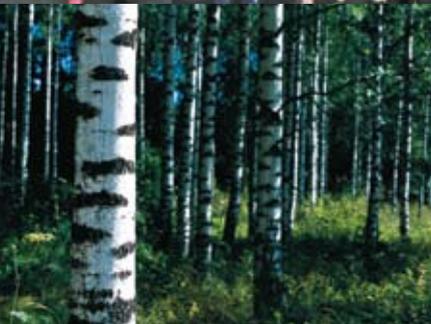
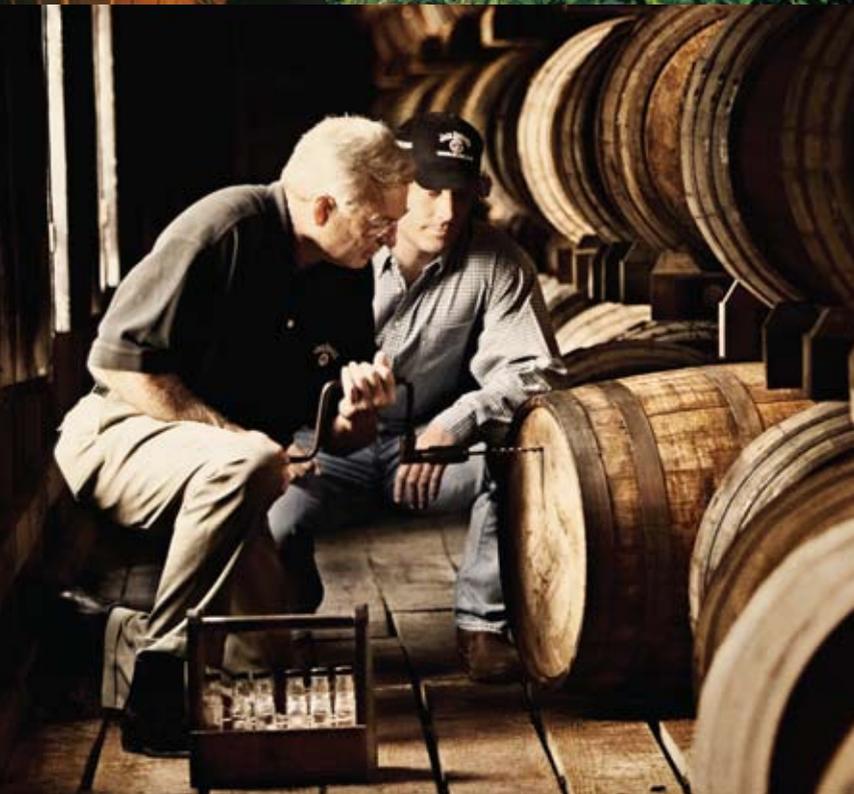


\$100 invested on 4/30/02 in stock or index, including reinvestment of dividends.

**DISTRIBUTION OF CASH VALUE ADDED**  
[Percentage of total cash value added]



Brown-Forman adds value to the goods and services bought from suppliers, and in turn, this wealth creation is distributed to key stakeholder groups.



# A SENSE OF SCALE

## GAUGING OUR GREATEST IMPACTS

OUR CORPORATE RESPONSIBILITY COMMITMENT ENCOMPASSES ENVIRONMENTAL, SOCIAL, CIVIC, FINANCIAL, AND PERSONAL RESPONSIBILITIES. WHILE OUR STRATEGIC IMPERATIVE, “BEING RESPONSIBLE IN EVERYTHING WE DO” IS BROAD IN SCOPE, WE ARE CONCENTRATING OUR ATTENTION ON OUR MOST CRITICAL IMPACTS, BOTH POSITIVE AND NEGATIVE, ACROSS OUR BUSINESS. THIS COMBINATION OF SEEING THE BIG PICTURE AND FOCUSING ON SEVERAL MAJOR AREAS WILL GUIDE AND DEFINE OUR EFFORTS GOING FORWARD.

### SOCIAL ISSUES RELATED TO THE MARKETING & USE OF OUR PRODUCTS

Our most significant impacts, unique to our industry, lie in the marketing and use of our brands. Misuse and abuse of our products—be it underage drinking, binge drinking, drunk driving, or alcoholism—can cause great harm.

These issues speak to the very core of our business and our contract with society. They require us to look critically at our marketing approach, our interaction with customers, and our commitment to be part of the solution to the problems of beverage alcohol abuse.

Read more about this important priority in the **Alcohol and Society section** starting on **page 9**.

### ENVIRONMENTAL ISSUES ACROSS THE PRODUCT LIFECYCLE

We rely on natural resources for our essential product ingredients, and our business operations, in turn, have an effect on nature. An assessment of our efforts to reduce our environmental footprint begins on **page 25**.

We organize our work under the umbrella of our internal brand CORE. While we have a small corporate responsibility department, our commitment comes to life through the efforts of many dedicated champions and leaders across all areas of the company.



### OUR RELATIONSHIP WITH EMPLOYEES & THE COMMUNITY

We have considerable impacts on the lives of our employees and in the communities in which we do business. Our **Employees section** starts on **page 39**; the **Community section** begins on **page 45**.

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# { PERSPECTIVE } { JEAN COUSSINS }

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If a company is to focus on the long term, it should know that corporate responsibility is not something to be added on, or considered only when the company is having a successful run. Rather, the company should view it as one of the key drivers to success in the first place.

Brown-Forman has shown it understands this, and has a grasp of the key issues. My hope is that they will demonstrate not just mastery of the vocabulary, but of the practices.

Corporate responsibility means taking action at three different levels.

At the corporate level, the company must do more than have the processes and procedures in place to ensure compliance with regulation, though these are essential early steps. It must have goals and metrics that will push it well beyond compliance. And, the company's governance interests must include expertise in responsibility issues.



**JEAN COUSSINS**, independent consultant on corporate responsibility and a non-party-political Peer in the House of Lords. She was formerly CEO of The Portman Group in the U.K.

At the brand level, there is considerable work to be done, particularly in an industry in which the major impacts involve product use. Brands are how consumers are engaged, and they can help shape consumer expectations. Responsible marketing and sales are essential for long-term responsibility.

There is also an external level. The company's performance must be visible and acknowledged by external stakeholders. This is how we know if the company is making genuine progress

toward sector leadership. This requires a real commitment to transparency and engagement. I think that will be a challenge for Brown-Forman, but one I hope they will embrace.

I'll add one final point. Many companies assume corporate responsibility means applying self-restraint, and some of that is required, of course. But a much more imaginative approach is through innovation. Innovating one's way to corporate responsibility is by far the best path to building long-term sustainability.

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# ALCOHOL & SOCIETY

WE ARE PROUD OF THE PRODUCTS IN OUR PORTFOLIO. OUR BRANDS OF BEVERAGE ALCOHOL HAVE STOOD THE TEST OF TIME. THEY ARE AN IMPORTANT PART OF THE FABRIC OF SOCIETY—RESPONSIBLE USE BRINGS BENEFIT, IRRESPONSIBLE USE CAUSES HARM. WE AND OUR CONSUMERS SHARE JOINT RESPONSIBILITY IN THIS RELATIONSHIP.

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**O**ur spirits and wines often mark important occasions—friends celebrating, a distant traveler returning home, a business deal closing. They often accompany great meals—in the finest restaurants or a family’s crowded kitchen. They can facilitate a quiet respite, when a couple sits back on the couch or porch to recount to one another the details of a long day. They can offer a *grateful pause from tension*—a phrase Jack Daniel’s used back in 1955. There are very real social and psychological benefits that come with the responsible use of our brands.

Society is also beginning to more clearly recognize the potential health benefits that are linked with responsible consumption of beverage alcohol. Studies have demonstrated that moderate drinking reduces the risk of heart disease. Others, including one published in the *Journal of American Public Health*, show lower levels of acute hospitalizations among daily moderate drinkers, and a link between moderate alcohol consumption and the highest scores on “predictors of good health.” There is growing recognition that moderate alcohol consumption can be a component of a healthy lifestyle.

While the overwhelming majority of our customers consume alcohol responsibly, there are those who misuse alcohol and those who should not consume it at all. In these cases, the negative impacts to individuals and society

are high. A National Institutes of Health study, most recently conducted in 2001-2002, show 3.81% of Americans were alcohol dependent—or were alcoholics. The same study indicated another 4.65% of Americans abused alcohol, meaning their drinking can interfere with work or relationships, or they drink in hazardous situations. In the European Union, many have expressed concern about a rise in binge drinking.

The percentage of people who abuse or depend on alcohol are not the only ones affected. Families, co-workers, even complete strangers can feel the brunt of misuse and abuse. Sometimes, those impacts are both sudden and permanent. According to the National Highway Traffic Safety Administration, more than 17,500 people died in alcohol-related traffic fatalities in the U.S. in 2005, representing 40% of the total fatalities on its roadways. While this is a 31% drop in alcohol-related traffic fatalities since this data was first collected in 1982, it is still too high. Every drunk driving death is preventable.

There is much to consider. Our brands can help people enrich and enjoy life. They can also be misused and abused in ways that damage or end a life. Those who consume our products have a responsibility to do so wisely, as is the case with many products that have inherent benefits as well as risks. But, we too have significant responsibilities. Broadly, at Brown-Forman, these fall into two categories.



**RESPONSIBLE CONSUMPTION** of beverage alcohol can enrich life. Over-consumption drains it.

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The first is **responsible marketing**. We respect the decision of those who choose not to drink, and we do not want these individuals as customers. Nor do we want those under the legal drinking age as customers. We also care about our customers and want to help give them the ability to make sound personal decisions about beverage alcohol and encourage them to drink responsibly. This involves continually assessing the content and placement of our marketing materials. There is also an opportunity to **market responsibility** by using the influence of our marketing and advertising messages to promote and educate about responsible consumption. This is not only the right thing to do as concerned parents, friends, and citizens, it is also a means to create a stronger and more enduring company and brands. While the responsible marketing and selling of beverage alcohol equally involves other key players—including distributors, retail stores, bars, and restaurants—it involves steps we can take on our own, and we must lead by example.

The second is **addressing the harmful effects**. We are committed to working on our own and joining with others in proactive programs to reduce the abuse of alcohol and the resulting harm. We have much work ahead to increase

our own knowledge and understanding in this area and to determine the most effective ways that Brown-Forman can make a difference. There are many critical issues where we need to play a constructive role, to be sure, including underage drinking, drunk driving, alcoholism, binge drinking, fetal alcohol syndrome, and alcohol-related violence. In the near term, however, we have narrowed the list to identify specific issue areas where we, working on our own or with partners, can make a positive difference. **We have chosen to focus on underage drinking and drunk driving as the primary targets for Brown-Forman's efforts related to alcohol and society.**

Our efforts are focused here, because, in large part underage drinking involves a vulnerable population and drunk driving impacts innocent victims. The victims of drunk drivers do not choose their fate. Many young people simply are not prepared to make sound choices about alcohol. Even though the rate of underage drinking is on the decline in many places, any underage drinking is too much, and those who do drink often do so in ways or situations that cause harm to themselves or those around them. Emerging research on the negative effects of alcohol on the growth and development of adolescent brains also is cause for concern.

# MARKETING & SELLING BEVERAGE ALCOHOL

There has been a significant shift in the nature of criticism about beverage alcohol and our industry over recent decades. Traditionally, those opposed to alcohol consumption focused on the product itself, suggesting it was an inherently bad product. In most cases, the focus today is much more likely to be about the way in which alcohol is marketed and sold. In other cases, such as flavored malt beverages (FMBs) or so-called “alcopops,” the criticism still centers on the product itself.

We take this shift seriously, respect these opinions, and believe that a focus on improving marketing practices is important. **We agree on a fundamental goal: eliminating the irresponsible marketing of beverage alcohol.** We pursue this goal by devoting our resources to responsible marketing and within the context of partnership organizations.

In our largest market, the Distilled Spirits Council of the United States (DISCUS), a national trade association representing nearly 80% of all distilled spirit brands sold in the U.S., has a voluntary Code of Responsible Practices for Beverage Alcohol Advertising and Marketing.

In the U.S., the Beer Institute and The Wine Institute are separate trade associations and both have their own Codes of Responsibility. There are also codes in other major markets. For example, in Europe there is the European Forum for Responsible Drinking Common Standards on Commercial Communications, endorsed by the European Spirits Association (CEPS), and in the U.K., the Portman Group has its Code of Practice.

With the DISCUS Code, a Code Review Board provides a mechanism for any complaints or inquiries regarding all advertising and marketing materials that are subject to the Code. The results of this review are made available to the public on a semi-annual basis.

Some critics suggest that these self-regulation mechanisms evoke the proverbial fox guarding the henhouse: Why trust beverage alcohol companies to accurately gauge compliance with their own codes of conduct? The U.S. Federal Trade Commission (FTC) suggests that self-regulation is working. The most recent FTC study on the issue, conducted in 2003, showed “significant improvement in standards for the placement of alcohol

## THERE IS AN OPPORTUNITY TO MARKET RESPONSIBILITY BY USING THE INFLUENCE OF OUR MARKETING AND ADVERTISING MESSAGES TO PROMOTE AND EDUCATE ABOUT RESPONSIBLE CONSUMPTION.

ads, as well as improvement in the adoption of external advertising review mechanisms.”

Since 1999, we have adhered to The Brown-Forman Marketing, Advertising, and Promotional Policy, which covers all of the provisions in the DISCUS and Wine Institute Codes and goes above and beyond them in key ways. Many of these provisions are noted below. (Brown-Forman’s policy can be found at [www.brown-forman.com/responsibility](http://www.brown-forman.com/responsibility).) We educate our employees on our policy, as well as train third parties involved in our business, such as creative agencies and distributor partners.

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In order for marketing to be responsible, it must have both responsible content in and of itself, and also be responsibly placed—with sensitivity to audience demographics. Our policy, as well as external codes to which we adhere, have provisions intended to do both. Some of the highlights of these codes are the following:

Responsible marketing isn’t just about advertising. It often involves promotional events. For three years, Finlandia Vodka has invited guests from all over the world to the Finnish Lapland to celebrate the midnight sun, when the sun doesn’t set for 73 nights.



### ADVERTISING PLACEMENT: RESTRICTING ACCESS TO THE UNDERAGE

- Ads should not be directed to appeal primarily to persons below the legal drinking age (LDA).
- Broadcast, cable, radio, and print communications should be placed only where at least 70% of the audience is reasonably expected to be above the LDA, determined by using reliable, up-to-date audience composition data.
- At Brown-Forman, to facilitate these placement commitments, recognized electronic and print composition data is reviewed on a regular basis to ensure that the audience composition data are current and appropriate.

The Brown-Forman policy is applicable in every country in which we do business, regardless of whether that country has voluntary industry or government advertising regulations. For example, in a country with no legal drinking age, or an LDA below 18, we target our marketing at ages 18 and above. The U.S. is one of only a few countries with a legal drinking age of 21.

In 2006, we took an independent stand on advertising placement, committing to plan our media placements to deliver total impressions at an average of at least 80% LDA (see Ad Placements on page 16).

An area of particular challenge going forward is marketing, advertising, and promoting our brands over the Internet. While Web sites request the age of visitors and deny access to those who enter birthdates under the legal drinking age, this is an area that presents unique technological challenges and there are no easy answers. We acknowledge the need to work with others to find better solutions. In the meantime, we will continue to design our web content to appeal to those LDA and above.



## PACE YOURSELF

### MARKETING RESPONSIBLE DRINKING

In 2004, Jack Daniel's teamed up with Richard Childress Racing to sponsor the Jack Daniel's Racing Team. Today, Clint Bowyer drives the No. 07 Chevrolet Impala SS.

Critics have suggested that anything showing cars and a spirit's brand on the same television screen encouraged the mingling of drinking and driving.

We take a different view, and see NASCAR as a highly effective vehicle to promote responsible consumption. It brings together the power of the Jack Daniel's brand with our desire to raise awareness about drinking

responsibly. We believe there is great value in using our most powerful brand to market and promote a responsibility message to millions of NASCAR fans: **Pace Yourself, Drink Responsibly.**

There is evidence that our NASCAR presence has had the desired impact. For example, in our annual tracking survey of NASCAR fans, we found that Jack Daniel's leads all spirit brands in consumer perception as a brand that "encourages responsible drinking." This message stays with consumers and is second in recall only to the well established fact



that the whiskey is made in Lynchburg, Tennessee.

Additionally, at racetracks, sponsors customarily have large event areas where they sell their team's merchandise. We were the first to require that the Jack Daniel's team merchandise be limited to those 21 years of age or older. Brewers have followed our lead.



Responsibility messages are not an afterthought.  
The best ones are central to our brand campaigns.

#### RESPONSIBLE CONTENT: APPROPRIATE MESSAGES

- Ads should not feature children, cartoon figures, or anything that appeals primarily to persons below the LDA.
- There should be no suggestion that alcohol use represents a “rite of passage” to adulthood.
- There should be no suggestion that drinking alcohol is a means to attain success.
- Ads should not depict situations in which beverage alcohol is consumed excessively or irresponsibly.
- Models and actors employed must be a minimum of 25 years old.
- There should be prominent responsibility statements in all advertising initiatives.

In addition, we have added provisions for “shots,” recognizing that the consumption of beverage alcohol in shot form warranted clearer definitions of how or when these drinks might be referenced in advertisements or promotions.

Our strongest responsibility messages are those that are unique to the brand and speak with the brand’s voice and image. For example:

*“Keep your judgment pure. Drink responsibly.”*

—Finlandia

*“Drink it, love it, know when to stop.”*

—Virgin Vines

*“The best Times are enjoyed responsibly.”*

—Early Times

*“We make our wine responsibly, please enjoy it responsibly.”*

—Fetzer

*“Please be as mature as our Estate Rums. Drink responsibly.”*

—Appleton Estate

*“Responsible drinking is always in style.”*

—Little Black Dress

*“Celebrate responsibly.”*

—Korbel

The intent here is to show consumers that these messages are not separate from our brands, but are central to them. In the best cases, as we have done with Jack Daniel’s, these messages form the entire basis of the ad. However, we recognize the need and opportunity to educate our consumers on the meaning of responsible drinking.



To make it very clear that Jack Daniel's Country Cocktails are not oriented to those under the legal drinking age, we have changed the liquids, and the bottles that contain them, so that they are less brightly colored. Responsible drinking messages are featured prominently in their advertising and promotion.

#### CURRENT ISSUE: FLAVORED MALT BEVERAGES

Some critics have expressed concern that the marketing of flavored malt beverages (FMBs) is irresponsible. They feel that the color, packaging, and sweet taste of these ready-to-drink beverages are designed to lure young people into drinking. While beverages that are bright and taste sweet are nothing new, this product category has become controversial based on a perception that they are more likely to appeal to those under the legal drinking age, hence the critics have termed them “alcopops.”

Their central claims do not match our experience at Brown-Forman. For example, originally a spirit-based product, Jack Daniel's Country Cocktails were introduced in 1992 as a way to bring the popular Lynchburg Lemonade cocktails to adult consumers in a convenient pre-packaged form. Today, the primary audience for these products is 30- to 39-year-olds and our data show that they are primarily consumed by 30- to 49-year-olds. Country Cocktails are marketed using the same high responsibility standards that we apply to all of our

brands. Now malt-based, these products enable us to make the Jack Daniel's brand available in places where beer or wine is typically sold—such as outdoor events and grocery chains. The criticisms did, however, help us see the value in making a change in how we package these products. To make it very clear that these are not oriented to underage consumers, we have changed the liquids and the bottles that contain them, so that they are less brightly colored.

In 2003, the U.S. Federal Trade Commission (FTC) conducted an independent investigation and found no evidence of intent to target underage drinkers with FMB products, packaging, or advertising. This was consistent with a 1999 investigation that came to similar conclusions. We do not want to produce or market drinks that do, or appear to, appeal to the underage, and thus will continue to have an open mind on this issue and be responsive and receptive to making changes if new facts or evidence emerges.

# AD PLACEMENTS

## COMPARING DIFFERENT STANDARDS & APPROACHES

We strive to minimize any potential exposure of our advertising to young people in two ways: by aiming content (what is in the ad) and by placement (where the ad appears) to legal drinking age (LDA) audiences.

Placement means the medium in which we are advertising. For us, this is principally television, radio, and print. These are called “measured media” because various services measure the demographics of who is watching or reading the medium in which the advertising occurs.

For a number of years, the standard employed by DISCUS and other industry codes reflected the population breakdown of the U.S., which is approximately 70% age 21 and above and 30% below age 21. Of course, each individual media placement can skew to an older or younger

demographic. Brown-Forman has carefully observed this requirement and purchased ads in media that could prove demographics of at least 70% adults. (For instance, if the demographic ratings on a TV program unexpectedly fall below 70%, Brown-Forman pulls its ads).

Recently, a group of U.S. state attorneys general concerned about underage drinking asked beverage alcohol producers to limit ad placements to broadcast, cable, radio, or print media which is watched, heard, or read by an audience composed of at least 85% adults (age 21 or over).

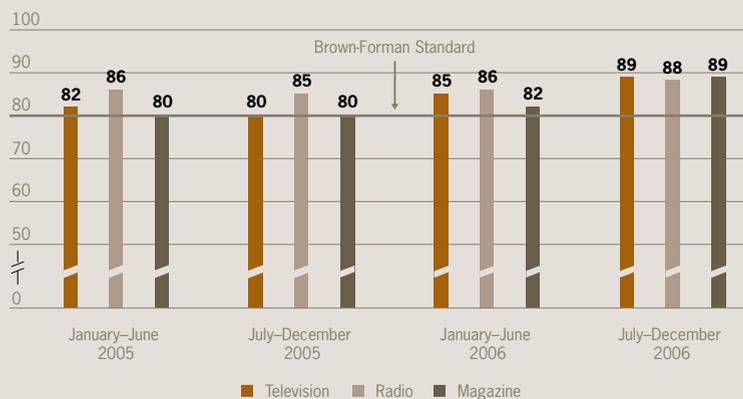
By proposing that beverage alcohol companies increase their demographic minimum standard for media placement to 85% from 70%, the attorneys general were asking for a

substantial change. Our CEO met with interested attorneys general to explain how we purchase our ads. We felt it was a constructive meeting and agreed to re-examine our buying practices.

After a considerable internal review, we concluded that we could do a better job of preventing exposure to underage readers and viewers. Brown-Forman believes the key is the actual impressions its ads make on the public. Regardless of the minimum demographic standard for publications and programs, we want the actual total audience seeing the ad (called “impressions”) to average at least 80% adults. In other words, even if we carefully purchase in publications that promise 70% adult readership, we are not satisfied unless the actual audience seeing the ad averages at least 80% adults. The 80% average of total impressions is substantially higher than the 70% of adults who comprise the U.S. population.

### BROWN-FORMAN CORPORATE AVERAGE MEDIA IMPRESSIONS [Percentage LDA and above]\*

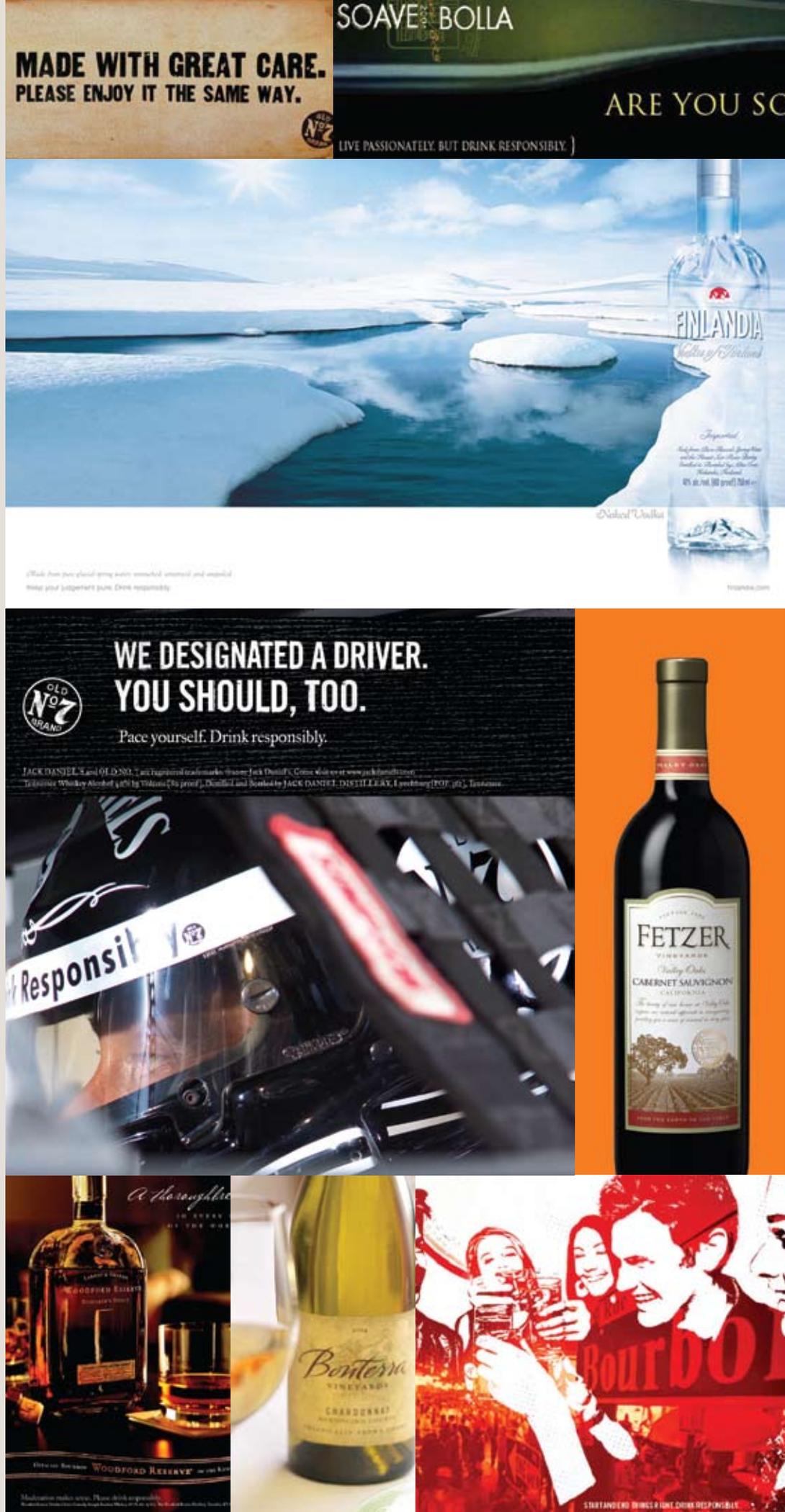
The industry standard is to advertise only in media with audiences that are 70% legal drinking age (LDA) or higher. Since 2006, our commitment is for a total media buy averaging 80% LDA or higher. (\*U.S. only data)



We reported the results of our internal review to DISCUS members and to the attorneys general. Another spirits and wine company also reviewed its marketing standards and adopted an even more restrictive standard. It is raising the minimum demographic standard for their publications to 75% from the DISCUS standard of 70%. It also adopted the Brown-Forman approach of looking at the actual audience reached, pledging to reach an average of 85% adult impressions, compared with Brown-Forman's standard of 80%. The bulk of distillers and all brewers, to our knowledge, retain the 70% demographic standard for media purchasing. Brown-Forman also retains the 70% purchase standard, but with the important caveat that it results in an 80% average for actual impressions.

We realize that to most people, this discussion seems to be very complicated, almost arcane. And, in fact, media buying is one of the most complicated and specialized aspects of advertising. There are no simple solutions.

Our ultimate objective is to prevent any underage person from seeing our advertising, an admittedly unrealistic goal given present technology. In a free society, one cannot avoid the spillover effect of ads on young people. In concert with other companies, we will continue to examine this issue closely and refine our approach as needed.



# CONFRONTING THE HARMFUL EFFECTS OF ALCOHOL ABUSE

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Our largest investment in addressing the harmful effects of alcohol abuse is in The Century Council, a U.S.-based industry association focused exclusively on reducing underage drinking and drunk driving. Believing that collective action produces positive results, the Council works jointly with many strategic partners. A recent example of such collaboration is the Council's work with Mothers Against Drunk Driving (MADD), the U.S. Department of Transportation, the Governors Highway Safety Association, and others on the *Campaign to Eliminate Drunk Driving*. Since its founding in 1991, we have contributed more than \$24 million to the Council.

The Century Council ([www.centurycouncil.org](http://www.centurycouncil.org)) focuses on:

- **Providing education**, by developing materials and programs for parents, teachers, and students in middle school, high school, and college. For example, *Girl Talk* offers sound advice to mothers to stimulate better communication with their daughters about the choices and consequences of drinking. In partnership with Nickelodeon, *Ask, Listen, Learn* tackles, head on, the difficulties of convincing kids not to try alcohol during their middle-school years.

- **Getting hardcore drunk drivers off the road**, through a program to toughen state anti-drunk driving laws and prevent repeat offenses by drunk drivers.
- **Supporting zero-tolerance bills**, which would penalize young drivers who may not have blood alcohol content above or near the state's legal limit, but nonetheless have alcohol in their system. We also support administrative license revocation for drunk drivers.
- **Pushing for better enforcement of existing laws**, by connecting law enforcement officials with servers and sellers of alcohol to prevent drunk driving and underage drinking. The *Cops in Shops* program has plainclothes police officers posing in retail outlets to help stop alcohol purchases by or for young people.
- **Developing multi-lingual programming**, through a variety of curricula that meet the needs of diverse populations.

In the European Union, we are a member of the European Forum for Responsible Drinking. Among its many programs is *Talk About Alcohol*, aimed at curbing underage drinking and reducing alcohol-related harm in the 11- to 16-year-old age group. It is within this age range that young people may begin to become inquisitive about



The impacts of irresponsibility can be sudden and permanent; more than 17,500 people died in alcohol-related traffic accidents in the U.S. in each of the past three years.

alcohol and its effects, experiment with drinking with their peers and, in some cases, establish patterns of drinking. The Web site provides relevant messages and materials to parents, teachers, and young people.

In June 2007, Brown-Forman signed on to participate in an E.U. initiative to address alcohol-related harm. It is the goal of the European Alcohol & Health Forum to establish a common platform of stakeholders to devote time and resources to taking meaningful actions on alcohol-related harm, including protecting youth and promoting responsibility.

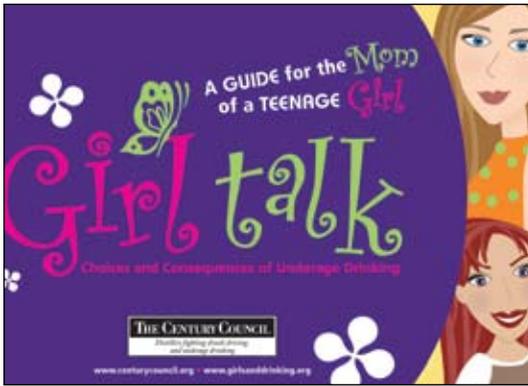
In the U.K., we have invested significantly in The Portman Group. In addition to its marketing and advertising code, the Portman Group has developed many innovative and well-regarded initiatives. As a result of discussions with the U.K. government, in 2007 the Group formed Drinkaware Trust. It is an independent, U.K.-wide body whose objective is to change public behavior and the national drinking culture to reduce alcohol misuse and minimize alcohol-related harm. Drinkaware Trust will engage the support of beverage alcohol producers,

retailers, governments, and other stakeholders in its educational, community, and awareness campaigns.

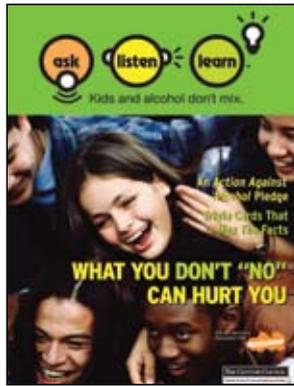
We have made small investments in support of other organizations focused on alcohol-related issues, and actively seek opportunities to expand our involvement in these types of programs. Among those we currently support are:

- In Louisville, **CityScoot** is an innovative designated-driver service that brings a person and their car home safely, and **The Healing Place** provides recovery services for many people whose lives have been affected by alcoholism, other addictions, and homelessness.
- The Boston University School of Medicine **Institute on Lifestyle and Health** focuses research on various aspects of lifestyle, especially diet, exercise, and the moderate consumption of beverage alcohol, and habits that relate to the risk of heart disease, cancer, and other chronic diseases.

Many of our responsibility activities take place within the context of trade associations, including DISCUS, The Wine Institute, CEPS (E.U.), the Wine and Spirits



The Century Council created Girl Talk to help mothers and daughters improve their dialogue about alcohol. It highlights issues of particular concern to teenage girls.



Ask, Listen, Learn provides parents with advice and tools on how to talk to adolescents about alcohol.



Brown-Forman supports CityScoop, which offers a designated-driver service to bring individuals—and their cars—home safely.

Trade Association (U.K.), and the National Spirits Processing Council (Poland). We are active participants in other joint policy ventures, including the following:

- **International Center for Alcohol Policies (ICAP)**, based in Washington, D.C., promotes an understanding of the role of alcohol in society and helps reduce the abuse of alcohol worldwide. ICAP encourages dialogue and pursues partnerships involving the beverage alcohol industry, the public health community, and other concerned stakeholders globally. Among many publications, ICAP's recent book *Drinking in Context* breaks new ground in exploring drinking patterns, targeted interventions, and partnership development. ([www.icap.org](http://www.icap.org))
- **The European Forum for Responsible Drinking**, based in Brussels, sets voluntary standards for alcohol advertising in Europe, monitors company performance against those standards, and works with the European Commission to promote responsible alcohol policy in Europe. ([www.efrd.org](http://www.efrd.org))
- **The Portman Group**, based in London, works to promote responsible drinking, prevent the misuse of alcohol, and encourage responsible marketing for all types of alcohol sold in the United Kingdom. ([www.portman-group.org.uk](http://www.portman-group.org.uk))
- **The Global Alcohol Producers Group**, a coalition of beverage alcohol companies, engages in constructive dialogue on alcohol-related issues with the World Health Organization and its member states.

## LOOKING AHEAD

There is a great deal our company is still learning about alcohol-related problems and harm. This is the case not only in the U.S.; for our challenges globally are just as great. We have much to learn about different cultures, their relationships to alcohol, and the issues and challenges stemming from its abuse.

We are committed to filling these knowledge gaps and rising to the challenge and opportunity of playing a much more active role in the solutions to alcohol abuse. Relying on our Responsibility & Rights Committee, a team of senior executives charged with keeping Brown-Forman at the forefront of responsibility, we approach our work ahead with a long-term perspective combined with a sense of near-term urgency. Our primary path forward will be through a more formal process of engagement with outside groups and advisors and a willingness to meet on equal ground with our adversaries and critics. There are many trusted and thoughtful groups doing excellent work in this field; it is time for us to engage more directly with some of them if we want to address the root of the problems we are looking to solve.

# PUBLIC POLICY

We have long seen the connection between our rights and responsibilities. We respect the societal norms that exist within different markets in which we operate, and look to maintain or expand our ability to sell our products and communicate with our consumers. We know that our ability to do this is, in large part, earned by the deliberate steps we take to show that we are responsible and garner the respect and trust of our stakeholders, including government. This is one reason why our voluntary standards on beverage alcohol marketing are not only good for society, they are also good for our business. We seek to have wine, spirits, and beer treated equally and to protect our access to markets and consumers, and most of these steps involve public policy.

## EQUIVALENT TAXATION

Beverage alcohol is taxed separately and substantially through state and federal excise taxes above and beyond typical corporate taxes. Governments justify these taxes as a means of offsetting any social costs imposed by our products. (See Distribution of Cash Value Added on page 5 or Multiplying Our Economic Effect on page 49). In the U.S., the federal excise tax for spirits per ounce of pure alcohol is three times greater than wine, and two times greater than beer. At the national and state levels, we seek taxation based on alcohol equivalency. The science is unequivocal: Alcohol is alcohol is alcohol. We believe public policies implying that there are “hard” and “soft” forms of beverage alcohol are inherently unfair

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IT'S NOT WHAT YOU DRINK. IT'S HOW MUCH YOU DRINK THAT COUNTS.

5oz wine = 12oz beer = 1.5oz spirits

(www.standarddrinks.com)

## U.S. FEDERAL EXCISE TAX RATES

[Cents per drink]



The federal excise tax on spirits is more than double the tax on beer, and triple the tax on wine.

### A VOLUNTARY SYSTEM IN ACTION

*Blender* magazine ran one of our ads in an issue with Hillary Duff on the cover, despite contract stipulations not to run our ads with people on the cover who primarily appeal to those under the legal drinking age. In response, we canceled our entire ad campaign with the magazine. Even though their average readership is above 70% legal drinking age (LDA), we don't want our ads in issues that, by their content, might attract a younger audience.



and irresponsible. We believe current government policy is misguided and, worse, misleading to consumers, who may mistakenly believe it is “safe” to overconsume beer or wine. The U.S. government’s own dietary guidelines recognize the importance of equivalency between spirits, wine, and beer.

### A LEVEL COMMERCIAL PLAYING FIELD

In the U.S., a complex set of laws, regulations, and policies guide the sale and distribution of beverage alcohol. While three different categories of beverage alcohol (beer, wine, and spirits) seek to reach many of the same consumers, the rules applying to each of these categories vary widely. While accepting of wine and beer, all of the major broadcast television networks refuse to accept spirits advertising.

Wine and beer also enjoy much wider distribution. In many parts of the U.S., consumers cannot buy spirits on Sundays, even though other forms of alcohol are available to purchase.

Brown-Forman, along with other spirits companies, seeks to “level the playing field” in what we see as an unjustified bias against spirits. To this end, we have been pleased to see an increase in the number of states and communities that allow consumer tasting events involving spirits and a gradual loosening of restrictions on Sunday sales.

Our efforts to gain a more level playing field will not be taken seriously unless we continue to push for more responsible marketing efforts. In this way, our commercial rights are directly linked to our responsibilities.

### VOLUNTARY RESTRAINTS ON MESSAGES

We support voluntary restraints on the content and placement of our advertising, and believe we have helped our industry become more responsible. As we see a significant rise in restrictions on alcohol advertising around the world, our primary goal is clear: Preserve our commercial right to communicate responsibly with consumers. Excessive advertising restrictions or outright bans deprive us of our ability to tell consumers about our brands. We support expansion of effective self-regulatory frameworks, such as those in the U.S. and Europe, to markets that currently lack such mechanisms. We believe that voluntary industry codes and company self-restraint are superior to the heavy hand of government and a “one size fits all” dictate.

### CONTINUED ACCESS TO INTERNATIONAL MARKETS

Some activist groups envision a “public health exception” for alcohol from the World Trade Organization’s (WTO) rules of free international trade. They argue that “alcohol is no ordinary commodity” and that international trade rules should not afford beverage alcohol the same legal protections covering other goods. If adopted, such

ANY EFFORTS TO GAIN A MORE LEVEL PLAYING FIELD WILL NOT BE TAKEN SERIOUSLY UNLESS WE CONTINUE TO PUSH FOR MORE RESPONSIBLE MARKETING EFFORTS, WHICH WE ARE DOING.

regulations likely will lead to discrimination against international branded products in favor of locally produced or even dangerous illicit products, under the guise of regulating health. For example, a country could limit our advertising and sales, while permitting it for locally made products. This would be protectionism masquerading as a public health issue. Without WTO protection, we would have no right to raise issues of fairness in such a case.

#### COUNTERFEITING & ILLICIT PRODUCTION

Illicit and counterfeit beverage alcohol is a problem in many markets. This includes beverages produced commercially but passed on informally, for example by smuggling or cross-border trade. Although the production of many non-commercial beverages meets high standards of quality, some of what is included under this heading is of poor quality, sometimes contaminated, and toxic. This category of non-commercial alcohol represents a serious public health problem in many countries, particularly in the developing world. In addition to being a public health concern, illicit alcohol production and trade are also often associated with organized crime and represent a public safety issue. Moreover, the presence of counterfeit products threatens the integrity of our brands. This is an area where we will focus more of our attention in the coming years. We are currently working with

the International Federation of Spirits Producers (IFSP) to combat the risk to consumers associated with counterfeiting of our brands.

#### LOOKING AHEAD

Brown-Forman generally has preferred to act collectively with others in the industry rather than take public policy positions on our own. Our products make up less than 15% of the U.S. market and a much smaller percentage of global sales. We believe we can be more effective if we join forces with others in our industry.

Regardless of size, we have constructively encouraged our partners within the context of trade association discussions and believe we have helped bring about better standards using this approach.

Despite these arguments for keeping a low profile with respect to public policy, we acknowledge that companies can occasionally avoid the responsibilities of leadership by deferring to trade associations. We believe that there will be times ahead when we must stand apart. We also recognize that some societal problems need public policy solutions and we aim to work with our stakeholders to be part of these solutions.

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# { PERSPECTIVE }

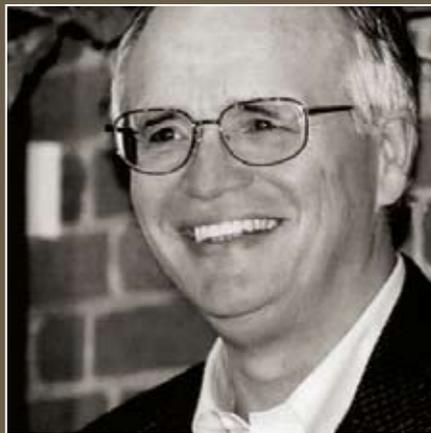
## { GUS SPETH }

A long-term perspective tends to simplify things. It stops the fleeting issues from distracting us, and allows us to discern the issues of greatest impact. It also gives advisors license to get right to the point.

Climate change—or climate disruption, a term I prefer—will be the dominant issue of this century. If it continues unchecked, living conditions at the end of this century will be very different than they are today. Climate change will affect all ecosystems and all people. It will make or break many companies.

A beverage alcohol company may see specific and direct impacts. White Oaks, essential to the maturing process, could be weakened or lost as parasites move with the shifting climate. California's vineyards may be hard hit by changes in rainfall and snowmelt patterns. There are likely to be increased pressures on supply of, and demand for, corn and other essential ingredients.

As the Brown-Forman executive team knows, holding a long-term perspective does not suggest we can take our time in planning or moving toward a target. It is counter-intuitive, but those with the greatest foresight are often the



**JAMES GUSTAVE "GUS" SPETH**, Dean of the Yale School of Forestry and Environmental Science

swiftest to move, largely because they understand the stakes. So it is with climate change. While the most dramatic effects may still be decades away, the world's leading economies must act now to reduce carbon emissions and begin the process of stabilizing them. Delays only exacerbate the problem and increase the challenge ahead.

There is reason for hope. Scores of major global corporations are voluntarily reducing their greenhouse gas emissions and taking other climate-friendly initiatives. Some are even lobbying for a regulatory framework to address the problem. Brown-Forman has taken an early step in this direction, assessing the company's carbon footprint. It is an important step, but only a start. The company must also begin reducing the size of its footprint, and cooperatively engaging in discussions of how other companies can do so as well.

There are other issues and challenges, to be sure, but by applying its long-term perspective to the issue of climate change, Brown-Forman can add to the company's luster and legacy, while providing a great service to us all.

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# ENVIRONMENT



AT ITS HEART, OUR COMPANY IS AGRICULTURALLY BASED. THE INGREDIENTS BEHIND OUR BRANDS COME FROM FARMS, VINEYARDS, AND FORESTS. THE QUALITY OF OUR BRANDS DEPENDS UPON HIGH QUALITY SOURCES OF WATER.

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**I**n making spirits, the distillation process results in a product bearing little resemblance to the original grains, but the Sugar Maples and Oaks leave recognizable traces in the mellowing and maturing processes. The cool limestone cave spring water is the reason why the Jack Daniel Distillery settled in its hollow in Lynchburg, Tennessee.

Wine drinkers, of course, can taste the grape. Some can discern the soil quality where the fruit was grown and the unique flavors, aromas, and textures related to region, climate, vintage, and growing practices.

This connection to the land and water underpins the importance of protecting, preserving, and enhancing the natural world, while growing our business. For decades, we have implemented programs and practices that reduce our impact on the environment. While these activities primarily were initiated as cost-savings measures, they also generated substantial environmental benefit. Numerous examples of efficiency and innovation can be seen throughout Brown-Forman; now we are looking at how to leverage fully these individual successes by applying them widely across the company, both domestically and internationally.

We have begun to formalize this process to seize opportunities across all areas of the organization. This task is being led by our Environmental Performance

Group and activated by our Environmental Summit Team, a cross-functional group of employees whose goals are to execute programs, monitor performance, influence business partners, and engage key stakeholders. We are involved in a vast array of environmental initiatives—some that are large, established, and ambitious and others that are smaller, new, or incremental. We define our environmental performance as the combination of compliance and stewardship activities. In ensuring our compliance obligations are met, we perform an annual audit of our U.S. and Canada operations and conduct periodic assessments utilizing external and internal expertise.

Regarding environmental stewardship, our company-wide goals focus on measurable improvement in three key areas:

- Energy and greenhouse gas management
- Waste minimization and material selection
- Water quality and conservation

In describing our efforts in each of these areas, we present activities at three different kinds of facilities: corporate offices, spirits production, and wine production. We now have two years of aggregated environmental performance data for many of our most significant impacts and will expand the scope and sophistication of coverage in future reporting.

# ENERGY & GREENHOUSE GAS MANAGEMENT

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For decades, energy use has been an important business issue, and we consistently have taken steps to improve our efficiency. These actions translate directly to our bottom line: As energy prices fluctuate, so too do our costs. The combustion of fossil fuels, we now know, also changes the climate. Heat-trapping greenhouse gases (GHG) emitted into the atmosphere warm the earth's surface and water bodies. This global warming also is termed climate change. As climate change is unleashed, we may see impacts that hit at the core of our business and society. This reality is why we are starting to view energy use through the lens of greenhouse gas emissions.

An important initial step is to understand our carbon footprint. We now know the quantity of greenhouse gases that are emitted during production of the majority of our spirits and wines and corporate-related functions, including U.S. -based business travel. We found that our distilleries are our largest source of emissions, representing 53% of our total domestic and Canadian GHG emissions, with spirits bottling the next largest source at 13%. We are planning to verify our 2005 and 2006 emissions in the coming year. In the remainder of 2007 and 2008, we will

expand the scope of our emissions measurement to include all of our global operations. Upon completion of our greenhouse gas inventory, we are committed to setting greenhouse gas reduction targets and developing and executing projects to achieve these goals.

At the end of 2006, we joined the California Climate Action Registry. With this commitment, Brown-Forman will certify and publish its 2005 and 2006 greenhouse gas emissions from domestic operations. We became a member of the Registry to show our support of voluntary GHG reporting initiatives and to benefit from the collaboration with other businesses on best practices in GHG accounting, verification, and climate-change strategies. We also realize that if we take actions ahead of regulations to reduce our GHG emissions, certified evidence of these improvements will prove beneficial.

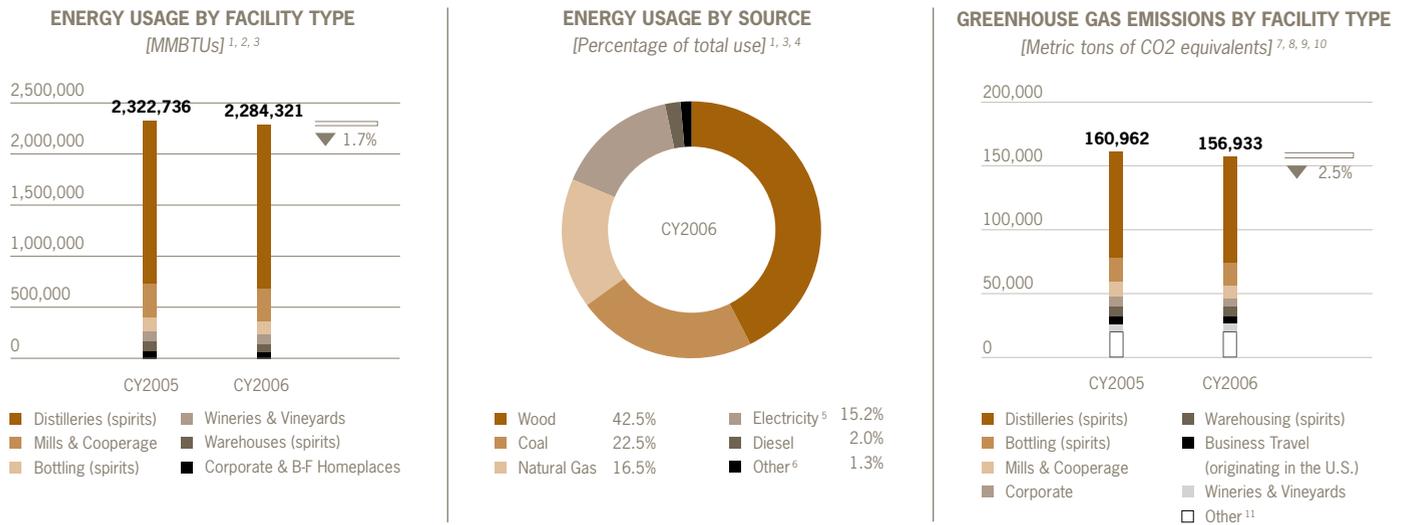
Since the majority of our GHG emissions stem from our energy consumption, we are setting specific energy management goals for each of our facilities in the U.S. (and will be expanding goal-setting to our other operations). We have implemented a number of changes, including

lighting retrofits, variable motor settings, and motion sensors on lights in buildings, to name just a few.

We have started a corporate-wide Energy Optimization Project, which will initially focus on the U.S. and Canada. The project’s goals are threefold: accurately assess our current consumption, improve operational energy efficiencies and management systems, and seek opportunities to expand our renewable energy sources.

Our broader climate change strategy will focus on improving the energy efficiency of our office and production operations, increasing the use of renewable energy, and educating our employees, consumers, and business partners of the impacts of climate change and the actions they can take to reduce their GHG emissions.

The GHG emissions from sources for which we have direct control reveal part of the overall carbon footprint for our operations. The breadth of our impacts increases up- and downstream—from energy inputs in agriculture, to product distribution and transportation, to consumer disposal of bottles. Each of these stages represents areas where we have varying degrees of influence, and we will incorporate each stage in our reduction strategy in the most appropriate and effective way. Even those emissions that are considered biogenic—emissions from fermentation that are essentially “offset” by the uptake of carbon dioxide as the grains grow—will be included in our strategy as there is an opportunity to capture them and avoid their release to the atmosphere.



<sup>1</sup>U.S. and Canada data, excluding field sales offices. <sup>2</sup>We anticipate absolute totals will increase in future reports, as international production operations are incorporated. <sup>3</sup>Energy usage is determined either from direct metering or by allocation methods. As we refine our measurement and reporting systems, we anticipate changes in usage by facility type. <sup>4</sup>We anticipate that % usage by source will change as international production operations are incorporated. <sup>5</sup>Includes conventional grid as well as renewable purchases. <sup>6</sup>Includes Propane, Gasoline, No. 2 Fuel Oil, Kerosene. <sup>7</sup>Emissions reporting is based on the General Reporting Protocol (June 2006) of the California Climate Action Registry. <sup>8</sup>Data does not include non-reportable emissions from fermentation or combustion of biomass. <sup>9</sup>GHG inventory will undergo third party verification and certification in the next few months; after the release of this report. <sup>10</sup>GHG emissions are based on direct metering of emissions sources or by allocation methods. As our measurement and reporting systems are refined, we anticipate changes in usage by facility type. <sup>11</sup>Includes U.S. field offices, B-F leased vehicles, Hartmann (since sold), B-F homeplaces, and St. Croix production.



Using coal as a fuel source has significant climate implications, but there are other issues as well. While the coal we purchase is from deep well mines, in our home state of Kentucky we are concerned about the devastating effects of mountaintop removal, an all-too-common mining practice.



The Jack Daniel Distillery uses wood waste from our mills to fuel its boilers.

**SPIRITS**

The process of producing spirits has been improved through upgrading equipment and increasing automation in order to have greater control of, and reduce, energy consumption. We use four primary energy sources at our production operations: coal, natural gas, wood waste, and electricity.

The great majority of our energy (as measured in MMBTu) is generated from the combustion of wood waste at two of our major production facilities. One of those facilities, Blue Grass Cooperage, combusts wood waste generated on-site, about 14,000 tons annually. During the production of the barrels used for maturing our distilled spirits products, wood waste is generated as the barrel pieces are processed. This wood waste is conveyed to the boiler for combustion and generation of the steam needed in the operation, creating a closed-loop process. At our other

facility, The Jack Daniel Distillery, wood waste is sourced from other businesses and combusted on-site for steam generation, diverting about 100,000 tons of wood waste from landfills annually.

The Brown-Forman Distillery uses coal as a primary fuel source and natural gas as a secondary source. To address air pollution concerns, our coal-fired boilers have well established and high performing particulate control technology, with a particulate removal efficiency greater than 99 percent. As a fossil fuel, combustion of coal generates GHG emissions, contributing to global warming. As we develop our overall climate-change strategy, reduction of our usage of coal through improved efficiency, exploration of alternative energy sources, and innovative carbon capture techniques will be reviewed and assessed to determine and implement the most effective opportunities.

# VOCs

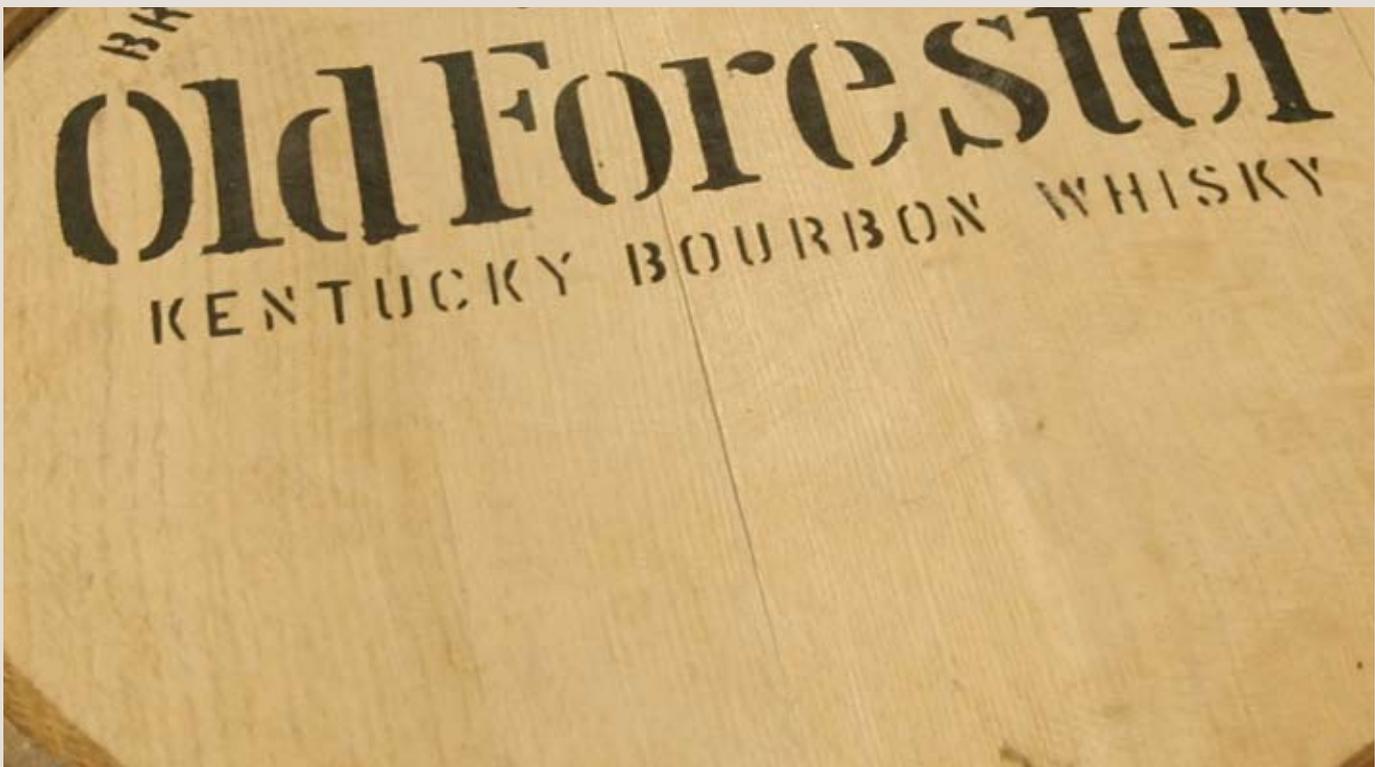
## THE ANGELS' SHARE

In maturing our whiskey brands, the flow of the whiskey in and out of the barrels produces much of the fundamental characteristics—color, taste, and aroma. This movement is essential to product quality. During hot weather, the whiskey seeps into the wood; during cold weather, the whiskey flows out of the wood, carrying with it color, taste, and aroma from the charred oak barrel. This maturation process results in the evaporation of a certain percentage of alcohol, more specifically ethanol,

from each barrel. This evaporation is what we in the industry call the “Angels’ Share.”

The ethanol that evaporates from the barrels during the maturation process is what is known as a Volatile Organic Compound, or VOC. Certain VOC emissions contribute to the formation of ground-level ozone and hence present a public health concern. Without doubt, the health consequences of elevated ground-level ozone are a paramount concern for us, our employees, and our communities. However, not all VOCs are the same. Some VOCs are more reactive in forming ground-level ozone than others, and our “Angels’ Share” is

the least reactive of these compounds. Since VOCs have varying levels of ozone formation capability (or reactivity), federal, state, and local governments are considering establishing and regulating a specific subcategory of VOCs called Reactive Organic Gases (ROGs). Because of ethanol’s low reactivity and given that it is not a toxic nor a hazardous air pollutant, we believe ethanol should (and will) be excluded from this ROG subcategory. Nonetheless, we are investigating options and maturation techniques to retain more whiskey in the barrel since this evaporation of alcohol is essentially “lost product.”





The first “living” roof in Louisville reduces our heating and cooling demands and decreases storm water runoff.



Solar panels atop Fetzer's bottling and warehouse building provide clean electricity at a stable cost.

**WINE**

Our Hopland, California winery, home to Fetzer and other brands, operates on nearly 100% renewable energy. We have a 40-kilowatt solar-panel array on top of the administration building and a 901-kilowatt array atop our bottling and warehouse building. We purchase electricity from renewable sources for the remainder of our energy needs.

Our tractors and big-rig trucks in the Hopland winery and vineyards run on biodiesel fuel (20%), made from vegetable oil, which reduces both greenhouse gas emissions and our dependency on fossil fuels. When our trucks deliver wine, they return with needed dry goods, eliminating more than 800 truck trips and nearly 200,000 miles traveled. We also provide commuter vans for the employees at Fetzer to reduce fuel consumption.

The Hopland winery has implemented many practices and innovations to improve energy efficiency and reduce energy consumption. The combination of approaches is saving over one million kilowatt hours each year. At

Sonoma-Cutrer, aerators that improve wastewater quality are run at night, as opposed to during the day, to better manage energy demand.

**CORPORATE**

Brown-Forman built the first green “living” roof in Louisville, atop our Howard Building. A pilot project, this rooftop consists of 600 square feet of plants and soil. It reduces the building’s heating and cooling demands, filters and reduces rainfall runoff, sequesters carbon dioxide, and lessens noise pollution. Also at our Louisville headquarters, digital building controls adjust lights and temperature, resulting in more efficient use of energy.

We are encouraging our employees to reduce vehicle miles traveled through our Louisville Ozone Action Days program, and our global RideShare program. We reward those employees who telecommute, shift hours to avoid traffic, carpool for business travel, or use mass transit. In the first 10 months of the program, we have saved over 70,000 miles and 30 tons of GHG emissions.

# WASTE MINIMIZATION & MATERIAL SELECTION

Our efforts to manage our materials more sustainably and effectively focus on three areas:

- Selecting environmentally preferable materials and minimizing or eliminating the use of hazardous substances
- Creating the least amount of waste possible
- Reusing or recycling waste that we do generate

We believe these three areas will have the greatest positive impact on our waste footprint.

## SPIRITS

A large part of our heritage lies in the crafting of wood barrels from American White Oak at Blue Grass Cooperage. We also burn Sugar Maple to make the charcoal through which Jack Daniel's whiskey drips in the mellowing process. We are exploring ways to ensure the sustainable management of the forests where these trees are grown. We value the long-term relationships we have with our wood suppliers, and will continue to work in collaboration with them to understand growing practices and to make improvements to ensure the long-term viability of this critical raw material. We continue to make great strides in maximizing the wood we do use, specifically in reducing the amount of wood processed per barrel made. We are

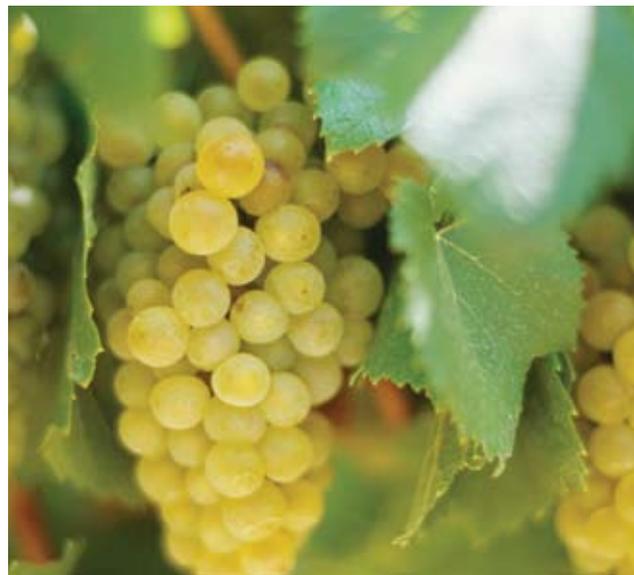
committed to working with others to assess the market potential for sustainably certified White Oak and Sugar Maple. We also are partnering with the University of Tennessee to establish a Sugar Maple seed orchard that allows for reforestation by The Jack Daniel Distillery and local landowners.

Our cooperage and mill operations turn by-products generated in the barrel-making process into valuable input materials. Bark, wood chips, and sawdust are used as boiler fuel, or sold as mulch, horse bedding, or paper products. High-quality used barrels are sold to other spirits makers for maturing products such as whiskey (primarily Scotch) rum, and tequila. Barrels that are unsuitable for this purpose are sold as planters and trash barrels, or chipped and sold as branded Jack Daniel's Wood Smoking Chips. The only production waste from the cooperage that does go to landfill is fine sawdust—about 30 tons a year—which is used by the landfill operators as an absorbent layering material.

At our distilleries, the distillation process creates an organic stillage rich in protein, fat, and fiber, which we in turn send



For decades, we have found new uses for what at first looks like waste. Our distillation processes leave a stillage rich in protein, fat, and fiber; we sell it to farmers who use it as a feed supplement.



Our environmental sustainability efforts have led us to engage with a great many organizations. We have strong partnerships with the Organic Farming Research Foundation, the California Sustainable Wine Growing Alliance, the California Certified Organic Farmers, The U.K. Soil Association and many others.

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to local farmers as grain-based stock feed. We are experimenting with other innovative ways to use our stillage, including the possibility of using it as an energy source through anaerobic digestion or as part of nutrient rich compost. Our coal-fired boiler produces ash that we send to local highway services to use as road conditioner. Last year, 1,350 tons of coal ash were diverted from landfills.

Since 2000, Jack Daniel's, Woodford Reserve, Canadian Mist, and Brown-Forman Distillery have sourced 100% non-genetically modified (GM) corn, the predominant grain for making American whiskey. Even though research has confirmed that there is not a distinction between spirits products made with non GM material and those that are, we took this step as concerns emerged over GM products, particularly in Europe.

At our bottling operations, a third-party processor redistills our off-spec liquid by-products, turning our waste into fuel-grade ethanol. Bottling production materials, from glass and cardboard to shrink band and oils, are recycled from each of our major bottling operations.

## WINE

Sustainable material usage is central to our wine businesses. All of our wineries utilize pomace—left-over grape skins and stems—to make compost for fertilizer, decreasing the need for chemical fertilizers and eliminating the need to dispose.

Recycling initiatives at all wineries have greatly reduced waste taken to landfills. Last year, Sonoma-Cutrer donated 1,200 worn pear bins—used during grape harvest—to local schools and community groups to be used as planters. Our Hopland winery recycles virtually all of its bottles, cardboard, plastic, aluminum, paper, antifreeze, waste oil, fluorescent tubes, and glass, and also composts food waste. As a result, the winery has reduced landfill waste by 95% since 1990, while doubling production at the same time, resulting in a savings of \$250,000 in landfill fees per year.

The Hopland winery administration building also features rammed-earth construction; recycled doors, timber, and paint; and natural wool carpet.

## THE 1,800 ACRES WE MANAGE IN HOPLAND, CALIFORNIA COMPRISE THE STATE'S LARGEST ORGANIC VINEYARD.

### CORPORATE

Our corporate operations play a significant role in our waste minimization strategy. At our corporate office and production facilities, we practice the tenets of “reduce, reuse and recycle,” from paper to motor oil. We predominantly use modular, interchangeable carpet with post-industrial recycled content from Interface Carpeting, a leader in environmental stewardship. Brown-Forman generates very little hazardous waste (less than 2,500 pounds annually).

Our letterhead, stationery, and business cards are typically printed on 100% recycled, post-consumer fiber Environment PC 100 Paper from Neenah Paper, which meets the Environmental Defense definition of Totally Chlorine Free (TCF). We are moving from paper to electronic invoices and expense reports. Our goal is to continue reducing the number of print publications we receive and the amount of paper used.

Packaging design and materials are an important part of our commitment to environmental stewardship. Our shipping and receiving department has switched to eco-friendly, biodegradable packing materials rather than polystyrene, a non-recyclable material.

In the mid 1990s, we reduced the weight of our glass bottles, a step that provided equal or superior quality

bottles using less glass and has saved about 4,000 tons of glass annually. A similar change to light and strong edge-crush-test (ECT) cartons has reduced corrugated usage by about 1,070 tons each year. Lighter packaging also reduces emissions during transport. Canadian Mist bottles were made from amber glass and amber PET (plastic), which are not widely recyclable. In 2005, we changed from amber to clear glass and PET, enhancing the recyclability of our bottles.

While our bottles are recyclable, we need to work with other leaders in the packaging and bottling industries to increase the actual rate and volume of recycling. Also, we are open to reconsidering our industry's historical opposition to bottle-bill legislation and other incentive programs to increase recycling. We are investigating whether there are incentives or infrastructure developments either proposed or in various stages of development that we could support in collaboration with other organizations.

In 2006, Brown-Forman joined the Sustainable Packaging Coalition (SPC)—a non-profit organization that helps companies share best practices and guidelines for designing and procuring environmentally friendly packaging that is non-toxic and biodegradable, contains recycled content, and is reusable. Using the SPC scorecard as a model, we are in the process of developing our own packaging design guidelines.

# WATER QUALITY & CONSERVATION

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Clean, potable water is a precious commodity. A third of the world's population currently lives in water-stressed countries; by 2025, this percentage is expected to double. Closer to home, we have significant needs and responsibilities connected to our water use. By volume, water is the largest ingredient in our products. Our production processes create wastewater, and we continue to identify ways to reduce the amount of effluent we discharge, and improve quality through treatment and filtration. We have collected water use data to establish a baseline and plan on doing the same with wastewater data. Knowing where and how we use water will allow us to track our performance over time, identify challenges, and evaluate strategies. During the remainder of 2007 and in 2008, we will continue our efforts to improve performance by setting facility-level and corporate targets, and we will focus our efforts to meet these targets.

## SPIRITS

Each of our operations has employed various practices to address water use, wastewater discharge, and stormwater run-off. For example, Jack Daniel's purchased land to protect the cave spring recharge area development that

may negatively impact the water needed for production. Aggressive storm water run-off protection programs at Jack Daniel's and Woodford Reserve reduce the erosion from rain and the amount of wastewater to be treated. At our Louisville bottling operation, we consolidated our processing and bottling operations, gaining efficiencies and reducing wastewater discharged to sewers by over 50%. Where possible, we also reuse non-contact water streams for irrigation. At our mills, we hydrate the logs with recirculated water from our on-site ponds.

## WINE

Sonoma-Cutrer filters wastewater on-site through aeration ponds. The pinot noir facility at Sonoma-Cutrer filters wastewater using a natural reed bed, which uses less energy than electrically powered aeration ponds. In 2006, both Fetzer and Sonoma-Cutrer reduced total water consumption from winemaking operations by 20%. Since 1997, Fetzer has greatly reduced the use of chlorine by substituting an ultraviolet water-treatment system to sanitize water for production. Sonoma-Cutrer sources irrigation water from an on-site well, alleviating the demand on local municipalities by 2.5 million



**ALL THINGS ARE CONNECTED** From the cold waters of Georgian Bay, Canada (above), home to Canadian Mist, to the limestone cave spring water of Lynchburg, Tennessee to the glacial moraines of Finland, water plays a big role in many of our brand stories.

gallons each year. We also use drip irrigation in our vineyards to accurately deliver water more efficiently than overhead sprinklers.

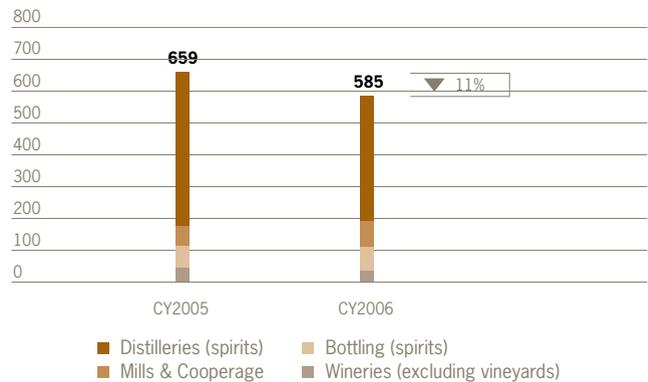
**CORPORATE**

In 2007, Brown-Forman joined the Beverage Industry Water Stewardship Roundtable. This working group’s efforts include an industry-wide benchmarking study to quantify water use and efficiency and the sharing of best practices on key water-related topics, such as drought management and water reuse strategies.

Our local rivers, streams, and creeks are not isolated bodies of water; many times they feed into the aquifers and reservoirs that supply communities, and provide habitat for countless wildlife. In parts of Kentucky, Tennessee, and California, where we are located, we participate in a variety of activities to clean, restore, and maintain nearby bodies of water—Dooley Creek, Mulberry Creek, McNab Creek, Grassy Springs Creek, and the Russian River—and where possible, planting indigenous shrubbery to prevent bank erosion.

One of the water challenges we face is the amount of solids and organic loads in our wastewater. We are investigating methods to reduce those solids and organics, such as anaerobic digestion. As we move forward, we continue to search for and discover opportunities to use less water in production through conservation and reuse.

**WATER USAGE BY FACILITY TYPE**  
[Million gallons]



• U.S. and Canada operations. • Data excludes Corporate offices, B-F homeplaces, field offices and vineyard use. • It is anticipated that absolute values for water use will increase, as additional domestic and international production operations are incorporated. • No water use occurs during the maturation of barrels in the warehouse. • Water usage is determined either by direct metering or by allocation methods. As we refine our measurement and reporting systems we anticipate changes in usage by facility type.

# BUILDING BRANDS THROUGH ENVIRONMENTAL STEWARDSHIP

36 Brand building is the cornerstone of our business strategy. Our brands create value for our company and are a reflection of our company's values. We believe that building brands is in large part about establishing strong consumer relationships. Opportunities to connect with the growing number of consumers who are concerned about the environment, and who share our values of environmental sustainability, will create deeper brand promises. Our company depends upon the sustainability of our brands—in every sense of the word. An important part of our corporate responsibility commitment is to find ways for it to come to life through our brands, as shared in the following examples.

## FETZER

Doing What Comes Naturally

While Fetzer's 20 years of environmental commitment has long been reflected in our brand activities and messaging in our European markets, this year we began incorporating sustainability into our North American marketing strategy. Fetzer's approach involves bold, simple statements, advertisements, and communications backed by hard credentials. These are messages and values that speak to consumers, honestly and clearly. In 2007, we embarked on a cross-country Green Tour, raising awareness of sustainable winemaking with consumers at more than 30 key events.





**BONTERRA**

Wines of Distinction Made from Organically Grown Grapes

Bonterra Vineyards has long believed that its world-class wines are a direct reflection of the organic vineyards in which they originate. Bonterra produces a full array of award-winning wines from vineyards that have been certified as organic, with some vineyards also carrying a biodynamic certification. By providing a super premium wine that taps into burgeoning consumer demand for organics, Bonterra is experiencing solid double-digit growth rates, a trend that we believe will continue.

In making Bonterra, we add a minimal level of naturally occurring sulfites to the wine—which provide stability and shelf life. Without them, the wine would spoil soon after opening the bottle. Therefore, in our labeling, we are clear that our wines are “made from organically grown grapes” and are not USDA certified organic, which does not allow for sulfites. The industry has long tried to find alternatives to sulfites, so far without success.

Fetzer and Bonterra's award-winning participation in the Chelsea Flower Show showcases these brands and spreads the message of sustainability with a large consumer audience.

**FINLANDIA**

Vodka from a Purer Place

Living in harmony with nature has been a part of Finnish culture for generations and represents the way Finlandia operates. Finlandia tells a true, authentic story of a brand that cares about its impacts on the environment. Our vodka comes from a pure and natural environment that we respect and want to preserve.

The transparent bottle reflects this “natural purity” and the “natural spirits” it contains. The commitment to sustainability is evident at Finlandia’s production facility—from using peat as its primary energy source, to the recycling and reuse of by-products as animal feed. The six-row barley we use to make the vodka soaks up Finland’s pristine air and water and draws nourishment from its untainted soil. Finlandia’s exceptional water in its bottles is naturally filtered through glacial moraine and is so pure that it is used as such without any treatment. While Finlandia depends on its pure source of water, one way in which the brand returns this favor to nature is through its support of World Water Day. The United Nations designated World Water Day to draw international attention to the critical lack of clean, safe drinking water.

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# { PERSPECTIVE } { TERRIAN BARNES }

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A long-term view is all about perspectives—different perspectives. And you don't get those viewpoints with market research alone; you get them from a diverse employee population at all levels.

Recruiting and managing for diversity is not simply a human resources function. Every leader in every division should see diversity as a key performance measurement. They should be held accountable for building the kind of diverse and inclusive culture the company wants to achieve.

Managers should be comfortable talking about how they are enhancing the capacity of their teams, encouraging internal networking and community involvement, and how they are coaching, supporting, and developing each individual team member.

Understanding the company's reality is also a key. If one demographic is under-represented or not advancing, talk to employees (and those who have left) to find out why. Conduct a culture or climate survey that looks at data by tenure, function, gender, ethnicity, age, etc. See if various groups



**TERRIAN BARNES**, Global Diversity and Inclusion Officer for Yum! Brands based in Louisville, Kentucky

view the company differently. Dive deeper into those numbers by asking more questions. You don't know what you might find until you really probe. Company leaders may believe they have a healthy work-life balance; a closer look, though, may reveal significant divisions between the over-40 employees and those under 40. That's useful information. Don't just look for what you want to see.

It's important for everyone in the company to understand the business im-

peratives for diversity and inclusion. Here are two that I think apply to Brown-Forman. The first is about marketing. If you want to reach diverse markets around the world, and increasingly diverse markets in the U.S., you need diverse perspectives at headquarters. You need all points of view at the table when decisions are made. The second is operational. The war for talent is real these days. If you want to bring in the brightest people, and keep them, you need to make sure that they can grow and advance inside the company—no matter who they are. The best talent will deliver the best results. You've got to make that talent, in all its colors and styles, feel welcome.

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# EMPLOYEES

OUR RELATIONSHIP WITH OUR EMPLOYEES IS A CRITICAL COMPONENT OF CORPORATE RESPONSIBILITY. THIS RELATIONSHIP IS ALSO AN ESSENTIAL FACTOR IN OUR OVERALL SUCCESS. BROWN-FORMAN RECOGNIZES THAT PEOPLE BUILD BRANDS, THUS HOW OUR EMPLOYEES ARE TREATED AND VALUED IS DIRECTLY RELATED TO OUR DESIRE TO BE THE BEST BRAND BUILDERS IN THE INDUSTRY.

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We know that if we treat employees respectfully and fairly, if we give them ample opportunities to contribute, learn, and develop their careers and if we see to it that they are recognized and rewarded, we will attract and retain highly capable and engaged individuals.

Our work in employee relations can be grouped into five areas: company culture and climate, employee development, diversity and inclusion, health and safety, and enabling employee responsibility.

## COMPANY CULTURE & CLIMATE

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In 2005, we conducted a culture survey of our salaried workforce to learn how employees characterize Brown-Forman's culture today. These results provide insight into perceptions of our culture and a balanced presentation of our strengths and challenges in this area. Employees described a company with a strong commitment to quality and high performance, a good public reputation, and a collaborative spirit. They also described a company less willing to confront conflicts or take risks. The questions did not ask employees to pass judgment or to say what they like about work at Brown-Forman, but rather to simply describe the culture as they see it. Utilizing the same instrument, we then asked Brown-Forman's senior executives to describe their vision of a

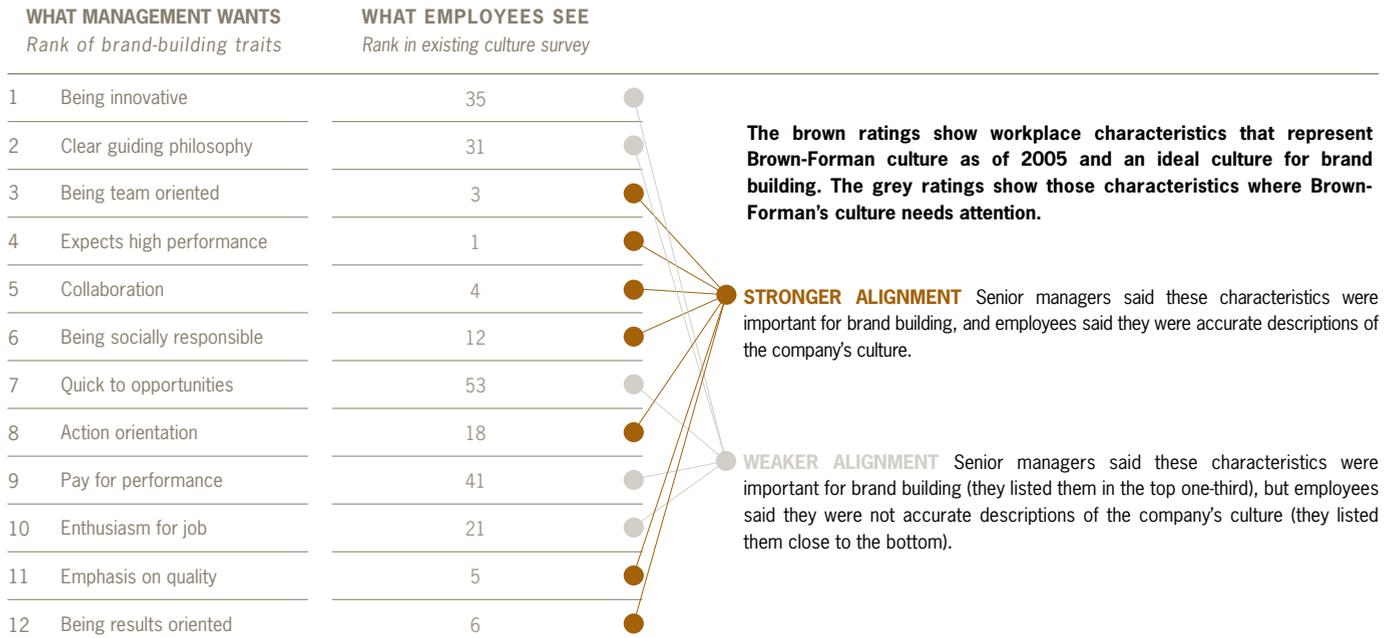
highly successful brand-building culture. We matched these two lists—the employees' description of our current culture and leadership's description of an optimal culture—and found a great deal of alignment. We also saw areas where the current reality may slow our progress, such as a perceived lack of innovation or not being quick enough to take advantage of market opportunities. We are working to strengthen our culture in these areas.

## EMPLOYEE DEVELOPMENT

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The characteristic of the culture that employees ranked at the top was an expectation for high performance. We promote this characteristic in part through our rigorous performance partnership process whereby employees set and review annual key task goals with their managers.

We also provide educational opportunities for employees to develop their talents and increase their potential to advance in the company. We offer a range of programs from essential training on compliance or job skills to learning and growth opportunities such as English as a second language courses and employee-wide tuition reimbursement for advanced education. Brand Building U, our corporate university, is the place where we build the people who build our brands. It provides a comprehensive curriculum to help



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employees develop brand knowledge, as well as functional, management, and leadership skills. Our Leaders Camp is one example of many leadership programs. It is designed for key leaders in the company with executive potential and provides a two-day intensive program that utilizes a case-study approach and models leaders teaching other leaders.

**DIVERSITY & INCLUSION**

Brown-Forman employees are creative, thoughtful, smart and dedicated people. Each of them brings unique characteristics and valued qualities to their jobs and to our company. Looking through a global lens, our company has become more multinational and multicultural with 20% of employees outside the U.S. (40% when Casa Herradura is included). However, in a U.S. only context, our workforce is not highly diverse. In areas where diversity exists within our company, we have not always successfully created a culture of inclusion that can leverage the power of diverse teams.

Diversity and inclusion have not been a consistent priority for us and, as such, we have had mixed, and frankly often disappointing, results. The reasons for the

limited success are many—ranging from the relative insularity of the industry and modest employee turnover of our company to the lack of broad understanding and awareness of diversity issues.

In 2006, senior management redoubled our efforts in this area, appointing 16 employees to an Inclusion and Diversity Coalition (the “Coalition”) charged to evaluate Brown-Forman’s current U.S. diversity platform and develop recommendations for improvements in this area. The Coalition determined that:

- **Diversity** honors the wealth of unique experiences that each of us brings to work as a result of our differences as people, including differences in race, nationality, ethnicity, gender, sexual orientation, socioeconomic status, age, and physical abilities.
- **Inclusion** is about unleashing the power of diversity by creating a culture that empowers each individual to fully express themselves and fully contribute their talents to the business. It is about engaging, involving, and honoring differences to produce more effective work teams, more dynamic work environments, and superior business results.

**GLOBAL WORKFORCE DEMOGRAPHICS**  
[# of employees]

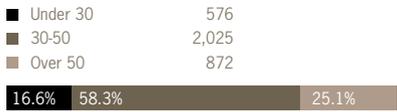
**JOB TYPE**



**LOCATION**



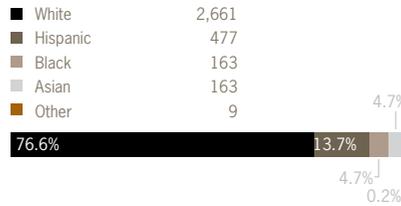
**AGE**



**GENDER**



**ETHNICITY**

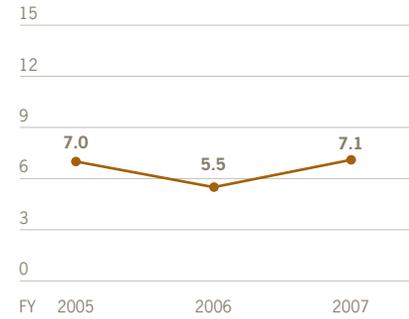


**TOTAL WORKFORCE\* 3,473**

Note: Numbers may not add to 100% due to rounding.

\*Excludes Casa Herradura.

**GLOBAL VOLUNTARY TURNOVER**  
[Percentage of total employees]



Our average three year employee voluntary turnover of 6.5% compares favorably to approximately 10% for similar companies in studies done by the Corporate Leadership Council and Saratoga Institute.

As part of its work, the Coalition engaged external diversity advisory firms to survey and evaluate attitudes and perceptions in our U.S. workforce. The feedback was clear: as compared with best-practice companies, Brown-Forman has been under-performing in many important areas for establishing a culture that values diversity and inclusion.

These findings required us to take a hard look in the mirror and conclude that we are not satisfied with the progress to date. As announced recently by our CEO, we have adopted a strategic action plan focused on moving our culture to one which embraces inclusion, and attracts and retains more diverse talent. For example, one important area of the action plan is to study the feasibility of domestic partner benefits.

Another major step, now underway, is to recruit a Chief Diversity Officer and staff the Diversity Office. The Chief Diversity Officer will be responsible for developing, driving, and delivering a diversity and inclusion initiative in concert with commitment and involvement from senior leaders and employees across the company. While the office

will have a global reach within our company, the initial focus will be on U.S. operations.

While our culture and employees are a central focus of our diversity plan, we also realize the importance of extending our commitment beyond our own walls. We have been a member and active supporter of the Kentuckiana Minority Business Council since the mid-1990s and joined the National Minority Supplier Development Council in 2003. We identify minority and women owned suppliers in our vendor database and have programs in place to generate more bid and business opportunities for diverse suppliers.

**EMPLOYEE HEALTH & SAFETY**

Our health and safety efforts are focused on protecting the well-being of our employees. While we ensure compliance with OSHA and all other applicable regulatory requirements, we have been long committed to the overall health and safety of our people. We recently expanded our health and safety metrics program to more accurately measure our performance and track our progress. This new metrics program further recognizes the



**OUR HISPANIC (AND AFRICAN-AMERICAN) MARKETING INITIATIVES**

enable us to bring our brands to new and diverse consumers. They also help us learn more about these growing and influential consumer groups.

**U.S. WORKFORCE DEMOGRAPHICS**

*[Percentage of total U.S. employees]*

	FEMALE	MALE	WHITE	BLACK	HISPANIC	ASIAN	OTHER
Corporate, Global Sales & Marketing	48.3	51.7	89.5	4.7	4.0	1.5	0.4
Production Hourly	14.9	85.1	69.3	8.4	21.9	0.3	0.1
Temporary/Seasonal	36.5	63.5	47.2	2.0	50.3	0.3	0.3
<b>Total Company</b>	<b>30.4</b>	<b>69.6</b>	<b>76.5</b>	<b>5.7</b>	<b>16.6</b>	<b>0.9</b>	<b>0.3</b>

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importance of addressing process improvements, best practice implementation, and standardized measurement. The overall program has 42 metric categories under four broad headings: leadership, processes, employee involvement, and results.

In Fiscal Year 2007, we evaluated seven of the 42 metric categories, including safety goals, training, health and environmental project reviews, and written policies and procedures. Eight of 10 of the facilities had audit scores of 85% or better. In Fiscal Year 2008, we will audit eight metric categories, including repeating three from this past year because of their importance.

This year, a template was created to use in the development of a site-specific emergency response plan for each of the company’s sales offices and four of our international offices. During the next two years, the plans will be completed for the remaining domestic and international sales offices.

**ENABLING EMPLOYEE RESPONSIBILITY**

We provide our employees with tools and resources to enable greater personal responsibility. First and foremost, we expect all employees to act with the highest degree of ethics and integrity, including following our Code of Conduct and policy regarding the responsible consumption of alcohol.

Employee responsibility also encompasses protection from, and prevention of, harassment and discrimination. In 2007, we introduced the third generation of training designed to educate all employees more deeply on this complex subject matter in order to create a safe, productive, and respectful environment for employees to conduct their work life.

Whether through wellness programs or periodic emergency and crisis response training, we believe that providing a healthy, safe, and secure environment for our employees is a benefit to them and to the company. We will continue to give our employees the ability to make smart choices and sound decisions.



Barrel raisers at Blue Grass Cooperage make at least 270 barrels in an eight hour shift, entirely by hand. It's a craft that hasn't changed in more than 60 years, since the Cooperage was founded.

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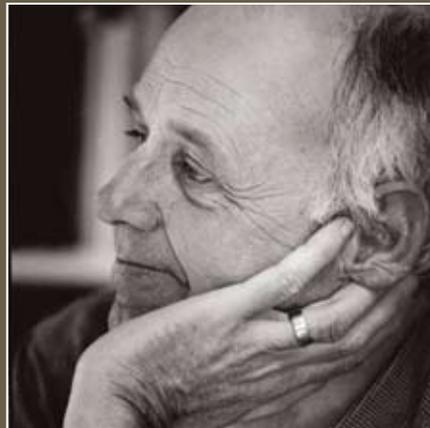
# { PERSPECTIVE } { WENDELL BERRY }

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A prominent theme of American history is our inattention to the sustainability of just about everything; we have pretty generally treated our country as a non-renewable resource to be used up as fast as possible. We know from too much experience that if a corporation orients itself simply to profit, then profit is first and nothing is second.

For a corporation to align itself differently is unusual, and not a simple matter. That Brown-Forman has aligned itself to sustainability is therefore interesting in proportion to the foresight required. Sustainability, after all, is not a destination precisely known to us, who have not sustained much for very long. It is not yet clearly marked on any map, but is to us somewhat as “the East” was to Columbus.

One of the consequences of Brown-Forman’s commitment is to show us how far we still have to go; it is hardly a signal that our worries are over. But it is nonetheless a sign that better ways of economic life are possible. Its public nature is what gives it power; failure to live up to the commitment



**WENDELL BERRY**, poet, philosopher, and conservationist, who farms in Kentucky

will be a public embarrassment, and we have to assume that the officers and shareholders would prefer to do without that.

The company is not disregarding its responsibility to be profitable. In a shocking display of good sense, its leaders have espoused sustainability and responsibility because they have the radical wish to remain profitable for a long time. They thus have granted due consideration to the sources of their products in agriculture, in the natural world, and in human communities.

Beyond the long-term benefit, there is evidence that good business, as Brown-Forman is defining it, makes good financial sense now as well as in the future. Brown-Forman will need to show that by working sustainably and responsibly, they can both save money and make money. The company may help destroy (forever, I hope) the idea that economic decency is unaffordable. This is something to be grateful for, and I for one am grateful.

# COMMUNITY

WE ARE A GLOBAL COMPANY, WITH A PRESENCE IN MORE THAN 100 COUNTRIES. WHILE WE ARE PROUD OF THIS EXPANDING REACH, WE ARE PROTECTIVE OF OUR HOME. THIS IS WHY OUR COMMUNITY RELATIONS EFFORTS FOCUS VERY DIRECTLY ON COMMUNITIES IN KENTUCKY AND TENNESSEE—A REGION IN WHICH WE HAVE BEEN WELL ESTABLISHED FOR MORE THAN A CENTURY. FOUNDED IN LOUISVILLE 137 YEARS AGO, BROWN-FORMAN'S ROOTS AND COMMITMENT IN THIS SPECIFIC COMMUNITY RUN DEEP.

Our approach is a reflection of an important company value. In an era when corporations sometimes change locations in search of better tax rates or as a result of a change in ownership, we have stayed put. And, we will continue to do so. This is why a great majority of our contributions are made to organizations making a difference in and around Louisville.

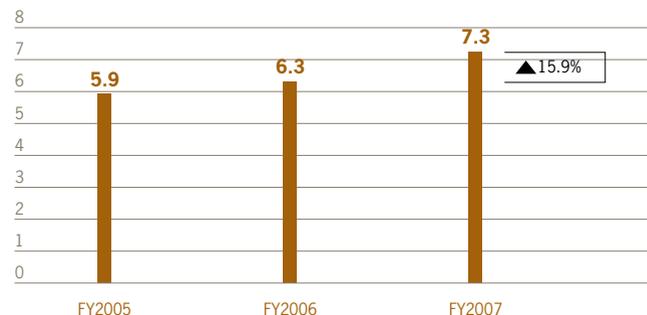
Because Louisville is home to our corporate headquarters, there is a degree of self-interest in our support of the city and surrounding region. We want our community to continue being a wonderful place to live, work, and raise our families. Our support of local groups helps our community to grow, which helps us recruit and retain the best and brightest employees from around the world.

In 2006, we made \$7.3 million in charitable community grants, an amount equivalent to 1.8% of Brown-Forman's net income. This figure understates our total contributions to charitable organizations, as it does not include large grants made to national and international groups focused on alcohol-related issues, which are discussed in the Alcohol and Society section of this report. This number

also does not include the contributions which our employees and shareholders make in their own right.

More than half of our grants go to the arts, followed by another quarter to social services and the remainder to health, education, and environmental groups. Grant decisions are made internally at Brown-Forman by two committees—the Sponsorship Committee and the Major Gifts Committee.

**CHARITABLE CONTRIBUTIONS**  
[Million dollars]





Our support of the Louisville Ballet and other arts and culture organizations brings creative energy to the community and sparks the imagination.



Sonoma-Cutrer's world-famous Croquet Invitational and Charity Auction supports the Make-A-Wish Foundation.

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Examples of our support for the arts include:

- **The Speed Art Museum** relies on us to support a number of exhibits, including the 2008 exhibition of *Life, Liberty and the Pursuit of Happiness: American Art* from the Yale Art Gallery. This exhibit highlights various perspectives on the American experience from the late 17th through 19th centuries.
- **The Louisville Ballet** uses our long-standing support to maintain its high level of excellence and to bring *The Nutcracker* to large audiences every winter. Because the production also involves a large number of young dancers, it has served as an educational and inspirational tool for the region's ballet community.
- **Kentucky Author Forum** advances the region's intellectual and social development by bringing a steady stream of prominent authors into Louisville. When people attend the events, and thousands see it on public television or hear it on public radio, there is a palpable community buzz afterwards. These events have an impact, particularly in a community the size of Louisville. We have partnered with some great community organizations as sponsors, including the University of Louisville and the Humana Foundation.

Examples of our support for local environmental, community, and educational efforts include:

- **The Nature Conservancy, Kentucky Chapter** receives funds to help with annual operating expenses. In addition, they have used our funds to work with the Army Corps of Engineers to preserve the Green River's ecological integrity and sustain its diverse populations, including 12 rare species of fish and more than 70 species of mussels. Along Buck Creek, a tributary of the Upper Cumberland River, we helped them introduce environmentally friendly farming practices.
- **YMCA of Greater Louisville** used our funds for the **Black Achievers Celebration**, which provides scholarships for teens, motivates them to succeed in school, and helps them gain marketable skills. Our support of the YMCA's Teen Scene allows special needs teenagers to participate in local recreational activities. Supporting the Safe Places Services program helps the YMCA provide safe, temporary housing and care for teenagers in crisis. Our contribution also helps to make academic scholarships available.
- **Louisville Zoo** is developing an important new exhibit to tell the story of a village on the edge of an Arctic wilderness. Brown-Forman has been a long-time supporter



Our grants provide support for many parks and open spaces and help make possible a place for the community and our employees to escape and rejuvenate. We support Bernheim Arboretum and Research Forest (pictured here), a nationally recognized, 14,000-acre preserve consisting of landscaped gardens, beautiful lakes, and a new visitor center incorporating best practices in sustainable design and construction.

of the zoo, including this latest project which will include state-of-the-art polar bear and sea lion facilities, a sea otter pool, climatology lab, water splash park, classroom space, and enhanced visitor transportation. It will play an important role in helping visitors understand the impacts of climate change and the fragility of key ecosystems.

- **Cork & Barrel** is an internal Brown-Forman employee organization which hosts 25 events or charitable fund-raisers annually. Some of the charities that benefit include the Kentuckiana Corporate Volunteer Council's Bare Necessities Diaper Drive, the Center for Women and Families, Share Our Strength, and Kosair Children's Hospital.

We are also committed to our headquarters' West-End neighborhood through our support of affordable housing and major landscaping improvements through Operation Brightside. In the last five years, through the Brown-Forman Legacy Tree Program, Brightside has planted 2,500 trees and helped beautify the community.

Contributions from Brown-Forman brands, which are not reflected in our total contribution figure here, increase

our community giving and impact in Louisville and other communities where we have a substantial presence. Some examples of these kinds of activities are:

- Sonoma-Cutrer hosts an annual Derby Day celebration, with an Iron Chef Competition and wine auction, with proceeds going to the Sonoma County Council on Aging **Meals on Wheels** program. The winery's world-famous Croquet Invitational and Charity Auction, at the winery outside Santa Rosa, supports the **Make-A-Wish Foundation**.
- Since 2002, Brown-Forman has been a sponsor of **Share Our Strength's** Taste of the Nation, America's oldest, largest, and finest culinary benefit. This annual event has raised \$70 million in the fight to end childhood hunger.
- The Jack Daniel Distillery supports local Motlow College and hosts interns for study at Miss Mary Bobo's Boarding House. Beginning in 2005, the Jack Daniel Distillery has also organized the Toast to the Troops campaign, where they collect messages of support (or "toasts") to include in **Operation USO Care Packages** for service men and women serving abroad. At four separate events in the past two years, employees, military spouses, and volunteers have put together 40,000 USO Care Packages to be sent overseas.

Many educational, charitable, and arts organizations benefit from the talents of Brown-Forman employees who serve on their boards. More than 75 Brown-Forman employees are on the boards of directors of non-profit organizations. We see multiple benefits from this kind of participation. The organizations receive the assistance and expertise of highly competent individuals, and our employees gain a stronger connection to the community as well as valuable leadership and management skills.

Brown-Forman supports education in all forms. From elementary school to higher education and beyond. Brown-Forman assists educational institutions through contributions to scholarships, capital campaigns, and by matching employee contributions.

Brown-Forman and its employees also participate annually in two large charitable fund drives in the Louisville area—**Metro United Way** and **The Fund for the Arts**. Each year we are among the top donors in the city, and the highest in per capita giving among employees for the Metro United Way.

We encourage employees to volunteer their time to the community, and our employees have a long tradition of service. Employees frequently participate in events that help raise money and awareness for special causes through the aforementioned employee organization, Cork and Barrel.

A 2006 survey of our Louisville employees showed that 88% were involved in some form of volunteer work. In addition to that encouraging news, we saw a challenge in the survey as well: 57% said they would want Brown-Forman assistance in connecting them to a volunteer opportunity.

We ask ourselves—how can we make the most significant difference? To that end, we are exploring ways to make our community relations and grants have even greater

impact. We are reviewing our contribution strategy for its effectiveness and reach in Louisville and other communities where we have a presence. We are looking at formalizing employee volunteering and tracking the hours employees devote to community-related causes. In addition, we are investigating our strategy for giving to areas directly related to promoting responsible consumption and reducing the harmful effects of beverage alcohol.

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Southern Comfort created the SoCo Music Fund to help rebuild the New Orleans music scene and support the New Orleans Habitat for Humanity Musicians' Village.

# LOUISVILLE

## MULTIPLYING OUR ECONOMIC EFFECT

A corporation can have countless impacts on a local community. Some of these, including impacts on the local culture or quality of life, are difficult to gauge. Economic impacts can be quantified in a more straightforward manner. University of Louisville economist Paul Coomes was able to quantify some of Brown-Forman's economic impacts on the Louisville region.

Dr. Coomes' study noted that Brown-Forman is one of four Fortune 1000 companies based in the Louisville region. This adds weight to the company's presence here, "given a national trend toward more office employment, and given how competitive the environment is for headquarters locations."

Dr. Coomes classified each Brown-Forman job into one of three industry categories: distilleries, wooden barrels, and headquarters operations. He noted that because these industries require workers with different skill and education levels, their pay levels vary.

"Each of the three has different linkages with the regional economy," the study noted, which results in

"purchasing a different set of goods and services required to produce their outputs." Dr. Coomes stated, "The greater the purchases from local vendors, and the higher the pay of the local employees involved, the greater are the spin-off impacts of the industrial output."

Dr. Coomes noted that Brown-Forman's presence adds significantly to the region's travel and hospitality industries. The company books more than 5,000 rooms in downtown hotels, and is responsible for more than 11,000 air tickets to or from Louisville, excluding arrangements made by outside visitors.

Overall, Dr. Coomes concluded that in 2006, when Brown-Forman employed approximately 1,400 people in the Louisville metro area, the company's presence resulted in:

- **4,253 jobs** in the Louisville region
- **\$203 million in wages and salaries** in the region
- **\$25 million in tax revenues** to state and local government jurisdictions

The study does not include an assessment of other tax streams that can be attributed to Brown-Forman's presence in Louisville. These include, but are not limited to, corporate income taxes and property taxes paid by company employees. The study also does not include an assessment of the charitable contributions made by the company, its executives, and employees.

Companies occasionally fund these studies when they consider leaving a community—they use the figures to justify better treatment by state and local governments. That was not our intent. Rather, our goal was to learn more about the ways in which we benefit our home community. Please see [www.brown-forman.com/responsibility](http://www.brown-forman.com/responsibility) for the full study.

**The overall spin-off impacts are quite positive for Louisville:**

**PAYROLL MULTIPLIERS**

Payroll of...	...in this category...	...increases regional payroll by:
\$1.00	Distilleries	\$2.47
\$1.00	Wooden barrels	\$1.41
\$1.00	Headquarters	\$1.40

**JOB MULTIPLIERS**

This # of jobs...	...in this category...	...increases the regional jobs pool by:
1	Distilleries	4.75
1	Wooden barrels	1.88
1	Headquarters	2.29

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# ETHICS & GOVERNANCE

GEORGE GARVIN BROWN FOUNDED WHAT WOULD BECOME THE BROWN-FORMAN CORPORATION IN 1870 IN LOUISVILLE, KENTUCKY, AND THE COMPANY WENT PUBLIC IN 1933. SINCE THEN, WE HAVE MATURED INTO A GLOBAL BEVERAGE ALCOHOL COMPANY WHILE RETAINING STRONG FAMILY TIES AND OWNERSHIP.

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## DUAL CLASS STOCK STRUCTURE

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During U.S. Prohibition, the company was able to survive because we were granted permits to sell alcohol for medicinal purposes. When Prohibition ended in 1933, the family owners were committed to growing their beverage alcohol business. This was a period of intense competition with many new entrants into the beverage alcohol business. In order to invest capital required to grow the company's brands, the family owner decided to seek public investors, which eventually became a dual class stock system in 1959.

Today, the family's ownership remains strong, with various descendants of George Garvin Brown holding more than 70% of the outstanding voting shares and more than 50% of the total economic interest of the company. This deep-rooted family involvement enables us to give greater consideration to the long-term health and prosperity of Brown-Forman. The Brown family is firmly committed to creating a valuable and sustainable company for future generations, with both family and non-family shareholders.

## CONTROLLED COMPANY

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The Board of Directors is the policy-making body that is ultimately responsible for the company's financial well-being, business success, and ethical climate. The Board has determined that Brown-Forman is "controlled" by the Brown family, as defined by the New York Stock

Exchange (NYSE) rules. This determination exempts Brown-Forman from the requirement of having a majority of independent directors and a nominating committee composed exclusively of independent directors. Our Board has determined that seven of our 14 directors are independent according to NYSE standards.

Five of the directors are Brown family members. While these individuals are not considered "independent," they have an obvious and deep interest in ensuring the best long-term management of Brown-Forman, and provide valuable and effective oversight on behalf of all shareholders.

Our Board has the following standing committees: Audit, Compensation, Executive, and Nominating.

## DIVISION OF CHAIRMANSHIP

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The Board has decided to divide the office of Chairman into two leadership roles to provide greater, and more balanced, guidance and leadership.

Effective August 1, 2007, Paul Varga will succeed Owsley Brown II as Chairman of Brown-Forman, making him the top executive of the company and responsible to the Board for the company's overall success. Mr. Varga will also continue as the CEO of the company.

Effective September 27, 2007, George Garvin Brown IV, the fifth generation namesake of the company's founder, will assume the role of Presiding Chairman of the Board of Directors to help the Board set the strategic course for the company, encourage continuation of the company's high governance standards, and generally facilitate the work of the Board.

### ETHICS & COMPLIANCE

Brown-Forman's Compliance Program consists of the Code of Conduct and Compliance Guidelines. The General Counsel implements and maintains our Compliance Program, appointing a Compliance Ombudsman and Compliance Officers. Originally written in 1985, the Code was expanded in 1995 to include specific compliance guidelines addressing: Employment, Environmental, Safety and Health, Political Activity, Securities, Anti-Trust, Trade Practices, Foreign Corrupt Practices Act, Anti-Boycott Rules, Customs, and Trade/Export Rules. In 2002, a Code of Ethics for Senior Financial Officers and Audit Committee Complaint Handling Procedure were added. The Code and Guidelines are available in nine languages to reach our international employees.

All salaried employees certify annually that they have read and will act in compliance with the Code and that they are not aware of any violations. If they are, the matter is investigated and remedied. In Fiscal Year 2007, 99 percent of U.S.-based salaried employees complied. Hourly employees are given an abridged version of the Code and asked to certify their adherence.

Reports of potential infractions of the Code and Guidelines are gathered in many ways, ranging from exception to the annual certification, to the anonymous hotline, to internal and external audits. Many employees receive training and seek advice from the Compliance Officers. All potential deviations are investigated and, if an infraction has occurred, fully remediated. If warranted, sanctions or other disciplines are imposed.

A summary of Compliance Program activity is presented at least three times per year to the Audit Committee of the Board of Directors. Annually, the Compliance Officers certify compliance in their respective areas of responsibility. The process is audited by Internal Audit to ensure resolution of all outstanding issues. The General Counsel and General Auditor then jointly certify to the Audit Committee that the company is in substantial compliance with all material laws, regulations, and policies.

The Compliance Program evolves, adjusting to the changing business and regulatory environment, as informed by regular risk assessments. For example, in 2006, the New York Attorney General's investigation of trade practices led to fines against all major beverage alcohol suppliers, including Brown-Forman, and distributors as well as some retailers. We hired independent, outside legal counsel to conduct an anonymous survey of all U.S. field sales and marketing employees to determine the extent of trade practice rules violations. Coupled with one-on-one interviews, the survey indicated that employees had many questions as to what practices were appropriate in what states. In response, we took remedial actions, including:

- Publishing a plain-English database summarizing the trade practice rules in each state
- Providing additional training to all U.S. field sales and marketing employees on state trade practice rules, Brown-Forman marketing policies, and the proper internal accounting principles applicable to these activities
- Upgrading billing requirements for all trade partners
- Providing training to other trade partners on responsible business practices

While we have very solid foundations of ethical compliance in place, we will continue to seek ways to further enhance the commitment to integrity by our people and our company.



# MOVING FORWARD

OUR INTENT IN ISSUING THIS CORPORATE RESPONSIBILITY REPORT IS TO ENRICH THE CONVERSATIONS WITHIN AND AROUND OUR COMPANY. WE DO SO IN THE HOPE THAT THESE CONVERSATIONS WILL HELP US EXPAND OUR UNDERSTANDING OF THESE ISSUES AND EMBOLDEN US AS WE DEEPEN OUR RESOLVE TO “BEING RESPONSIBLE IN EVERYTHING WE DO.”

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## CONTINUING THE JOURNEY... AND THE CONVERSATION

We acknowledge that this first attempt at such a report is just one step on a long journey, and there is much work ahead. But we have committed to this path, and look forward to improving. Our strategy, moving forward, includes the following planned steps:

- Engage with individuals and organizations that increase our understanding of critical problems and challenges
- Invest in programs and partnerships that enable us to make a greater difference
- Continue identifying key performance indicators and track our performance against them
- Publish an update on these metrics in 2008 and our next full Corporate Responsibility Report in 2009
- Make use of our website to share information about current issues or changes in our policies or practices



To continue this dialogue, and enhance our learning, we ask the following of our readers:

- Visit [www.brown-forman.com/responsibility](http://www.brown-forman.com/responsibility) and complete our online survey to help us learn what worked—and did not work—with this first report
- Use the same link to send us comments, questions and challenges
- Check our website occasionally for updates on our progress

**For information on Brown-Forman's Corporate Responsibility efforts,** please write to: Rob Frederick, Director of Corporate Responsibility, Brown-Forman Corporation, 850 Dixie Hwy., Louisville, KY, 40210, U.S.A.



Based on an internal review, Brown-Forman determines this report to be a C level application of the Global Reporting Initiative (GRI) G3 Guidelines. The G3 Profile Disclosures and Content Index can be found on our Web site at [www.brown-forman.com/responsibility](http://www.brown-forman.com/responsibility).

Some statements in this report are forward-looking, in that they relate to the manner in which we intend to conduct certain of our activities, based on management's current plans and expectations. Important factors that could affect whether any of our forward-looking statements materialize are discussed in our 2007 Annual Report and are incorporated by reference herein.

## ON THE COVER

Barrel house at our historic Woodford Reserve Distillery in Versailles, Kentucky.

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## CREDITS

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