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Tariff Uncertainty Sparks Mitigation Steps

Lisa Singh -
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Planning for market uncertainty is central to Matthew Hamel's work. As executive vice president, general counsel, and secretary of Brown-Forman Corporation, he guides one of the nation's largest wine and spirits purveyors through the import, marketing, distribution, sale, taxation, and consumption of beverage alcohol. Add tariffs to the mix and they make for an unknown in any accompanying market strategy.

Learn how this longtime general counsel uses a planning process that factors in mitigation steps that differ by market segment.

What issues facing publicly listed, family-controlled companies do you track most closely, and what steps are you taking to address them?

I believe that publicly-listed, family-controlled companies will continue to face activism around dual-class share structures. The best defenses are strong performance and governance, both of which we pursue assiduously.

In Brown-Forman's case, the controlling Brown family holds not only a majority of the votes but a majority of the equity as well. In addition, our voting shares trade publicly, so investors who believe their interests are insufficiently protected by the rights granted to non-voting shareholders are able to buy voting shares instead.

In fact, we listed only voting shares from when we went public in 1933 until we issued non-voting shares to all shareholders in the '50s; we have never sold our non-voting shares to the public. In that sense, our situation is very different from some tech companies that have been in the headlines more recently.

I belong to a group of general counsel and other senior governance professionals at PLFCs, and many, if not most, share a number of these characteristics.

What ethics, compliance, and risk considerations are you most focused on this year?

We have been reviewing our code of conduct over the past few months and expect to roll it out in the first quarter. The new version was drafted with the aim of making it extremely user-friendly, and I am confident we have succeeded. It is organized around the company's values of integrity, trust, respect, teamwork, and excellence.

Our employees are well-familiar with these, and the code encourages them to take actions and make decisions that are consistent with them.

The code will be formatted interactively, presenting links to relevant policies and training modules with respect to each risk addressed. An employee should better understand what behavior is expected and where to turn with questions or to report behavior that appears noncompliant.

Our compliance function is also keeping busy with our company's expansion in emerging markets, and various routes-to-market that require a variety of different risk-mitigation steps. For example, we are actively conducting due diligence on second-tier relationships (the vendors to our vendors) and audits on the anticorruption compliance of our primary business partners.

We also conduct targeted risk assessments based on published enforcement actions. We are revamping our approach to enterprise risk this year, integrating it more closely with compliance and working up a new risk dashboard—a slide we will begin to share with the board periodically.

Looking ahead, what new regulations do you have on your radar related to the company's primary business lines?

The primary regulation on my radar at the moment is the European regulation on the importation of American whiskey, namely the tariffs they have imposed. These are costly and disruptive and introduce an element of uncertainty into our planning process.

We have a variety of mitigation steps in effect that differ by market, such as increasing our inventory in Europe ahead of the imposition of the tariffs, taking targeted price increases in certain markets, and changing our portfolio mix in some places, among other things, but as long as the tariffs are in place they will be prominent on my radar.