

Justice and Fairness

An Interview with Farooq Kathwari,
Chairman, President and Chief Executive Officer, Ethan Allen Interiors Inc.

EDITORS' NOTE Farooq Kathwari has been Chairman and CEO since 1988. He serves in numerous capacities at several nonprofit organizations including as a member of the Board of Overseers of the International Rescue Committee; a member of the advisory board of the Center for Strategic and International Studies; a member of the Council on Foreign Relations; Chairman Emeritus of Refugees International; an advisory member of the New York Stock



Farooq Kathwari

Exchange; former Chairman of the National Retail Federation; former Chairman and President of the American Home Furnishings Alliance; a director of the Institute for the Study of Diplomacy at Georgetown University; Co-Chairman of the Muslim-Jewish Advisory Council; and a member of the International Advisory Council of the United States Institute of Peace. He served as a member of the President's Advisory Commission on Asian Americans and Pacific Islanders from 2010 to 2014.

Kathwari was recently tapped to join the congressionally mandated United States Institute of Peace bipartisan Task Force on Extremism in Fragile States co-chaired by Governor Tom Kean and Congressman Lee Hamilton, who formerly led the 9/11 Commission.

Among his recognitions, Kathwari is a recipient of the 2018 Ellis Island Medal of Honor and has been inducted into the American Furniture Hall of Fame. He has been recognized as an Outstanding American by Choice by the U.S. government. He has received the Yale School of Management's Chief Executive Leadership Institute Lifetime of Leadership Award; the National Human Relations Award from the American Jewish Committee; the National Retail Federation Gold Medal; and Ernst & Young's Entrepreneur Of The Year Award. He has also been recognized by Worth magazine as one of the 50 Best CEOs in the United States.

Kathwari holds B.A.s in English Literature and Political Science from Kashmir University, Srinagar, and an M.B.A. in international marketing from New York University. He is also the recipient of three honorary doctorate degrees.

COMPANY BRIEF Ethan Allen Interiors Inc. (ethanallen.com) is a leading interior design company and manufacturer and retailer of quality home furnishings. The company offers free interior design service to its clients through the efforts of approximately 1,500 in-house interior designers and sells a full range of furniture products and decorative accessories through its website and a network of approximately 300 Design Centers in the United States and abroad. Ethan Allen owns and operates nine manufacturing facilities including six manufacturing plants in the United States, two manufacturing plants in Mexico and one manufacturing plant in Honduras. Approximately 75 percent of its products are made in its North American plants.

ing plants in the United States, two manufacturing plants in Mexico and one manufacturing plant in Honduras. Approximately 75 percent of its products are made in its North American plants.

The average association of our independent retailers is 40 years; many are now in their second and third generation of being in business with us. These long-serving, entrepreneurial-minded leaders are essential parts of their communities.

The world is facing an unprecedented crisis that is impacting all countries and their citizens. The pandemic is being fought on the front lines by healthcare workers, first responders, those providing supplies and meals, transportation workers and all other essential workers. What do you say to these true leaders and heroes that are risking their lives to protect others?

It is amazing how quickly the news of various conflicts has been overshadowed by the coronavirus. Mighty armies or large industries are less important when there are concerns about life and death. This unprecedented crisis has made us realize how interdependent we are. The front line workers, first responders, transportation workers, those providing supplies and meals, and all other essential workers are our heroes. It should make us reprioritize, as a society, where our resources are spent.

Our enterprise, like many others, has taken major steps to operate sensibly and serve our clients safely. I am grateful for and proud of the attitudes and the efforts of our associates.

Ethan Allen is a company that has a long culture and commitment around community engagement and addressing societal need. Will you discuss how critical community is to Ethan Allen?

For 88 years, Ethan Allen has maintained strong community engagements. We started establishing crafts-oriented workshops in places such as the Green Mountains of Vermont and the Blue Ridge Mountains in the Mid-Atlantic. We have generations of families working in these workshops, and we have been an integral part of these and many other communities. At one time, we even managed the water company that supplied drinking water to residents of Beecher Falls, Vermont.

Our independent retail network is made up of families with a long tradition of community involvement. The average association of our independent retailers is 40 years; many are now in their second and third generation of being in business with us. These long-serving, entrepreneurial-minded leaders are essential parts of their communities. They are deeply engaged with issues such as the current COVID-19 crisis.

Ethan Allen was built with an entrepreneurial spirit and an ability to be nimble and adapt. How is Ethan Allen addressing its business during this time in order to succeed in this difficult environment?

The front line workers, first responders, transportation workers, those providing supplies and meals, and all other essential workers are our heroes. It should make us reprioritize, as a society, where our resources are spent.

Our motto has always been to be entrepreneurial and disciplined, but we acknowledge that the current situation is unprecedented. Almost everything came to a standstill, something that has not happened in many crises of the past including the Great Depression and World Wars. We had to make many tough decisions. In March, approximately 200 of our retail Design Centers and most of our North American manufacturing had to close, and we had to furlough about 70 percent of our associates – 3,000 associates – in a two-week period. We achieved this with dignity, providing associates several weeks of pay and several months of medical benefits, and connecting them to federal and state benefits.

How have Ethan Allen's employees changed the way they work in order to be effective with the changes that have been necessary for all businesses to make?

Combining technology and personal service has become a critical pillar of our business model over the past decade. We've now extended that mindset into our work environment, and our associates have risen to the occasion. We realize that, thanks to technology, not everybody has to be physically present to perform all tasks. Today, video communication platforms make it possible for an unprecedented level of interpersonal interaction.

Our teams have developed and adopted new technology-based skillsets to be even more efficient and effective. Our associates are hard at work, many working remotely and virtually. I am very proud of how they have performed during this challenging period.

There is a great deal of discussion about businesses reopening in a "new normal". What is your outlook for what this new normal may look like and how is Ethan Allen preparing for the next stage in this crisis?

The "new normal" requires reviewing all aspects of our operations from "base zero." We have targeted a 30 percent increase in efficiencies across the board, operating with a long-term sustainable outlook, as we always have. By taking strategic and proactive steps operationally, we place ourselves in a strong fundamental position to weather the next crisis. Our sound operational footing also puts us in a prime position to attract and retain the best talent.

You are a business leader who has always focused on your people and believed that talent makes great companies. How proud are you to see how Ethan Allen's workforce has risen during this most difficult time and what do you say to your team about their perseverance and resilience?

Talent is critical. Every week I receive 50 reports from our leaders; not all report to me. They must focus on five important areas, and talent is always first. Other areas are marketing, service, technology, and social responsibility. I am proud of the way our teams have kept their focus on these key elements throughout this crisis.

I hope this crisis makes all of us, especially world leaders, understand we live in a small world, and we must work together to bring improvements all over the world.

We also took steps to treat those furloughed with respect and to treat them fairly, providing medical benefits for an extended period. We want our teams to be proud to be associated with Ethan Allen.

Leading companies in all industries have changed the way they operate and have been engaged in providing talent, resources and supplies to those on the front lines of this crisis. This has provided an example of the role that business plays as a force for good in society. Will you discuss your views on the responsibility that leading companies have to address societal need?

The COVID-19 crisis has challenged all of us. During a crisis, everyone must work together to help one another to persevere. Our enterprise, like many others, looked to see where there were needs and how we could help. Our Maiden, North Carolina, upholstery workshop, in partnership with the Carolina Textile District, produced medical supplies in the wake of COVID-19. Using our automated fabric-cutting equipment, our cutting and sewing teams produced medical gowns and masks. In White Plains, New York, we were able to quickly supply mattresses, foundations, and bed frames to a hospital for urgently needed surge capacity. Other initiatives were undertaken at the local level throughout our retail network.

I am really proud of the attitude and the efforts of our associates. Crisis also can develop closer relationships.

I am pleased our licensee in China, which operates about 100 retail locations throughout China with most of our product shipped to them from our North American manufacturing, collaborated with us in arranging a large shipment of masks and gloves to be used by our associates.

You are known to be an optimistic person. During this difficult and uncertain time, what are you telling your people and what would you say to young people across the country who are deeply concerned and scared about the future?

I hope this crisis makes all of us, especially world leaders, understand we live in a small world, and we must work together to bring improvements all over the world. This week I made the public statement on the following pages.

ETHAN ALLEN®

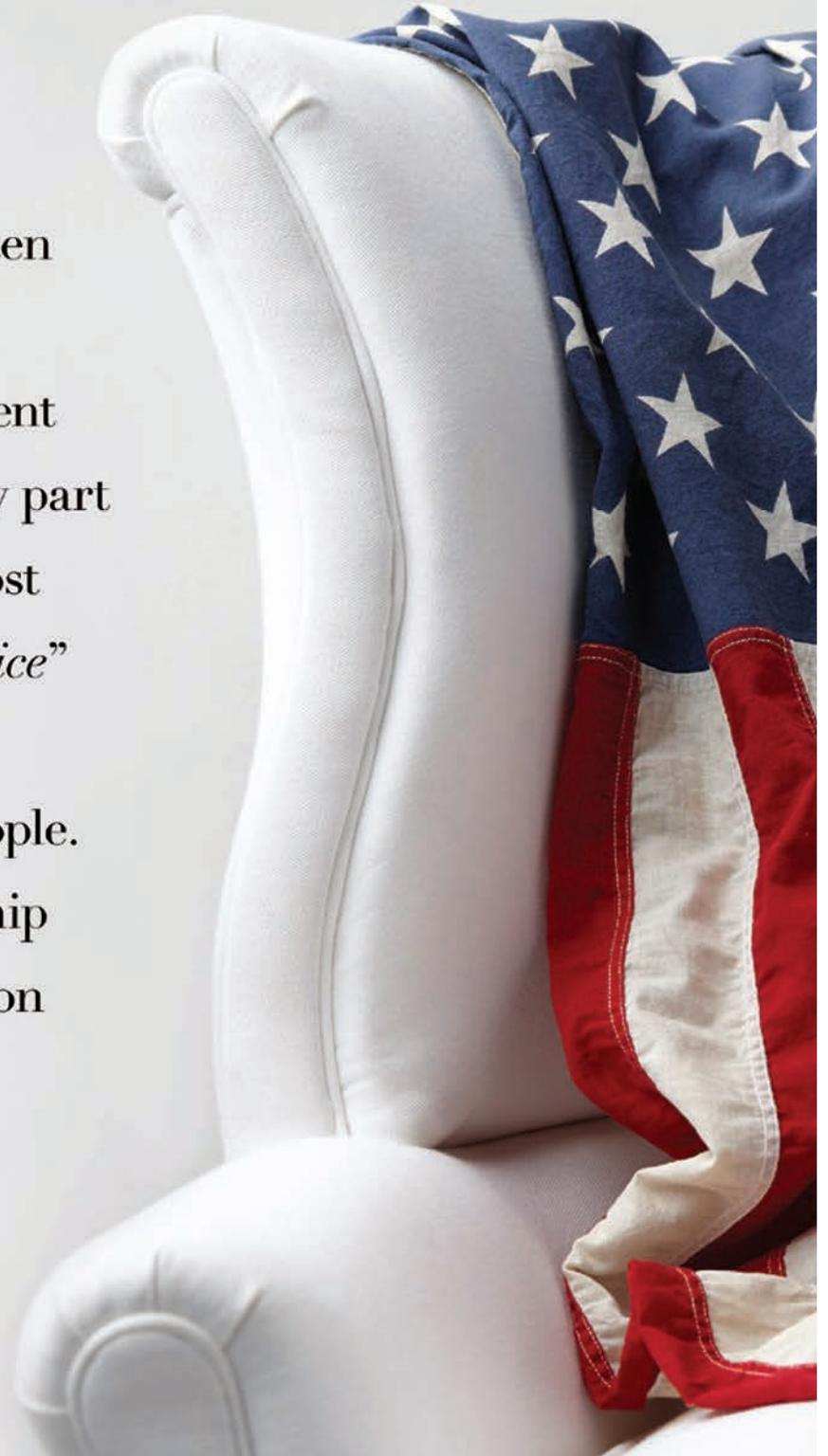
— WE MAKE THE AMERICAN HOME —

Dear Ethan Allen clients,

For over 30 years, I established ten key *Leadership Principles*, which define our company's commitment to excellence and equity in every part of our enterprise. One of the most important principles being "*Justice*" which boils down at its core to unconditional respect for all people. I am proud that our ten leadership principles are the very complexion of our company.

FAROOQ KATHWARI

CHAIRMAN & CEO



Leadership

Provide leadership by example.

Change

Understand that change means opportunity and do not be afraid of it.

Accessibility

Be accessible and supportive, and recognize the contributions of others.

Speed

Maintain a competitive advantage by reacting quickly to new opportunities.

Client Focus

Our first responsibility is to our clients. Client service is our highest priority.

Hard Work

Establish a standard of hard work and practice it consistently.

Excellence + Innovation

Have a passion for excellence and innovation.

Priorities

Establish priorities by clearly differentiating between the big issues and the small ones.

Confidence

Have the confidence to empower others to do their best.

Justice

Always make decisions fairly. Justice builds confidence and trust, which in turn encourages motivation and teamwork.