

# **Ethan Allen Interiors Inc. Audit Committee Charter**

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This Charter governs the Audit Committee. The Committee shall review and reassess this Charter at least annually and recommend changes as appropriate for the approval by the Board of Directors.

## **Statement of Policy**

The Committee is a committee of the Board. Its purpose is to assist the Board in fulfilling its oversight responsibility relating to the Company's financial statements, auditors, financial statement audits, financial reporting process, system of internal accounting and financial controls, and internal audit function. In so doing, the Committee shall seek to maintain free and open communication between the Committee and the Company's independent registered public accountants, the internal auditors and management.

## **Committee Membership**

The Committee shall consist of no fewer than three members appointed by the Board. The members of the Committee shall serve until their respective successors are duly appointed by the Board or, if earlier, they cease to be directors or their resignation or removal as Committee members. The Board shall designate the Chair of the Committee. The members of the Committee shall meet the independence, experience and financial expertise requirements of the New York Stock Exchange, the Securities Exchange Act of 1934 (the "Exchange Act") and the rules promulgated thereunder.

To effectively perform his or her role, each Committee member will seek to obtain an understanding of the responsibilities of the Committee as well as the Company's business, operations and risk. Directors who are not financially literate shall become financially literate within a reasonable period of time after their appointment to the Committee. At least one member of the Committee shall have accounting or related financial management expertise, as interpreted by the Board in its business judgment. At least one member of the Committee must be an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K. A person who satisfies this definition of audit committee financial expert will also be presumed to have accounting or related financial management expertise.

Committee members shall devote a sufficient amount of time to Committee activities and responsibilities. Compensation as a director, including retainers, meeting fees and equity compensation, shall be the only compensation that a Committee member may receive from the Company.

The Board shall have the power at any time to change the membership of the Committee and to fill vacancies in it.

Committee members should limit the number of directorships they hold to no more than two public companies, other than the Company.

## **Meetings**

The Committee shall meet at least four times per year. Members may attend meetings in person, telephonically or by video conference and such attendance shall constitute presence at the meetings. The presence of a majority of the members of the Committee at the meeting shall constitute a quorum entitled to conduct business at the meeting. Action of a majority of the Committee members then serving, at a meeting at which a quorum is then present, shall constitute the action of the Committee. Any action which may be taken at a meeting may be taken without a meeting and without notice by unanimous written consent of all Committee members. Notice of regular and special meetings of the Committee shall be given to the members of the Committee in the same manner and at least as far in advance as notice of such meetings of the Board are required to be given to directors. The Chair of the Committee, in consultation with management and the other Committee members, shall establish the agenda for regular meetings. Special meetings may be called by management, the Board or any Committee member, in which case the agenda for the meeting shall be limited to the purposes for which it is called and such purposes shall be described in the notice of the meeting. Any or all Committee members may waive notice of any meeting, in writing (including by email), before or after the meeting. The Committee will maintain copies of minutes of each meeting of the Committee, as well as each written consent to action taken without a meeting, in the Company's minute book.

## **Authority and Responsibilities**

The Committee is empowered with all authority of the Board relating to matters within the scope of its responsibility. In discharging its oversight role, the Committee is empowered with full access to all books, records, facilities and personnel of the Company.

## **Power and Duties**

The independent registered public accountants shall report directly to the Committee and are ultimately accountable to the Board and the Committee. Without limiting the foregoing, the Committee:

- Shall consult as it deems appropriate with management, but shall not delegate its responsibilities, except that pre-approval of audit related and non-audit services by the independent registered public accountants may be delegated to the Chair of the Committee.
- Shall have the authority to retain legal, accounting or other consultants to advise the Committee, and to conduct or authorize investigations into any matters within its scope of responsibilities.
- Shall meet as it deems appropriate with management, the internal auditors, and the independent registered public accountants in separate executive sessions in furtherance of its purposes.
- May require any officer or employee of the Company or the Company's outside counsel or independent registered public accountants to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
- Shall be directly responsible for the compensation and oversight over the work of the independent registered public accountants (including resolution of any disagreement between management and the independent registered public accountants regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
- Shall have the sole authority to appoint or replace the independent registered public accountants subject, if applicable, to shareholder ratification.
- Shall pre-approve all audit and non-audit engagements that may be provided by the Company's independent auditors and related fees and terms. Consider whether the auditor's provision of permissible non-audit services is compatible with the auditor's independence. May establish policies and procedures for the Committee's pre-approval of permitted services by the Company's independent auditors or other registered public accounting firms on an ongoing basis.
- Shall select, retain, compensate, oversee and terminate, if necessary, any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.
- Shall review, approve and oversee any transaction between the Company and any related person (as defined in Item 404 of Regulation S-K) and any other potential conflict of interest situations on an ongoing basis in accordance with Company policies and procedures.

## **Public Reporting**

- Shall review the annual audited financial statements with management, including major issues regarding accounting and auditing principles and practices and recommend to the Board whether the annual audited financial statements should be included in the Company's Form 10-K.
- Shall review with management and the independent registered public accountants the Company's quarterly financial statements prior to the filing the Company's Form 10-Q.
- In connection with its review of annual and quarterly financial statements, shall review with management and independent registered public accountant, judgments and accounting estimates, significant and new accounting policies, significant changes in accounting principles or their application, significant unusual transactions (if any), the Company's specific disclosures under "management's discussion and analysis of financial conditions and results of operations" and management's certifications of such statements.
- May review any analysis prepared by management or the independent registered public accountants of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements.
- In connection with the Company's filing of Forms 10-Q and 10-K, shall review and discuss with management and the independent registered public accountants the adequacy of the Company's internal controls with regard to, among others, identified significant deficiencies or material weaknesses in internal controls.
- Shall receive and review the content of annual and quarterly earnings press releases and other financial press releases published by the Company, as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee need not discuss this information in advance nor in each instance.
- Shall review and as appropriate approve the report to stockholders to be included in the annual proxy statement as required by the rules of the Securities and Exchange Commission.
- Shall review disclosures made by the Company's principal executive officer or officers and principal financial officer or officers regarding compliance with their certification obligations as required under the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, including their evaluations of the Company's disclosure controls and procedures and internal controls over financial reporting.
- Shall discuss with management and the independent registered public accountants any accounting adjustments that were noted or proposed by the independent registered public accountants.

- Shall discuss with management and the independent registered public accountants changes in accounting methods, off-balance sheet structures and related-party transactions.
- Shall review and discuss with the Company's independent auditors the auditors' evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Company's relationships and transactions with related parties.

### **External Audit**

- Shall discuss with the independent registered public accountants their independence from management and the Company and the matters included in the written independence disclosures required by the Public Company Accounting Oversight Board or other regulatory authorities.
- Shall review with the independent registered public accountants annually the plan, scope, staffing and timing of their audit.
- Shall review a report from the independent registered public accountants at least annually regarding the independent registered public accountants' internal quality control procedures, any material issues raised by the most recent quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues and all relationships between the firm and the Company or any of its subsidiaries.
- Shall discuss with the independent registered public accountants and management their judgment as to the quality of the Company's accounting policies, including the application of the Company's accounting policies, and review and discuss with the independent registered public accountants all other matters required to be communicated by the independent registered public accountants to the Committee, including under Auditing Standard No. 16, as adopted by the Public Company Accounting Oversight Board.
- Shall review with the independent auditor any audit problems or difficulties and management's response.
- Shall review the performance of the independent registered public accountants, including the lead partner of the independent registered public accountants, taking into account the opinions of management and the Company's internal auditors.

- Shall seek to ensure that the lead audit partner of the independent registered public accountants and the audit partner responsible for reviewing the audit are rotated at least every five years as required by the Sarbanes-Oxley Act of 2002.
- Shall review any reports of the independent registered public accountants mandated by Section 10A of the Exchange Act and obtain from the independent registered public accountants any information with respect to illegal acts in accordance with Section 10A.

### **Internal Audit**

- Shall review with management and the internal audit group the performance and effectiveness of the internal audit function, the scope and plan of proposed internal audits, the results of completed internal audits, the staffing and other matters bearing upon the scope of such audits, any audit problems or difficulties encountered, and management's response.
- Shall seek to ensure that there are no restrictions or limitations on the scope of activities or access to information in the performance of internal audits.
- Shall discuss with the Director, Internal Audit any matters that the Committee or the Director, Internal Audit believes should be discussed.

### **Compliance**

- Shall review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instance of noncompliance.
- Shall provide procedures for the receipt, retention and treatment of, and the response to, complaints received regarding accounting, internal accounting, internal controls, or auditing matters and for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- Shall review updates, as provided by management and legal counsel, regarding financial reporting compliance matters.
- Shall monitor management's tone at the top, including communications regarding the importance of integrity and the Company's policies for acceptable business practices.

- With respect to directors and executive officers, shall receive reports of any non-compliance with the Company's Code of Business Conduct and Ethics (the "Code") and of investigations of any alleged breach or violation of the Code.

## **Risk**

- Shall monitor along with the Board the Company's policies with respect to risk assessment and risk management, the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, it being understood that it is the job of management to assess and manage the Company's exposure to risk and that the Committee's responsibility is to exercise oversight with respect to the Company's guidelines and policies by which risk assessment and risk management are undertaken.
- Shall monitor along with the Board the Company's legal environment (including the status of any pending lawsuits or administrative proceedings that would have a significant effect on the Company's financial statements), treasury activities (including cash management, hedging and use of new or unusual financial instruments), cybersecurity risks (including the steps that management has taken to protect against threats to the Company's information systems and security), as well as other current issues affecting the retail industry, the effect new tax laws and other regulations may have on the Company and insurance coverage for directors and officers.

## **Other**

- Shall review and approve decisions by the Company to enter into swaps and other derivative and hedging transactions, including decisions whether or not to clear swaps transactions that are exempt from exchange-execution and clearance under "end-user exception" regulations promulgated under the Dodd-Frank Wall Street Reform and Consumer Protection Act, and review and discuss with management applicable Company policies governing the Company's use of swaps subject to such end-user exception.
- Shall recommend to the Board policies for hiring employees or former employees of the independent registered public accountants who were engaged on the Company's account (recognizing that the Sarbanes-Oxley Act of 2002 does not permit the chief executive officer, controller, chief financial officer or chief accounting officer to have participated in the Company's audit as an employee of the independent registered public accountants during the preceding one-year period).
- Shall make regular reports to the Board regarding its activities.

- Shall annually assess the Committee's performance.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent registered public accountants.

The Board recognizes that meeting these responsibilities requires a degree of flexibility. To the extent that procedures included in this Charter go beyond what is required of an audit committee by existing law and regulation, such procedures are meant to serve as guidelines rather than requirements and the Committee is encouraged to follow such different or additional procedures as it deems necessary from time to time.