Risk Factors Comparison 2023-06-20 to 2022-06-21 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Our business is subject to a variety of risks. Any of the following risks could materially and adversely affect our business, results of operations, financial condition, or future prospects. The risks discussed below should be carefully considered, together with the other information provided in this Annual Report on Form 10- K, including Management' s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements, including the related notes. These risk factors do not identify all risks that we face. There may be additional risks that are presently unknown to us or that we currently believe to be immaterial that could affect us. Investors should carefully consider all risks, including those disclosed, before making an investment decision. Macroeconomic, Market and Strategic Risk Factors ~~The COVID- 19 pandemic has had, and may continue to have, an adverse effect on our business, results of operations, and financial condition. The COVID- 19 pandemic continues to be highly unpredictable and volatile. The pandemic in the past has negatively impacted the world economy, significantly impacted global supply chains, and increased volatility within financial markets, all of which have negatively affected, and may continue to negatively affect, the home furnishings manufacturing and retail industry and our business. Various federal, state and local governmental authorities have taken actions to mitigate the spread of COVID- 19 that have had a negative impact on our business. While these actions have generally now been rescinded in the United States, a resurgence of COVID- 19 cases could prompt a return to tighter restrictions in certain areas, which could adversely impact our results of operations and financial condition. We cannot anticipate the impact of any future resurgence of COVID- 19 cases on consumer willingness to visit our company- owned La- Z- Boy Furniture Galleries ® stores or the stores of our retail partners, levels of consumer spending, or employee willingness to work in our retail stores, distribution centers or manufacturing facilities in the future. We also actively manage our global supply chain and manufacturing operations, which have been adversely impacted with respect to availability and pricing of materials based on uncontrollable factors as well as COVID- 19 related constraints on our manufacturing capacity as we continue to prioritize the health and safety of our employees. We have instituted measures to ensure our supply chain remains open to us; however, there could be global shortages that could in turn materially adversely impact our manufacturing operations that we currently cannot anticipate. The extent of the impact of COVID- 19 on our operational and financial performance will depend on future developments, including any future resurgence of the virus or new variants, the availability and adoption of vaccines within the markets in which we operate, status of governmental orders and guidelines, recovery of the business environment, global supply chain conditions, economic conditions, inflationary pressures, consumer confidence, and consumer demand for our products, all of which are highly uncertain. At this time, given the uncertainty of the ongoing effect of COVID- 19, the extent of its impact on our business, results of operations, and financial condition cannot be determined.~~ Declines in certain economic **and market** conditions that impact consumer confidence and consumer spending **, or cause further disruption in our business,** could negatively impact our sales, results of operations and liquidity. The furniture industry and our business are particularly sensitive to cyclical variations in the general economy and to uncertainty regarding future economic conditions ~~. Our~~ **because our** principal products are consumer goods that may be considered postponable discretionary purchases. Economic downturns and prolonged negative economic conditions **have in the past affected, and** could **continue to** affect general consumer spending ~~and~~ **, resulting in a** decrease **in** the overall demand for **such** discretionary items, including home furnishings. Factors influencing consumer spending include, among others, general economic conditions, consumer disposable income, recession and fears of recession, **United States government default or shutdown or the risk of such default or shutdown,** inflation, unemployment, war and fears of war, availability of consumer credit, consumer debt levels, consumer confidence, conditions in the housing market, fuel prices, interest rates, sales tax rates, civil disturbances and terrorist activities, natural disasters, adverse weather, and health epidemics or pandemics ~~such as~~ **. During** the COVID- 19 pandemic **, like many businesses, we experienced significant disruption in our supply chain resulting in unprecedented increases in material and freight costs, as well as significant unavailability or delay of parts or finished goods** . While ~~we~~ **the pandemic- era disruptions** have ~~seen~~ **diminished, further significant supply chain shocks, more significant disruption of the furniture industry, disruption within our independent dealer network or third- party wholesalers, or** ~~the~~ **other unusual developments could cause significant disruption to our business and** ~~negative~~ **negatively** ~~effects~~ - **affect** ~~from certain of~~ **our results. Also during** ~~these~~ -- **the COVID- 19 pandemic** ~~factors on consumer spending, starting in the second quarter of fiscal 2021~~ , we experienced ~~heightened~~ **an increase in** demand **,** as more discretionary consumer spending was allocated to home furnishings. ~~However~~ **While we have seen a slow- down in demand relative to the COVID- 19 era due to the negative impact of various cited factors and the return to more normal seasonality** , we are unable to identify and predict ~~whether and~~ to what extent **such** ~~the prior demand level will continue or to what extent the cited~~ factors may **further** impact consumer spending on our products in the short and long term ~~. Our business and operating results may be harmed if we are unable to deliver products timely. The COVID- 19 pandemic has impacted overall economic conditions and customer demand. Subsequent to the announcement of our business realignment plan in the first quarter of fiscal 2021, consumers began allocating more discretionary spending to home furnishings and as a result, the demand for our products has outpaced our production capacity. Given this, we have a higher backlog and have experienced delays in fulfilling customer orders. Failure to deliver products to retailers and end consumers in a timely and effective manner could damage our reputation and brands and result in the loss of customers or reduced orders, which could adversely affect our business, results of operations and financial condition. In addition, it is difficult for us to predict the future impact of the COVID- 19 pandemic, general economic conditions, and other factors which may impact customer demand trends for our products and services, customer spending~~

~~levels, and customer shopping patterns and behaviors, including consumer willingness to visit physical retail locations, such as our company- owned La- Z- Boy Furniture Galleries ® stores~~ . Loss of market share and other financial or operational difficulties due to competition would likely result in a decrease in our sales, earnings, and liquidity. The residential furniture industry is highly competitive and fragmented. We currently compete with many other manufacturers and retailers, including online retailers. Some of these competitors offer widely advertised products or are large retail furniture dealers offering their own store- branded products. Competition in the residential furniture industry is based on quality, style of products, perceived value, price, ~~service to the customer,~~ promotional activities, **service to the customer,** and advertising. **Changes in pricing** ~~The highly competitive nature of the industry means we are constantly subject to the risk of losing market share, which would likely decrease our future sales, earnings,~~ and ~~liquidity~~ **promotional activities of competitors may adversely affect our performance** . In addition, due to the large number of competitors and their wide range of product offerings, we may not be able to differentiate our products (through styling, finish, and other construction techniques) from those of our competitors. ~~Additionally~~ **The highly competitive nature of the industry means we are constantly subject to the risk of losing market share** , ~~a~~ **which would likely decrease our future sales, earnings, and liquidity. A** majority of our sales are to distribution channels that rely on physical stores to merchandise and sell our products and a significant shift in consumer preference toward purchasing products online could have a material adverse ~~impact~~ **effect** on our sales and operating margin. Over the past several years, the furniture industry in general has experienced a shift to more online purchasing and **during** the COVID- 19 pandemic ~~has~~ **, this shift** accelerated **as** ~~the shift to online furniture purchases by changing~~ customer shopping patterns and behaviors **changed** ~~, including decreased consumer willingness to visit physical retail locations~~ . We are attempting to meet consumers where they prefer to shop by expanding our online capabilities and improving the user experience at www. la- z- boy. com to drive more traffic to both our online site and our physical stores. We also own Joybird, a leading e- commerce retailer and manufacturer of upholstered furniture. Joybird sells product almost exclusively online, where there is significant competition for customer attention among online and direct- to- consumer brands. These and other competitive pressures could cause us to lose market share, revenue and customers, increase expenditures or reduce prices, any of which could have a material adverse effect on our results of operations or liquidity. Operational Risk Factors Our business and our reputation could be adversely affected by cybersecurity incidents and the failure to protect sensitive employee, customer, consumer, vendor or Company data. Cyber- attacks designed to gain access to and extract sensitive information or otherwise affect or compromise the confidentially, integrity, and availability of information, including phishing attempts, denial of service attacks, and malware or ransomware incidents, have occurred over the last several years at a number of major U. S. companies and have resulted in, among other things, the unauthorized release of confidential information, material business disruptions, and negative brand and reputational impacts. Despite widespread recognition of the cyber- attack threat and improved data protection methods, cyber- attacks on organizations continue to be sophisticated, persistent, and ever- changing, making it difficult to prevent and detect these attacks. Similar to many other retailers, we receive and store certain personal information about our employees, wholesale customers, consumers, and vendors. Additionally, we rely on third- party service providers to execute certain business processes and maintain certain information technology systems and infrastructure, and we supply such third- party providers with the personal information required for those services. During fiscal ~~2022~~ **2023** , we were subject, and **in the future, we** will likely continue to be subject, to attempts to breach the security of our networks and IT infrastructure through cyber- attack, malware, ransomware, computer viruses, phishing attempts, social engineering and other means of unauthorized access. To the best of our knowledge, attempts to breach our systems have not been successful to date. A breach of our systems, either internally, through potential vulnerabilities of our employees' home networks, or at our third- party technology service providers, could adversely affect our business operations and result in the loss or misappropriation of, and unauthorized access to, sensitive information. A breach that results in the unauthorized release of sensitive information could adversely affect our reputation resulting in a loss of our existing customers and potential future customers, lead to financial losses due to remedial actions or potential liability, possibly including punitive damages, or we could incur regulatory fines or penalties. An electronic security breach resulting in the unauthorized release of sensitive data from our information systems or those of our third- party service providers could also materially increase the costs we already incur to protect against these risks, including costs associated with insurance coverage and potential remediation measures. We continue to balance the additional risk with the cost to protect us against a breach and have taken steps to ensure that losses arising from a breach would be covered in part by insurance that we carry, although the costs, potential monetary damages, and operational consequences of responding to cyber incidents and implementing remediation measures may be in excess of our insurance coverage or be not covered by our insurance at all. **We** ~~In addition, due to the COVID- 19 pandemic, we~~ have implemented **a hybrid** work **approach** ~~- from- home policies~~ for certain employees. Although we continue to implement strong physical and cybersecurity measures to ensure that our business operations remain functional and to ensure uninterrupted service to our customers, our systems and our operations remain vulnerable to cyberattacks and other disruptions due to the fact that a portion of our employees work remotely and we cannot be certain that our mitigation efforts will be effective. We rely extensively on information technology systems to process transactions, summarize results, and manage our business and that of certain independent dealers. Disruptions in both our primary and back- up systems could adversely affect our business and results of operations. Our primary and back- up information technology systems are subject to damage or interruption from power outages, telecommunications failures, hardware and software failures, computer hacking, cybersecurity breaches, computer viruses, phishing attempts, cyber- attacks, malware and ransomware attacks, errors by employees, natural disasters, adverse weather, and similar events. We also rely on technology systems and infrastructure provided by third- party service providers, who are subject to these same cyber and other risks. Interruptions of our critical business information technology systems or failure of our back- up systems could result in longer production times or negatively impact customers resulting in damage to our reputation and a reduction in sales. If our critical information technology systems or back- up systems were damaged or ceased to function properly, we might have to make a significant investment to repair or replace them. If a ransomware attack or other cybersecurity breach occurs, either internally or at our third- party technology service providers, it is possible we could be prevented from accessing our data which may cause interruptions or delays in our business, cause us to incur remediation costs or require us to pay ransom to a hacker which takes over our systems, or damage our reputation. While we carry insurance that would mitigate losses from certain damage, interruption, or breach of our information technology systems, insurance may be insufficient to compensate us fully for potential significant losses. Further, information systems of our suppliers or service providers may be vulnerable to attacks by hackers and other security breaches, including computer viruses and malware, through the internet, email attachments and persons with access to these information systems. If our suppliers or service providers were to experience a system disruption, attack or security breach that impacts a critical function, it could result in disruptions in our supply chain, the loss of sales and customers, potential liability for damages to our customers, reputational damage and incremental costs, which could adversely affect our business, results of operations and profitability ~~. Our facilities and systems, as well as those of our vendors, are vulnerable to technology issues, natural disasters, adverse weather conditions, and other unexpected events, any of which could result in an interruption in our business and harm our operating results. Our manufacturing and distribution facilities, company- owned La-Z- Boy Furniture Galleries ® stores and corporate headquarters, as well as the operations of our vendors from which we receive goods and services, are vulnerable to damage from power outages, telecommunications failures, hardware and software failures, computer hacking, cybersecurity breaches, computer viruses, phishing attempts, cyberattacks, malware and ransomware attacks, errors by employees, tornadoes, earthquakes and other natural disasters, adverse weather, climate change, and similar events. If any of these events result in damage to our facilities or systems, or those of our vendors, we may experience interruptions in our business until the damage is repaired, which could result in the potential loss of sales and customers. In addition, we may incur costs in repairing any damage beyond our applicable insurance coverage~~. Inability to maintain and enhance our brand and respond to changes in our current and potential consumers' tastes and trends in a timely manner could adversely affect our business and results of operations. The success of our business depends on our ability to maintain and enhance our brands to increase our business by retaining consumers and attracting new ones. Furniture product is fashion- oriented so changes in consumers' tastes and trends and the resultant change in our product mix, as well as failure to offer our consumers multiple avenues for purchasing our products, could adversely affect our business and results of operations. We attempt to minimize these risks by maintaining strong advertising and marketing campaigns promoting our brands. We also attempt to minimize our risk by updating our current product designs, styles, quality, prices, and options to purchase our products in- store or online. If these efforts are unsuccessful or require us to incur substantial costs, our business, results of operations and financial or competitive condition could be adversely affected. Fluctuations in the price, availability and quality of raw materials could cause delays that could result in our inability to timely provide goods to our customers and have increased, and could continue to increase, our costs, either of which could decrease our earnings. In manufacturing furniture, we use various types of wood, fabrics, leathers, upholstered filling material, including polyurethane foam, steel, and other raw materials. Additionally, our manufacturing processes and plant operations use various electrical equipment and components. Because we are dependent on outside suppliers for these items, fluctuations in their price, availability, and quality have had, and could continue to have, a negative effect on our cost of sales and our ability to meet our customers' demands. We have a higher concentration in upholstery sales, including motion furniture, than many of our competitors, and the effects of steel, polyurethane foam, wood, electrical components for power units, leather and fabric price increases or quantity shortages could have a significant negative impact to our business. Competitive and marketing pressures may prevent us from passing along price increases to our customers, and the inability to meet our customers' demands could cause us to lose sales. ~~Additionally, given our current backlog, we may experience delays in the realization of pricing actions due to the timing difference between written orders and the recognition of revenue upon delivery. As a result, we may experience volatility in our short- term operating results.~~ Further, most of our polyurethane foam comes from ~~three~~ **two** suppliers. These suppliers have several facilities across the United States ~~or Mexico~~ , but adverse weather, natural disasters, or public health crises (such as pandemics or epidemics) could result in delays in shipments of polyurethane foam to our plants. Similarly, adverse weather, natural disasters, public health crises (such as pandemics or epidemics), labor disputes, possible acts of terrorism, port and canal blockages and congestion, and availability of shipping containers could result in delays in shipments or the absence of required raw materials from any of our suppliers. A change in the financial condition of our domestic and foreign fabric suppliers could impede their ability to provide products to us in a timely manner. Upholstered furniture is fashion oriented, and if we ~~were~~ **are** unable to acquire sufficient fabric variety, or to predict or respond to changes in fashion trends, we might lose sales and have to sell excess inventory at reduced prices. Doing so would have a negative effect on our sales and earnings. Changes in the availability and cost of foreign sourcing and economic **and political** uncertainty in countries outside of the United States in which we operate or from which we purchase product, could adversely affect our business and results of operations. We have operations in countries outside the United States, some of which are located in emerging markets. Long- term economic and political uncertainty in some of the countries in which we operate, such as the United Kingdom, Mexico **,** and Thailand, could result in the disruption of markets and negatively affect our business. Our casegoods business imports products manufactured by foreign sources, mainly in Vietnam, and our Wholesale segment purchases cut- and- sewn fabric and leather sets, electronic component parts, and some finished goods from Chinese and other foreign vendors. Our cut- and- sewn leather sets are primarily purchased from suppliers that operate in China and the majority of our fabric products are also purchased from suppliers that operate in China. One of these primary suppliers provides both cut- and- sewn leather sets and fabric products. As a result of factors outside of our control, at times our sourcing partners have not been able to, and in the future may not be able to, produce or deliver goods in a timely fashion or the quality of their product may lead us to reject it, causing disruptions in our domestic operations and delays in shipments to our customers. **Our current retail markets and other markets that we enter in** the future may not achieve the growth and profitability we anticipate.We could incur charges for the impairment of long- lived assets,goodwill,or other intangible assets if we fail to meet our earnings expectations for these markets.From time to time we may acquire retail locations or other retail businesses,such as our acquisition of Joybird in fiscal 2019.We may also remodel and relocate existing stores,experiment with new store formats,and close underperforming stores.Our assets include goodwill and other intangible assets acquired in connection with these acquisitions.Profitability of acquired,remodeled,relocated,and new format stores will depend on lease rates (for stores we lease) and retail sales and profitability justifying the costs of acquisition,remodeling,and relocation.If we do not meet our sales or earnings expectations for these stores ~~or businesses~~ ,we ~~have in the past incurred and~~ may ~~in the future~~ incur charges for the impairment of long- lived assets,the impairment of right- of- use lease assets,the impairment of goodwill,or the impairment of other intangible assets.We also operate a wholesale sales office that is responsible for distributing La- Z- Boy products in the United Kingdom and Ireland,as well as a manufacturing business in the United Kingdom which was acquired in the third quarter of fiscal 2022.Our assets include goodwill and other intangible assets,including acquired customer relationships,in connection with our acquisition of the wholesale business.If we do not meet our sales or earnings expectations for these operations,we may incur charges for the impairment of goodwill or the impairment of our intangible assets.We may require funding from external sources,which may not be available at the levels we require or may cost more than we expect,and as a result,our expenses and results of operations could be negatively affected.We regularly review and evaluate our liquidity and capital needs.We believe that our **available** cash ~~and~~ **,** cash equivalents **and** ~~,short- term investments,~~ cash **flow** from operations ~~,and amounts available under our credit facility~~ will be sufficient to finance our operations and expected capital requirements for at least the next 12 months.In the event that we draw on our credit facility,outstanding amounts may become immediately due and payable upon certain events of default,including a failure to comply with the financial covenants in the credit agreement — a consolidated net lease adjusted leverage ratio requirement and a consolidated fixed- charge coverage ratio requirement — or with certain other affirmative and negative covenants in the credit agreement.If we are unable to access additional credit at the levels we require,or the cost of credit is greater than expected,it could adversely affect our results of operations or financial condition. **We** ~~Due to the nature of our business and our payment terms,we~~ may not be able to collect amounts owed to us ~~by customers,which may adversely affect our sales,earnings,financial condition,and liquidity~~ .We grant payment terms to most ~~wholesale~~ customers ranging from 15 to 60 days.Some of our customers have experienced,and may in the future experience,cash flow and credit-related issues.If **the negative economic effects of COVID- 19 were to persist or** a **similar pandemic or another** major **,unexpected** event with negative economic effects were to occur ~~,and such effects have occurred in the past~~ ,we may not be able to collect amounts owed to us or such payment may only occur after significant delay.While we perform credit evaluations of our customers,those evaluations may not prevent uncollectible trade accounts receivable.Credit evaluations involve significant management diligence and judgment,especially in the current environment.Should more customers than we anticipate experience liquidity issues,if payment is not received on a timely basis,or if a customer declares bankruptcy or closes stores,we may have difficulty collecting amounts owed to us by these customers,which could adversely affect our sales,earnings,financial condition and liquidity.Legal and Regulatory Risk Factors Our business and our reputation could be adversely affected by the failure to comply with evolving regulations relating to our obligation to protect sensitive employee,customer,consumer,vendor or Company data.We receive,process,store,use and share data,some of which contains personal information.There are numerous federal,state,local and foreign laws and regulations regarding privacy,data protection,and data security,including those related to the collection,storage,handling,use,disclosure,transfer,and security of personal data.These laws and regulations are regularly changing,subject to uncertain and differing interpretations and may be inconsistent among countries or conflict with other rules.For example,the European General Data Protection Regulation (“ GDPR ”) applies to us and creates a range of requirements and compliance obligations regarding the treatment of personal data,including the public disclosure of significant data breaches,and imposes significant penalties for non- compliance.The California Consumer Privacy Act (“ CCPA ”),among other things,imposes additional requirements with respect to disclosure and deletion of personal information of California residents.The CCPA provides civil penalties for violations,as well as a private right of action for data breaches.The GDPR,the CCPA,the **recently approved** California Privacy Rights Act,and other privacy and data protection laws may increase our costs of compliance and risks of non- compliance,which could result in substantial penalties,negative publicity and harm to our brand.It is possible that these laws may be interpreted or applied in a manner that is adverse to us,unforeseen,or otherwise inconsistent with our practices or that we may not adequately adapt our internal policies and / or procedures to evolving regulations,any of which could result in litigation,regulatory investigations and potential legal liability,require us to change our practices in a manner adverse to our business or limit access to our products and services in certain countries.As a result,our reputation and brand,which are critical **to our business operations,may be harmed,we could incur substantial costs,including costs related to litigation,or we could lose both customers and revenue.** Changes in the domestic or international regulatory environment or trade policies could adversely affect our business and results of operations. **We are subject to numerous laws and regulations, including those relating to labor and employment, customs, sanctions, truth-in- advertising, consumer protection, e- commerce, privacy, health and safety, real estate, environmental and zoning and occupancy, intellectual property and other laws and regulations that regulate retailers, manufacturers or otherwise govern our business.** Changes in **laws and regulations in the** United States or ~~international~~ **internationally** ~~laws and regulations (including labor, environmental, investment and taxation laws and regulations), political environment, socio-economic conditions, or monetary and fiscal policies~~ may ~~also have a material adverse effect on our business in the future or~~ require us to modify our current business practices **or otherwise increase our costs of compliance, which could adversely affect our results of operations** . Because we manufacture components **and finished goods** in Mexico, purchase components and finished goods manufactured in foreign countries, including China and Vietnam, participate in ~~two~~ consolidated joint ventures in Thailand, and operate a wholesale and retail business in Canada, we are subject to risks relating to changes in the domestic or international regulatory environment or trade policies, including new or increased duties, tariffs, retaliatory tariffs, trade limitations and termination or renegotiation of bilateral and multilateral trade agreements impacting our business. The

United States has enacted certain tariffs on many items sourced from China, including certain furniture, accessories, furniture parts, and raw materials which are imported into the United States and that we use in our domestic operations. We may not be able to fully or substantially mitigate the impact of these tariffs, pass price increases on to our customers, or secure adequate alternative sources of products or materials. The tariffs, along with any additional tariffs or retaliatory trade restrictions implemented by other countries, could negatively impact customer sales, including potential delays in product received from our vendors, our cost of goods sold and results of operations. Conversely, if certain tariffs are eliminated or reduced, we may face additional competition from foreign manufacturers entering the United States market and from domestic retailers who rely on imported goods, putting pressure on our prices and margins **,** which could adversely affect our results of operations ~~. In addition, geopolitical pressures associated with the COVID- 19 pandemic will continue to introduce uncertainty into many markets, including with respect to tariffs and freight~~ . Finally, our business in the United Kingdom has **been** , and could further ~~,~~ be **,** affected by the United Kingdom' s exit from the European Union, and our sales and margins there and in other foreign countries could be adversely affected by the imposition in foreign countries of import bans, quotas, and increases in tariffs. Our current retail markets and other markets...... could lose both customers and revenue. Changes in regulation of our international operations **, including anti- corruption laws and regulations,** could adversely affect our business and results of operations. Our operations outside of the United States and sale of product in various countries subject us to U. S. and foreign laws and regulations, including but not limited to ~~,~~ the UK Bribery Act 2010, the U. S. Foreign Corrupt Practices Act, the U. S. Export Administration Act, and other anti- bribery and anti- corruption statutes. These laws and regulations include prohibitions on improper payments to government officials, restrictions on where we can do business, what products we can supply to certain countries, and what information we can provide to certain governments. Violations of these laws, which are complex, frequently changing, and are often subject to varying interpretation and enforcement, may result in civil or criminal penalties or sanctions that could have a significant adverse effect on our business and results of operations. Although we have implemented policies and procedures designed to ensure compliance with these laws and regulations, there can be no assurance that our employees, contractors, or agents will not violate our policies and procedures or otherwise comply with these laws and regulations. We may be subject to product liability and other claims or undertake to recall one or more products, which could adversely affect our business, results of operations and reputation. Millions of our products, sold over many years, are currently used by consumers. We have voluntarily recalled products in the past, and while none of those recalls has resulted in a material expense or other significant adverse effect, a significant product recall or other product- related litigation could result in future additional expense, penalties, and injury to our brands and reputation, and adversely affect our business and results of operations. In addition, we are involved in lawsuits, claims and proceedings incident to the ordinary course of our business. Litigation is inherently unpredictable. Any claims against us, whether meritorious or not, could result in costly litigation that could adversely affect our business and results of operations. Although we maintain liability insurance in amounts that we believe are reasonable, in most cases, we are responsible for large **,** self- insured retentions and defense costs. We cannot provide assurance that we will be able to maintain such insurance on acceptable terms, if at all in the future, or that product liability or other claims will not exceed the amount of insurance coverage, or that all such matters would be covered by our insurance. As a result, product liability and other claims could have a material adverse effect on our business, results of operations and financial condition. General Risk Factors Our operations are subject to risks of unsettled political conditions, natural or man- made disasters, **adverse weather, climate change,** acts of war, terrorism, organized crime, pandemics and other public health concerns, any one of which could adversely affect our business and results of operations. Our operations are subject to risks of unsettled political conditions, natural or man- made disasters, adverse weather, climate change, acts of war, terrorism, organized crime, **pandemics** and **other** public health concerns. ~~Any~~ **If any** of these ~~risks~~ **events cause disruptions or damage in our manufacturing plants, distribution facilities, company- owned La- Z- Boy Furniture Galleries ® stores or corporate headquarters, or the facilities of our vendors, that** could make servicing our customers more difficult or **result** ~~cause disruptions~~ in **the potential loss of sales and customers. In addition, we may incur costs in repairing any damage beyond** our **applicable insurance coverage. The COVID- 19 pandemic negatively impacted the world economy, significantly impacted global supply chains, and increased volatility within financial markets, all of which negatively affected the home furnishings** manufacturing ~~plants~~ **and retail industry and** ~~or~~ **our** ~~distribution centers that could reduce~~ **business. The impact of any resurgence of COVID- 19** ~~our~~ - **or** ~~sales, earnings,~~ **any other pandemic on** ~~or~~ **our** ~~both in the~~ **operational and financial performance will depend on** future **developments, including the availability and adoption of effective vaccines, governmental orders and mitigation measures, recovery of the business environment, global supply chain conditions, economic conditions, inflationary pressures, consumer confidence, and consumer demand for our products** . We make certain assumptions, judgments and estimates that impact the amounts reported in our consolidated financial statements, which, if not accurate, may impact our financial results. Certain assumptions, judgments and estimates impact amounts reported in our consolidated financial statements, including but not limited to, inventories, goodwill, intangible assets, product warranty liabilities, insurance and legal- related liabilities, contingent consideration and income taxes. To derive our assumptions, judgments and estimates, we use historical experience and various other factors that we believe are reasonable as of the date we prepare our consolidated financial statements. Our goodwill and contingent consideration liability, resulting from certain acquisitions, are based on the expected future performance of the operations acquired. At least annually, we reassess the goodwill for impairment and quarterly, we reassess the fair value of any contingent consideration. Changes in business conditions or other events could materially change the projection of future cash flows or the discount rate we used in the fair value calculation of the goodwill and contingent consideration. Actual results could differ materially from our estimates, and such differences may impact our financial results. We may not be able to recruit and retain key employees and skilled workers in a competitive labor market **or we could experience continued increases in labor costs, which could adversely affect our business and results of operations** . If we cannot successfully recruit and retain key employees and skilled workers or we experience the unexpected loss of those employees, our operations may be negatively impacted. A shortage of qualified personnel along with **continued labor** cost inflation may require us to **further** enhance our compensation in order to compete effectively in the hiring and retention of qualified employees ~~. We have implemented work- from- home policies for certain employees, which may negatively impact productivity. Even though many stay- at- home orders and similar restrictions and limitations have been rescinded, we may not be able to conduct our business in the ordinary course, due to, among other things, disruptions in our supply chain, government relief programs that impact labor availability, and delays in ramping up operations. As our employees have returned to work in our physical locations, our employees may be exposed to COVID- 19 or other variants of the virus, and we may face claims by such employees or regulatory authorities that we have not provided adequate protection to our employees with respect to the spread of COVID- 19 at our physical locations, which may affect our business, results of operations, and reputation~~ . Changes in tax policies could adversely affect our business and results of operations. Changes in United States or international income tax laws and regulations may have an adverse effect on our business in the future. We are subject to income taxes in the United States and numerous foreign jurisdictions. Our effective income tax rate in the future could be adversely affected by a number of factors, including changes in the mix of earnings in countries with differing statutory tax rates, changes in tax laws, the outcome of income tax audits in various jurisdictions, and any repatriation of non- U. S. earnings for which the Company has not previously provided for U. S. taxes. We regularly assess these matters to determine the adequacy of our tax provision, which is subject to significant judgement. Our ~~aspirations~~ **strategy** , goals and disclosures related to **Environmental, Social, and Governance ("** ESG **")** matters expose us to numerous risks, including risks to our reputation and stock price. There has been increased focus from our stakeholders, including consumers, employees, and investors, on our ESG practices. We plan to establish and announce goals and other objectives related to ESG matters. These goal statements will reflect our current plans ~~and aspirations~~ and are not guarantees that we will be able to achieve them. Our efforts to accomplish and accurately report on these goals and objectives present numerous operational, reputational, financial, legal, and other risks, any of which could have a material negative impact, including on our reputation, stock price, and results of operation. We could also incur additional costs and require additional resources to implement various ESG practices to make progress against our public goals and to monitor and track our performance with respect to such goals. The standards for tracking and reporting on ESG matters are relatively new, have not been formalized and continue to evolve. Collecting, measuring, and reporting ESG information and metrics can be difficult and time consuming. Our selected disclosure framework or standards may need to be changed from time to time, which may result in a lack of consistent or meaningful comparative data from period to period. In addition, our interpretation of reporting frameworks or standards may differ from those of others and such frameworks or standards may change over time, any of which could result in significant revisions to our goals or reported progress in achieving such goals. Our ability to achieve any ESG- related goal or objective is subject to numerous risks, many of which are outside of our control, including: the availability and cost of low- or non- carbon- based energy sources and technologies, evolving regulatory requirements affecting ESG standards or disclosures, the availability of vendors and suppliers that can meet our sustainability, diversity and other standards, and the availability of raw materials that meet and further our sustainability goals. If our ESG practices do not meet evolving consumer, employee, investor or other stakeholder expectations and standards or our publicly- stated goals, then our reputation, our ability to attract or retain employees and our competitiveness, including as an investment and business partner, could be negatively impacted. Furthermore, if our competitors' ESG performance is perceived to be better than ours, potential or current customers and investors may elect to do business with our competitors instead, and our ability to attract or retain employees could be negatively impacted. Our failure, or perceived failure, to pursue or fulfill our goals, targets, and objectives or to satisfy various reporting standards within the timelines we announce, or at all, could also expose us to government enforcement actions and private litigation.