

## **Section 172 statement**

26 February 2021

The statement has been prepared by the Board of The Quarto Group Inc. on behalf of Quarto Publishing plc and Quarto Publishing Group USA Inc.

The Directors promote the success of the Company by giving due care and attention to the following elements:

### **(A) LIKELY CONSEQUENCES OF DECISIONS IN THE LONG TERM**

The Board's vision for the Group is to become the dominant publisher of illustrated print books worldwide and to expand on the use of the Group's intellectual property in as many ways as possible.

The Board recognizes that a coherent and viable strategy is required which (i) is nimble and responsive, (ii) is supported by a modern infrastructure, and (iii) allows the Group to grow its global reach. These are considerations which have long-term consequences, and so in executing its strategy for the Group it prioritises the greatest stability for its publishing imprints and employees with appropriate consideration for what is a challenging international marketplace.

In 2020 this approach was evident from the open offer to shareholders which concluded successfully in January 2020. This allowed the Group to reduce its indebtedness and in Q1 2021 the position in relation to bank debt has improved further with a new US\$20m three year and five months bank facility.

### **(B) INTERESTS OF THE COMPANY'S EMPLOYEES**

Quarto is a publishing company and having creative and motivated employees is essential. Before the Covid-19 pandemic, the Board had a rolling program of employee meetings through the year. These meetings offered employees the opportunity to discuss the Group's strategic direction and management. During the Covid-19 pandemic Quarto increased its effort to engage with its employees through online events and management briefings as it adjusted its activities during the pandemic. The Board has asked Andy Cumming, an independent non-executive director, to be the designated employees' liaison as recommended by the Code.

The Company offers competitive market rates of remuneration and introduced a Diversity Committee during 2020 to promote workplace inclusiveness and diversity equitability. Additionally, the Company encourages community interaction through the Quarto Foundation, established in 2017.

The Company acted quickly to protect its employees and contractors when the extent of Covid-19 spread became clear closing its offices from March 2020 and allowing teams to work from home, a situation which has prevailed into 2021. During this period, the Company encouraged contact between its employees both to manage workloads effectively; socially, including arranging online fitness sessions; and engaging employees on how to tackle the disruptions to normal business. During Q4 2020 the Company prepared its offices and occupation policies to comply with government advice aimed at reducing Covid-19 spread ready for when office use is resumed.

The Company participates in government supported furlough schemes in the US and UK, as well as enrolling in the CARES scheme offered by the US government.

The Company invests in its people by providing them with tools, technology and training to meet the challenges of its market and the evolving needs of its customers. Quarto also involves employees in areas of strategy where possible.

#### (C) FOSTERING THE COMPANY'S BUSINESS RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHERS

The Company benefits from its association with Lion Rock which operates as one of Quarto's key suppliers enabling it to maintain a positive relationship with an essential supplier base; this connection also allows Quarto to print outside China and so provide a better service to US customers particularly sensitive to US tariffs.

The Board recognises the need to offer a flexible service to its customers, be that offering them outside-China printing, or customised publishing, as well as the need to cultivate suppliers of print-on-demand in order to manage the business efficiently and still fulfil customers' orders. By exploring all the technologies available, Quarto maximises its offer to its customers.

Throughout the Covid-19 pandemic, the Company has worked hard to support its customers to ensure interruptions to product supply was minimised. It has also been able to pay its suppliers on time.

#### (D) IMPACT OF THE COMPANY'S OPERATIONS ON THE COMMUNITY AND THE ENVIRONMENT

The Company seeks to minimise its impact on the environment. It takes advantage of schemes that promote green energy, such as in the UK where several of its offices now use 100% green energy supplies; and when refitting its offices, it accommodates energy-saving elements (e.g. LED lighting). Energy used by its IT operations has reduced as the Company has adopted cloud-based services, and new equipment is increasingly energy-efficient. The Company reviewed its office facilities during Q4 2020 and decided to reduce its office space in the UK from Q1 2021 by 13% reducing its energy consumption.

Quarto continues to publish socially responsible and inspiring titles such as the Little People Big Dreams series, The ABC Series, Greta and the Giants (endorsed by Greenpeace and 350.org), and This Book is Anti-Racist. We have participated in charity events with Humble Bundle in the US and have helped them raise over \$200,000 in 2020 from sales of Quarto titles.

Through the Quarto Foundation, which is very much staff led, Quarto contributes to local causes. In 2020 Quarto donated \$19,803 to anti-racism charities from the sale of This Book is Anti-Racist.

By choosing accredited production schemes like ICTI and SEDEX, which include worker welfare assessments, Quarto ensures a minimum welfare standard in its principal supplier base.

Additionally, the Group prints predominantly on paper from sustainable sources. In Q1 2021, Quarto will launch a new environmentally conscious children's imprint. The books will be manufactured from recycled components, with additional carbon offsetting against production emissions, and will be printed in the markets where the books are sold.

**(E) DESIRABILITY OF THE COMPANY MAINTAINING A REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT**

The Board complies with the requirements of the UK's 2018 Code of Governance. In early 2020 the Company strengthened the Board and is confident that it has the right composition to deliver its strategy to the benefit of its employees, customers, and shareholders.

The Board appraises its own performance in accordance with the Code, and recognises the value of fair treatment of its suppliers, honouring its commitments, so that it can achieve a reliable and responsive supply chain that serves the needs of its customers. To this end, the Board routinely assesses the performance of its supply chain.

The Company has an established whistle-blowing policy and anti-bribery policy.

**(F) NEED TO ACT FAIRLY AS BETWEEN MEMBERS OF THE COMPANY**

The Company has a single class of common shares. In 2019, C.K. Lau and 1010 Printing Limited, a company controlled by C.K. Lau, became controlling shareholders. The Company and controlling shareholder parties entered into a relationship agreement to ensure that controlling shareholders do not exert improper influence over the Company, and in accordance with the Listing Rules. During 2020, the Company's by-laws were amended to complete the requirements of the Listing Rules in relation to controlling shareholders.