

## **Section 172 Statement (The Quarto Group Inc.; Quarto Publishing plc)**

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 prioritizes the greatest stability for its publishing imprints and employees with appropriate consideration for what is a challenging international marketplace.

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

Quarto is a publishing company and having creative and motivated employees is essential. Andy Cumming, an independent Non-Executive director, is the designated employees' liaison as recommended by the Code.

The Company offers competitive market rates of remuneration and associated employment benefits. It reviewed the position in late 2021 and in January 2022 made appropriate adjustments. The Diversity Committee established in 2020 to promote workplace inclusiveness and diversity equitability continued in 2022, becoming the Diversity and Inclusion Committee. Additionally, the Company encourages community interaction through the Quarto Foundation, established in 2017.

At the beginning of 2022, in recognition of the work undertaken by staff in 2021, a two week bonus was awarded to all employees with service over 6 months. In April 2022, the annual salary review took into account the forecast for 2022, along with the cost of living and external factors. In December 2022, the company made a one off cost of living payment to UK full time employees earning up to £50,000. Quarto will continue to monitor unusual increases in energy and other cost of living expenses and offer help where possible to the lower paid staff.

Following Covid-19, flexible working has been introduced across the business.

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, a Hong Kong based international printing group (<https://www.lionrockgroup.hk.com/default.aspx>), 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. Major shareholder 1010 Printing

Limited is a member of the Lion Rock Group and is a print supplier to the Company (purchases are made on a job-by-job basis at arm's length).

The Board recognizes 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 fulfill customers' orders. By exploring all the technologies available, Quarto maximizes its offer to its customers. Having realized the need for more flexible production times, and considering the delays we have experienced in the global supply chain in 2022, the Company has secured additional capacity in the domestic US printing market and is negotiating with printers in continental Europe to mitigate the supply chain disruptions.

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

The Company seeks to minimize its impact on the environment and during 2022 it reviewed its operations in relation to TCFD requirements. It takes advantage of schemes that promote green energy where possible; 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. At the start of 2023, we relocated our London office to a smaller office to embrace flexible working and reduce energy consumption. The Company adopts competent maintenance regimes for its office equipment so that efficient operation is maintained and energy consumption is minimized.

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 participated in charity events with Humble Bundle in the US and have helped them raise \$137,031 in 2021 and \$63,491 in 2022.

Through the Quarto Foundation, which is very much staff led, Quarto contributes to local causes.

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 launched a new environmentally conscious children's imprint called Ivy Kids Eco. The books are manufactured from recycled components, with additional carbon offsetting against production emissions, and are 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. The Board 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 recognizes the value of fair treatment of its suppliers, honoring its commitments, so that it can achieve a

competitive, 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 partners.

The Company has an established whistle-blowing policy and anti-bribery policy. Since 2019 as supply agreements are negotiated, Quarto's terms and conditions of supply are updated to include undertakings from print suppliers confirming that their operations comply with the Modern Slavery Act (2015), permit Quarto to audit operations, and permit Quarto to terminate a supply agreement with immediate effect should there be an instance of non-compliance.

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

The Company issues a single class of common shares. 1010 Printing Limited, a company controlled by C.K. Lau, is a controlling shareholder which increased its holding to 50.07% in 2022. The Company and controlling shareholder parties entered into a relationship agreement to ensure that controlling shareholders do not exert improper influence over the Company. In 2020, the Company's by-laws were amended to complete the requirements of the Listing Rules in relation to controlling shareholders. The Company maintains an up-to-date investor section on its website detailing giving governance disclosures and announcements along with a calendar detailing its results announcement schedule. As a listed company, Quarto makes timely announcements to investors through the Regulatory News Service, as well as these adding announcements to the investors' section of the Company's website. Executive Director C.K. Lau and Chairman Andy Cumming are responsible for responding to investor queries, and Senior Independent Director Jane Moriarty is available to shareholders if they have concerns that cannot be resolved through normal channels.

[Approved by the Board 28<sup>th</sup> March 2023.]