



# 2023 Environmental, Social, and Governance Report

Writing a Sustainable Business Future



# Contents

## Opening

About this Report	01
President's Message	03
Sustainability Highlights of the Year	05
About the Company	07



## Focus: Developing Sustainable Products

Sustainable Products of the Year	21
Sustainable Design Concept	24
Sustainable Materials	25
Green Product Packaging	28
Chemical Safety Management	28



## Environmental Development

Responding to Climate Change	55
Practicing Green Operations	60

## Sustainable Development Strategy and Management

Sustainable Development Management	11
Identification and Analysis of Material Topics	15
Stakeholder Communication	17



## Governance and Business Growth

Corporate Governance	35
Risk Management	38
Business Ethics and Anti-Corruption	41
Information Security Management	45
Technological Innovation and Digitalization	47



## Social Responsibility

Sustainable Supply Chain	69
Employee Rights and Benefits	72
Employee Cultivation and Development	78
Occupational Health and Safety	82
Product and Service Quality	84
Social Philanthropy	88

## Performance Data and Index

Environmental Performance	93
Social Performance	95
Governance and Economic Performance	99
GRI Standards (2021) Content Index	101



# About this Report

This report is the third Environmental, Social, and Governance Report (hereinafter referred to as "ESG Report" or "this Report") released by Shanghai M&G Stationery Inc. (hereinafter referred to as "M&G Stationery", "M&G", "we", or "the Company"), focusing on the disclosure of M&G Stationery's concepts, progress, and highlights in environmental protection, social responsibility, and corporate governance in 2023.

## Basis of Preparation

This report is prepared with reference to the Sustainable Development Goals (SDGs), the GRI Sustainability Reporting Standards issued by the Global Sustainability Standards Board (GSSB) (hereinafter referred to as the "GRI Standards"), and the Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial) (Draft for Comment).

## Scope of Report

This report covers the sustainable development practices and progress of M&G Stationery and its subsidiaries from January 1, 2023, to December 31, 2023 (hereinafter referred to as "this year" or "reporting period"), with some content and data appropriately traced back or extended to other years. Unless specifically stated, all amounts involved in this report are in RMB.

## Statement

Data used in this report is sourced from the Company's official documents, related reports, and statistical reports.

This report was reviewed and approved by the Company's 5th meeting of the 6th Board of Directors, the 1st meeting of Strategy Committee in 2024, and the 5th meeting of the 6th Board of Supervisors on March 28, 2024.

## Report Access

This report is available in both Simplified Chinese and English. It is released in both paper and electronic versions. This English version is converted from the Chinese version. In case of any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.

The electronic version of the report can be viewed and downloaded on the Shanghai Stock Exchange website ([www.sse.com.cn](http://www.sse.com.cn)), China Securities Information Service Platform website ([www.cninfo.com.cn](http://www.cninfo.com.cn)), and M&G Stationery's corporate official website ([www.mg-pen.com](http://www.mg-pen.com)).

## Feedback and Suggestions

If you have any questions or feedback on this report, please feel free to contact us through the following channels:

Address: No. 5, Lane 288, Qianfan Road, Xinqiao Town, Songjiang District, Shanghai

Email: ESG@mg-pen.com

# President's Message

M&G celebrated its 34th anniversary in 2023. This year is also the second year since the launch of M&G Stationery's sustainable development strategy. Amidst the global wave of sustainable development and with the trust and support of our stakeholders, we have been forging ahead, seizing development opportunities in this uncertain era. We have been vigorously accelerating our sustainable development process focusing on the four strategic pillars of "sustainable products", "response to climate change", "sustainable supply chain", and "empowering employees and communities". We are committed to integrating sustainability into every aspect of our operations, laying a solid foundation for the Company's long-term success.



## Focusing on quality and expanding our sustainable products portfolio

We have been increasingly incorporating sustainability concepts into the full lifecycle of products. Our innovative sustainable products, such as the carbon-neutral stationery series, are highly recognized by consumers, customers, media, and professional partners. We are encouraged to continuously innovate on more sustainable product possibilities. We also actively explore more sustainable material choices regarding key material categories. Our industry leading PVC phasing out program has already eliminated PVC plastic from more than 1,700 products and/or packaging. In order to further grow our sustainable products lineup, we have formulated our first sustainable products corporate standard, and are committed to fully integrating sustainable concepts into the development of all product categories.

Over 600 Jiumu Stores nationwide have set up a dedicated section for sustainable products. M&G sustainable products are gaining greater attention on major events home and abroad, such as the Consumer Products Expo, the Boao Forum for Asia, and the 28th Conference of the Parties to the UN Framework Convention on Climate Change (COP28). We want to share our sustainable concept of "writing a greener future" with an increasing number of consumers and communities, contributing to making sustainable consumption a new trend of the era.

## Addressing climate change and focusing on full value chain energy conservation and carbon reduction

We actively respond to the carbon peaking and carbon neutrality goals of China, steadily moving forward towards our goal of "to be carbon neutral by 2050". In 2023, we conducted a company-level Scope 1 and Scope 2 greenhouse gas (GHG) emissions accounting to understand the baseline emissions data of our operations. In addition, we also initiated the efforts to calculate our Scope 3 emissions. With the rapid deployment of photovoltaic power generation units in our production bases, our installed capacity of photovoltaic power generation further expanded to 15,700 kilowatts. M&G Shanghai base achieved significant energy-saving results through a series of energy-saving projects. We focused on green logistics and have achieved greater results in resource conservation and energy conservation in the logistics process with measures such as packaging reduction, packaging reuse, intelligent route optimization, etc. In 2023, we were honored to be recognized as a "Shanghai Five-Star Green Factory". In the future, we will continue to reduce our environmental footprint in production, operation, and supply chain, contributing to the green and low-carbon transformation of the industry.

## Building a sustainable supply chain and urging suppliers to enhance responsibility management

We attach great importance to a stable, secure, and sustainable supply chain, and have been vigorously integrating ESG considerations into supply chain management. In 2023, we optimized and upgraded our supplier ESG evaluation mechanism, comprehensively incorporating indicators in labor and employment, environmental protection, health and safety, business ethics, and management system into the evaluation criteria. We completed the ESG evaluation of 71 key suppliers during the year. To enhance supply chain capacity building, we offered trainings on the supplier ESG evaluation system for both our procurement staff and suppliers, and launched the "ESG Progress Award" at the annual supply chain conference to recognize suppliers with outstanding ESG performance. We will continue to work together with our suppliers to build a sustainable supply chain.

## Empowering employees and communities, and joining hands with partners to do good

We are committed to building a people-oriented, open, and inclusive corporate culture. We provide employees with rich training resources to support their career development, and continuously optimize the compensation and benefits system, allowing our employees to realize their career dreams at M&G. Over the years, through the Shanghai M&G Charity Foundation, we have been actively participating in rural revitalization as well as other charitable undertakings. We have carried out a series of long-term charitable programs with increasing impact, such as the "Golden Seed Plan" education assistance program, the "Art Education Plan" program, and the Autism Support Program. As of the end of 2023, close to 1 million students and more than 3,000 teachers have benefited from the M&G public welfare projects. Meanwhile, we engage senior executives, employees, channel partners, and other internal and external stakeholders of M&G to participate in charitable donations and provide volunteer services, further expanding the scope and influence of our public welfare undertakings.

## Strengthening corporate governance and consolidating the foundation for steady growth

We continuously optimize our corporate governance structure and composition, and strive to build a robust and efficient governance model, which is vital for us to operate and grow in a benign way. In 2023, we established the Risk Management and Compliance Committee to enhance risk management, compliance management, and internal control management of the Company, ensuring continuous improvement of compliance standards in our operations. We also integrate ESG concepts into corporate governance and strive to build a robust motivation mechanism for ESG management by linking ESG performance with executive compensation.

The only viable way to achieve true sustainable economic, environmental, and social development in the new era is by fully integrating sustainable considerations into all aspects of business operations. This is the fundamental logic behind our sustainable development vision of "writing a sustainable business future". We will adhere to long-termism, keep on innovating, overcome difficulties to do the right things, provide "quality stationery for everyone", and respond to the expectations of stakeholders with concrete actions, instilling the world with the positive energy of a Chinese brand.

**Chen Huxiong**

President of Shanghai M&G Stationery Inc.

# Sustainability Highlights of the Year

 Sustainable products

- Developed and launched a number of **innovative sustainable products**, such as the carbon-neutral series, the "Carbon Emission Reduction Plan" series, and the "Endangered Animals: Wetland" series
- Raising consumer awareness about climate change and biodiversity through **multiple product promotion activities** online and offline
- Eliminated PVC plastic from over **1,700** products and/or packaging cumulatively
- Developed M&G's **1st** sustainable products corporate standard, covering the new product development process for all product categories
- Jiumu Store created a sustainable products section in over **600** stores nationwide, and a total of **166,000** consumer membership points were redeemed for donations of over **1,600** stationery sets
- Established the **Chemical Management Committee**, revised the Company's Chemical Management Policy, and updated the list of chemicals to be phased out by referencing the REACH regulation

 Response to climate change

- Completed company-level **Scope 1 and Scope 2 GHG emissions accounting**, and conducted preliminary calculation of Scope 3 emissions to identify carbon emission sources and reduction potentials
- Implementing **multiple energy-saving measures**: air compressor energy saving, waste heat recovery, injection molding machines upgrade, and water pump motors optimization
- Increased the total installed capacity of photovoltaics to **15,700** kilowatts
- Promoted greener packaging options and packaging reduction for the logistics process, with **330,000** cardboard boxes saved and **640,000** cardboard boxes recycled cumulatively
- Reduced **48,840** kilograms of carbon dioxide equivalent in 2023 through **electricity, water, and paper conservation** campaigns in the M&G headquarters office building

 Sustainable supply chain

- Optimized the **supplier ESG evaluation standard**, focusing on labor and employment, environmental protection, health and safety, business ethics, and management systems
- Evaluated **71** suppliers and conducted **27** on-site audits, with a rectification pass rate of over **80%**
- Incorporated ESG indicators into the annual **performance evaluation** of suppliers and the **new supplier introduction** process
- The first "**Supplier ESG Progress Award**" was presented at the annual Supply Chain Conference
- 100%** procurement, service, and engineering suppliers and contractors signed the Transparent Procurement & Integrity Convention

 Empowering employees and communities

- Revised the **Employee Handbook** in accordance with international human rights conventions, and added multi-dimensional employee communication channels to ensure the effective protection of employee rights
- Optimized the remuneration system, providing all employees with performance-based **variable compensation**
- Introduced comprehensive **health insurance** for all employees, upgraded the **living conditions** in factory dormitories, and achieved an overall employee satisfaction score of **92%** for office environment
- Average training time per employee increased to **11.8** hours, with an employee training coverage rate of **93%**
- Launched the M&G online learning platform, offering **85** courses covering workplace skills, management skills, corporate culture, and business knowledge; the cumulative online learning time over the platform reached **10,000** hours
- Charitable donations totaling **RMB6.08 million**
- M&G Charity carried out educational public welfare initiatives in 42 cities in 19 provinces, benefiting nearly **1 million** students and over **3,000** teachers

 Responsible corporate governance

- Leveraged M&G's business advantages to organize a painting competition for rural students that participated by close to **120,000** children
- Enlarged the scope of the Autism Support Program to support adults with autism by integrating resources from multiple parties to provide **employment and social inclusion** opportunities

 Responsible corporate governance

- Released ESG report for the **3rd** consecutive year
- Linking ESG performance to executive compensation, including ESG factors in the annual performance evaluation system for **8** department heads
- Established the **Risk Management and Compliance Committee** chaired by the Company president, further optimizing the Company's risk management structure and policy system
- Launched an **online training course on the M&G Code of Business Conduct** as a mandatory course for all employees
- Conducted internal control audits against non-compliance with business ethics, covering **22** operating locations that represent **100%** of M&G's operational sites

## Awareness and Participation

- 1,000+** employees from **36** departments participated in trainings on M&G's sustainable development strategy
- 16** sustainability themed events and activities organized internally
- 23** employees selected as Sustainability Ambassadors to promote sustainability concepts within their own departments
- 3,787** employees participated in public welfare activities, including all M&G executives
- RMB280,000** charitable donations raised through activities such as the "E.G.G Walkathon" charity walk and the "99 Giving Day" events with the participation of consumers, employees, and partners of M&G

## ESG Ratings and External Recognitions

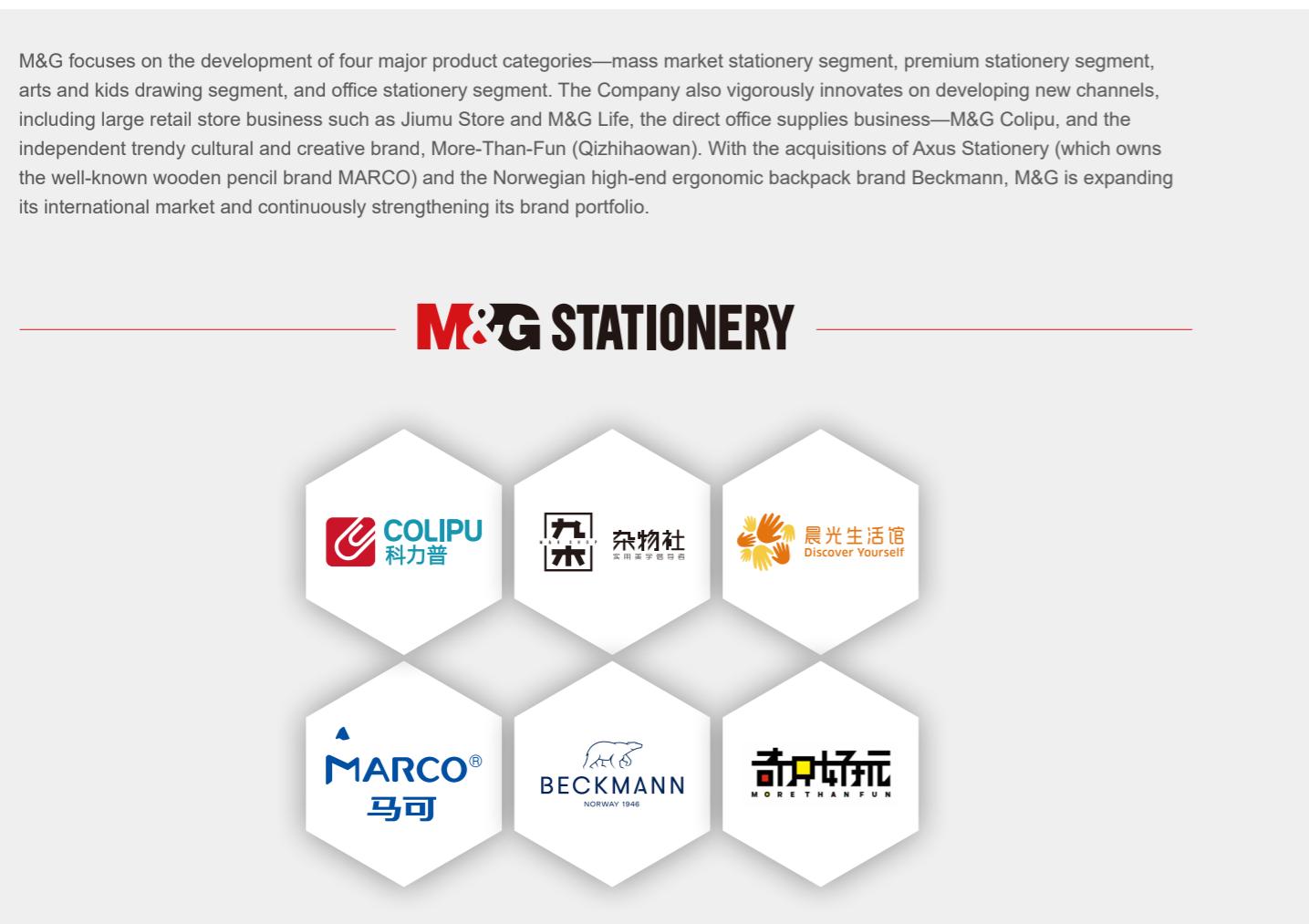
- MSCI ESG rating upgraded from BB to **BBB**
- "Social Value 99" ranking improved from 42nd to **17th**
- "ESG Best Practice Case for Listed Companies in 2023"** by China Association for Public Companies
- 2023 "**China Green Point**" Case of the Year by China Business Network (Yicai)
- "GoldenKey—SDG Forerunner"** by China Sustainability Tribune Magazine
- 2023 GoldenBee CSR China Honor Roll—**ESG Competitiveness · Sustainable Product & Service Award**
- The 8th "**Value Co-creation**" 2023 Sustainability Case of Chinese Enterprises—Sustainable Product Award
- 2023 "Top Human Resources Management Awards—Outstanding Employer" by 51job
- The 18th "**People's Corporate Social Responsibility Award**" by People.cn
- "Shanghai Five-Star Green Factory"**
- Axis Stationery was awarded the title of "**Shanghai Industrial Product Green Design Demonstration Enterprise**"
- M&G Colipu achieved "**2022 Social Responsibility Award**" from Shanghai Federation of Industry and Commerce

# About the Company

## Business Overview

As one of the world's largest stationery manufacturers, Shanghai M&G Stationery Inc. is a comprehensive stationery supplier and office servicer. The Company integrates the value of creativity into its products and service advantages, advocates a fashionable stationery lifestyle, and provides solutions for study and work, committed to making study and work more joyful and effective. M&G's products mainly include writing instruments, student stationery, office supplies and other related products. On January 27, 2015, M&G Stationery was officially listed on the Shanghai Stock Exchange A shares under stock code 603899.

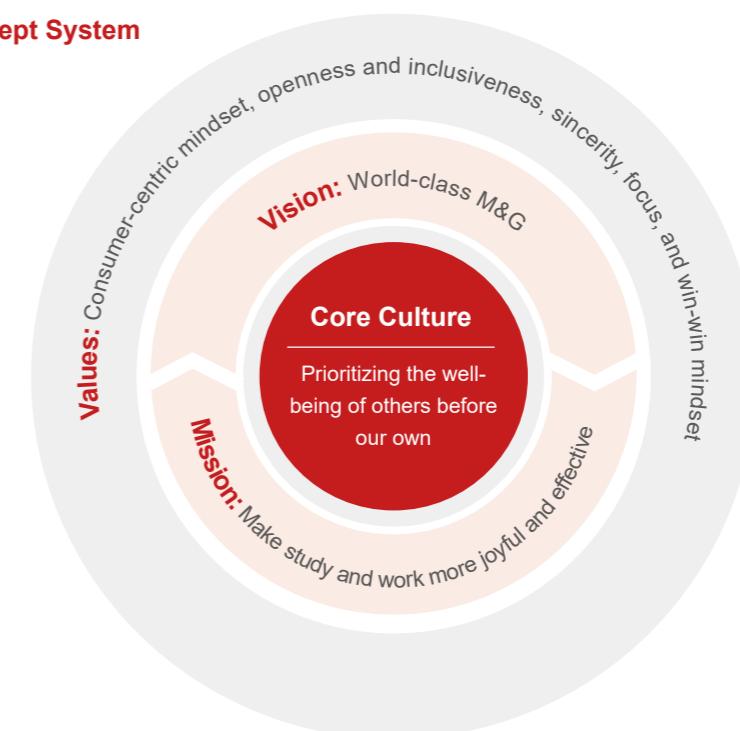
M&G focuses on the development of four major product categories—mass market stationery segment, premium stationery segment, arts and kids drawing segment, and office stationery segment. The Company also vigorously innovates on developing new channels, including large retail store business such as Jiumu Store and M&G Life, the direct office supplies business—M&G Colipu, and the independent trendy cultural and creative brand, More-Than-Fun (Qizhihaowan). With the acquisitions of Axus Stationery (which owns the well-known wooden pencil brand MARCO) and the Norwegian high-end ergonomic backpack brand Beckmann, M&G is expanding its international market and continuously strengthening its brand portfolio.



M&G is present in nearly 70,000 retail stationery shops nationwide, including 659 large retail stores—M&G Life and Jiumu Store. In addition, due to market demand, thousands of new products are launched by M&G every year, and its products are exported to worldwide partners. M&G has maintained annual double-digit growth over the past decade, with a total revenue of RMB23.3 billion, an increase of 16%.

Headquartered in Shanghai, China, M&G owns the M&G Stationery Industrial Park, which covers a total area of 550 mu. In 2023, M&G sped up the expansion of overseas markets. Based on local characteristics, the Company developed localized products to enhance overseas competitiveness of its products, and sorted out the product development process and improved product management efficiency for prompt satisfaction with consumers' needs in overseas markets. Shouldering the mission of "providing affordable stationery for local students", the Company continued to explore the African market, and carried out product promotion activities and made donations to schools, enabling more students to use cost-effective products of M&G. In the Southeast Asian market, the Company made positive channel arrangements, improved operation quality, and further enhanced the influence of M&G brand. Amid the changing external environment, the Company saw rapid growth of overseas sales and continuously improving product competitiveness, brand influence and channel development capability, with the overall operation, management and team-building capabilities in overseas markets significantly boosted.

## M&G Cultural Concept System



## 2023 Business Performance



## History of M&G Stationery

**1989**

### First step

As the first step in start-up the Company was built in two small bungalows in Hengshan Village, Gurao Town, Shantou.

**1997**

### Launched the "M&G" trademark

The "M&G" trademark was officially launched, establishing the development path of the brand. The Company cooperated with stationery agents across the country and established partnerships.

**2005**

### Designated stationery supplier of Boao

Selected as the designated stationery supplier of Boao Forum for Asia and has provided support for Boao Forum for Asia for more than one decade.

**2002**

### Creating M&G classic products with ingenuity

K35, the first press gel pen in China, came out after 180 days of process debugging and 17 process optimization, creating M&G classic products with ingenuity.

**1999**

### Production system has begun to take shape

M&G settled in Liuli, Pudong, with more than 100 employees. It has successively established mold, injection, printing and assembly workshops, and the production system has begun to take shape.

**2008**

### Gained leading position in the stationery industry

The first "franchise chain" project was launched in the stationery industry. At the same time, the Guangming Park was completed, and China Writing Instrument Center and China Writing Instrument Industrial Base were established, establishing the Company's leading position in the stationery industry.

**2015**

### Listed on the Shanghai Stock Exchange A shares

M&G Stationery officially listed on the Shanghai Stock Exchange A shares (stock code: 603899).

**2021**

### A new five-year strategy

M&G Stationery formulated a new five-year strategy; held a cloud signing ceremony with the Norwegian schoolbag brand Beckmann.

**2020**

### Established global design center

Brought Israeli design brand Peleg Design to attend CIIE, announced establishment of Israel office of its global design center.

**2019**

### Acquired Axus Stationery

M&G Stationery acquired Axus Stationery as its subsidiary. Brought Italian painting brand CARIOCA to attend CIIE.

**2022**

### Leading the industry in sustainable development

M&G Stationery released the "2021 Environmental, Social, and Governance Report", becoming the first listed company in the Chinese stationery industry to release an ESG report, leading the industry in sustainable development.

**2023**

### Launched M&G's first carbon-neutral stationery series

M&G Stationery collaborated with Meituan's "Lush Mountain Plan" and launched its first carbon-neutral stationery series, another encouraging step of the industry towards a more sustainable future.



# Sustainable Development Strategy and Management

## Sustainable Development Management

As the first listed company in China's stationery industry to release an ESG report, M&G Stationery has been paying close attention to sustainability-related topics in recent years, and has formulated its governance framework and strategy for sustainable development. With a strong focus on sustainability culture, the Company strives to continuously improve its sustainable development governance, and openly responds to stakeholders' concerns, dedicating itself to writing a sustainable business future.

## Sustainable Development Governance Framework

M&G's Board of Directors and the Strategy Committee are responsible for the overall management and supervision of the Company's sustainability risks, reviewing and approving company sustainable development strategies, goals, and information disclosure, and supervising and self-assessing sustainability-related policies, management approaches, performance, and goals and targets.

Under the supervision of the Board of Directors and the Strategy Committee, the Company has established a dedicated Sustainability Office. With the Chief Sustainability Officer in charge, and equipped with professional talents with expertise and work experience in sustainability-related fields, the Sustainability Office is responsible for coordinating environmental, social, and governance goals and work plans in business operations, ensuring the effective implementation of the sustainable development strategy, and conducting internal and external communication on sustainability-related content. The Sustainability Office regularly reports to the Strategy Committee on sustainability-related risks and opportunities, as well as the implementation progress of the strategic goals.

Focusing on the four strategic pillars of M&G's sustainable development strategy, the Sustainability Office collaborates with relevant units of the Company to form cross-business unit, cross-department ESG taskforces. With each business unit, functional department, and subsidiary responsible for the specific implementation, all parties work together to ensure the realization of the Company's sustainable development goals. To motivate the Company's management to focus more on sustainability, M&G has included ESG-related factors in the annual performance evaluation of the executives in charge of core strategic departments for two consecutive years.

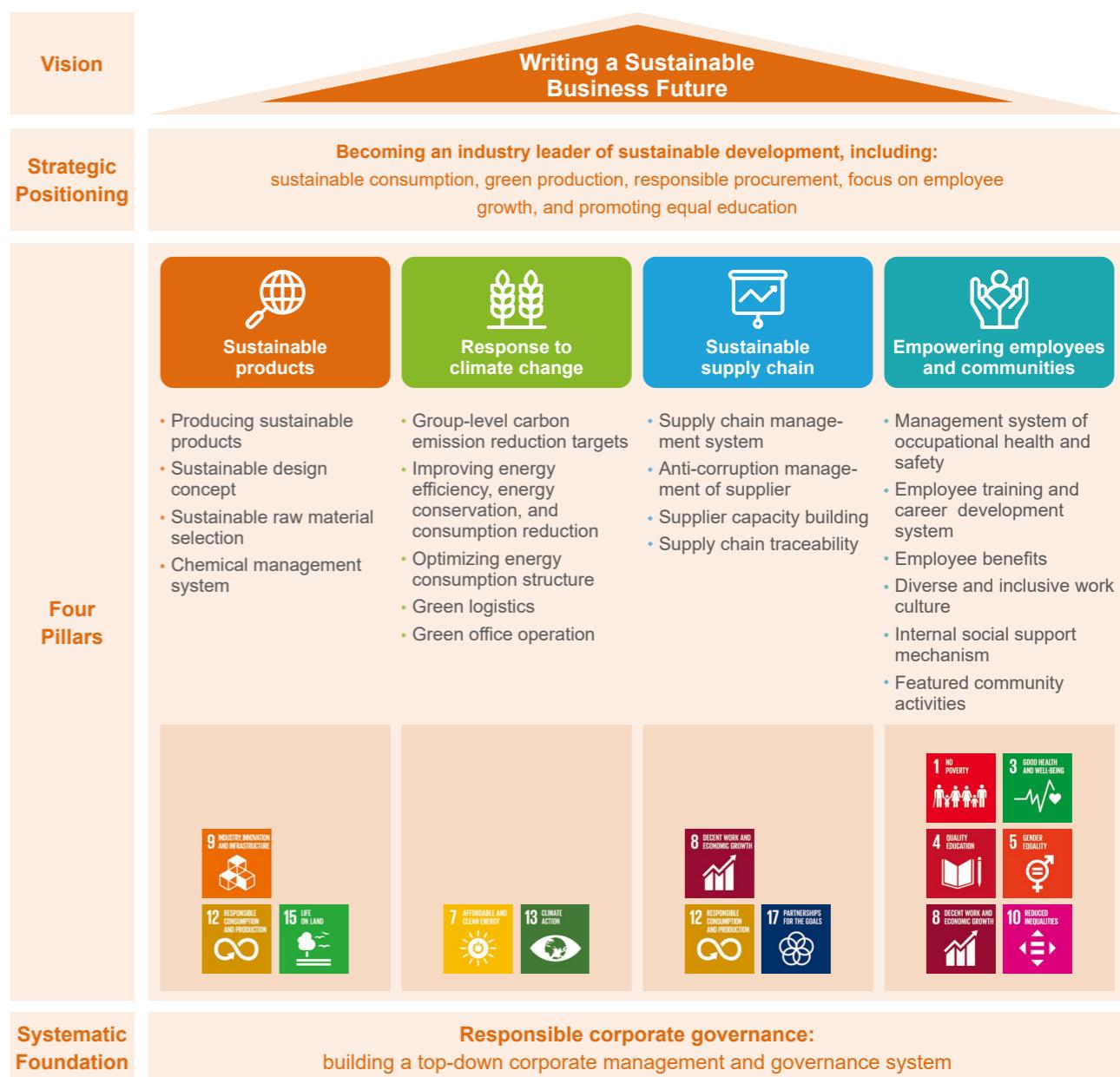
### M&G Stationery's Governance Framework for Sustainable Development



## Sustainable Development Vision and Strategy

In 2021, M&G formulated its 2022–2025 Sustainable Development Strategy around the vision of "writing a sustainable business future" based on its development focus and business strategy in combination with industry trends. Focusing on four strategic pillars: sustainable products, response to climate change, sustainable supply chain, and empowering employees and communities, the Company is committed to leading the industry's sustainable development with continuous efforts in developing environmentally friendly products, ensuring sustainable procurement of raw materials, conserving energy and reducing carbon emissions, safeguarding employee rights, promoting employee development, and conducting community activities to promote the concept of sustainable development.

### M&G Stationery Sustainable Development Strategy



M&G has set up sustainable development goals around the four pillars of its sustainable development strategy to ensure the implementation of the strategy and planning.

### M&G Stationery's Strategic Goals for Sustainable Development



- To provide consumers with safe, environmentally friendly, and low-carbon products, formulate sustainable design concepts, create sustainable products, adhere to sustainable material selection, and establish principles for ensuring the safe use of chemicals.
- To achieve sustainable selection of some key raw materials by 2025



- To measure carbon footprints regularly, set group-level emission reduction targets, further reduce energy consumption, optimize energy consumption structure, and promote green logistics and green office.
- To be carbon neutral by 2050.



- To implement responsible procurement, keep optimizing supply chain management, raise awareness about sustainable supply chain, and optimize the management of chemicals in the supply chain.
- To meet M&G ESG guidelines by 2025 for 100% key suppliers.



- To attach great importance to employee growth and promote education equality.
- To extend the benefits of charity and community investment to 10 million people by 2030.



### Fostering a Culture of Sustainability

In 2023, M&G actively carried out activities and events to promote the concept of sustainable development, aiming to enhance the understanding of sustainable development among all employees. A total of 18 sessions were delivered on the Company's sustainable development strategy, with 1,000 employees from 36 departments participated. The Company also established a team of Sustainability Ambassadors to promote sustainability concepts internally, ensuring that each department integrates the sustainability concept into practical actions.

#### Sustainability Ambassadors Ensuring the Implementation of Sustainable Development Strategy

M&G is committed to ensuring the group-wide implementation of its sustainable development strategy. In July 2023, the Company established a team of Sustainability Ambassadors, with a total of 23 employees serving as ambassadors for their respective business units/departments. The Company has also established the Charter of Sustainability Ambassadors to clarify the responsibilities, objectives, operation mechanisms, requirements and disciplines of Sustainability Ambassadors.

#### Responsibilities of Sustainability Ambassadors

##### Knowledge Dissemination

To understand and disseminate knowledge of sustainable development, assist in building the Company's sustainability knowledge base, and support the Sustainability Office to implement training at each department.

##### Sustainability Advocacy

To promote M&G's sustainable development concepts and actions to employees, and support the recruitment and promotion of group initiated activities within each department.

##### Low-carbon Office

To promote the concept and support of the implementation of low-carbon office initiatives, in order to achieve annual low-carbon office goals.

The Sustainability Ambassadors play an important role in ensuring the implementation of the Company's sustainable development strategy. They convey the concept of sustainable development across various departments through strategy communication, employee volunteering, and low-carbon office practices. With their efforts, sustainability concepts become more tangible and the Company's sustainable development strategy also becomes better understood among employees, making valuable contribution to building a sustainable corporate culture.



M&G Sustainability Ambassadors

## Identification and Analysis of Material Topics

In 2023, the Company continued to identify, assess, and select ESG material topics based on the GRI Standards as well as referring to state regulations and guidelines, and the best practices of industry peers. The Company conducted extensive questionnaire surveys among various stakeholders and analyzed material topics based on survey results. In 2023, a number of key material topics have been revised accordingly, including "business ethics", "risk management", "response to climate change", "information security and privacy protection", etc.



**M&G Stationery's 2023 Sustainable Development Material Topic Matrix**



## Stakeholder Communication

M&G continuously strengthens communication with customers, employees, investors, and other stakeholders, and has established various communication channels to better understand and respond to the demands and expectations of stakeholders in a timely manner.

Stakeholders	Most Concerned Material Topics <sup>1</sup>	Communication Mechanisms and Methods
 Government and regulatory authorities	<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Carbon emissions and energy management</li> <li>Product quality</li> </ul>	<ul style="list-style-type: none"> <li>Special reports</li> <li>Participation in government meetings</li> <li>Supervision and assessment</li> <li>Field research</li> <li>Information disclosure</li> </ul>
 Shareholders and investors	<ul style="list-style-type: none"> <li>Response to climate change</li> <li>Carbon emissions and energy management</li> <li>Waste management</li> </ul>	<ul style="list-style-type: none"> <li>Shareholder meetings</li> <li>Investor meetings</li> <li>Performance briefings</li> <li>Information disclosure</li> </ul>
 Consumers and customers	<ul style="list-style-type: none"> <li>Product quality</li> <li>Consumer health and safety</li> <li>Chemical safety</li> <li>Information security and privacy protection</li> </ul>	<ul style="list-style-type: none"> <li>Product sales and promotion</li> <li>After-sales service</li> <li>Consumer survey</li> <li>Customer satisfaction survey</li> <li>Exhibition events</li> <li>Official website and corporate WeChat account</li> </ul>
 Suppliers	<ul style="list-style-type: none"> <li>Product quality</li> <li>Chemical safety</li> <li>Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Bidding</li> <li>Supply chain conference</li> <li>Contract signing and execution</li> <li>Daily business communication</li> <li>Supplier training</li> <li>Supply chain ESG assessment and on-site audit</li> </ul>

Stakeholders	Most Concerned Material Topics <sup>1</sup>	Communication Mechanisms and Methods
 Distributors	<ul style="list-style-type: none"> <li>Product quality</li> <li>Business ethics</li> <li>Information security and privacy protection</li> </ul>	<ul style="list-style-type: none"> <li>Channel cooperation conference</li> <li>Marketing conference</li> <li>Market visits</li> <li>Daily business communication</li> </ul>
 Employees	<ul style="list-style-type: none"> <li>Employee benefits</li> <li>Product quality</li> <li>Information security and privacy protection</li> </ul>	<ul style="list-style-type: none"> <li>WeCom</li> <li>Internal email</li> <li>Performance interview</li> <li>Employee satisfaction survey</li> <li>Training and workshop</li> <li>Employee clubs and activities</li> <li>Annual company meeting</li> <li>Internal corporate culture platform</li> <li>Employee suggestion platform</li> </ul>
 NGOs/Philanthropic organizations	<ul style="list-style-type: none"> <li>Social welfare</li> <li>Waste management</li> <li>Sustainable materials</li> <li>Packaging materials</li> </ul>	<ul style="list-style-type: none"> <li>Cooperation and dialogue</li> <li>Public welfare projects and activities</li> <li>Official website and corporate WeChat account</li> </ul>
 Media	<ul style="list-style-type: none"> <li>Consumer health and safety</li> <li>Product quality</li> <li>Responsible marketing</li> <li>Sustainable materials</li> </ul>	<ul style="list-style-type: none"> <li>Official website and corporate WeChat account</li> <li>Media interview and cooperation</li> <li>Forums and seminars</li> <li>Information disclosure</li> </ul>
 Industry associations	<ul style="list-style-type: none"> <li>Technological innovation</li> <li>Consumer health and safety</li> <li>Product quality</li> </ul>	<ul style="list-style-type: none"> <li>Forums and seminars</li> <li>Participation in industry standard formulation</li> <li>Project collaboration</li> <li>Visit and communication</li> </ul>

<sup>1</sup> Based on the results of our daily communication with our stakeholders and the annual materiality survey, we have identified the material topics that are of greatest concern to each stakeholder group.

# Focus: Developing Sustainable Products

M&G Stationery actively responds to the trends of green consumption and sustainable development at home and abroad. Focusing on "sustainable products" as one of its strategic pillars for sustainable development, M&G continuously innovates and develops products with sustainable attributes based on the insights of consumer needs. M&G leverages these sustainable products to engage more young consumers to start with small things in daily life and practice the sustainable concept of "writing a greener future". The Company has established a sustainable products development team, and actively explores the definition of "sustainable products" in the stationery industry, gradually forming a systematic process for the design, development, and marketing for sustainable products. Adhering to the principle of "only with high quality can we achieve sustainability", M&G is committed to implementing stringent quality requirements, and continuously enhancing the green and healthy attributes of products, strengthening the control of chemical safety of products, so as to provide consumers with safe and reliable products.

## 2023 Performance Highlights

- Developed and launched a number of **innovative sustainable products**, such as the carbon-neutral series, the "Carbon Emission Reduction Plan" series, and the "Endangered Animals: Wetland" series
- Eliminated PVC plastic from over **1,700** products and/or packaging cumulatively
- Developed M&G's **1st** sustainable products corporate standard, covering the new product development process for all product categories
- Jiumu Store created a sustainable products section in over **600** stores nationwide, and a total of **166,000** consumer membership points were redeemed for donations of over **1,600** stationery sets
- Established the **Chemical Management Committee**, revised the Company's Chemical Management Policy, and updated the list of chemicals to be phased out by referencing the REACH regulation

This chapter responds to the **Sustainable Products** pillar of M&G Stationery's sustainable development strategy.

### Addressing Sustainable Development Goals (SDGs):

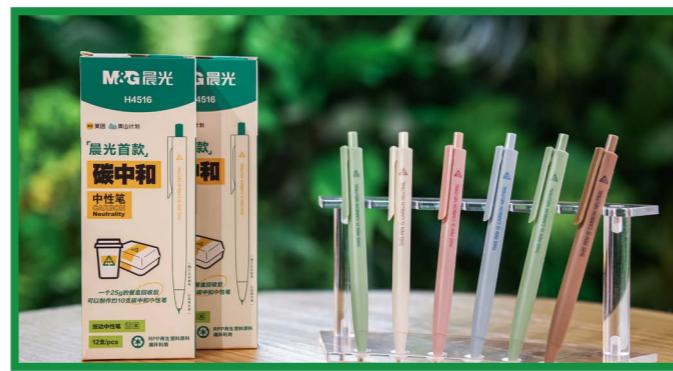


## Sustainable Products of the Year

In recent years, M&G has formed two sustainable product series, the Huanbaoji series and the "Endangered Animals" series, focusing on lowering carbon emissions, reducing plastic waste, and protecting biodiversity, guiding the public to have a better understanding of sustainability issues in a fun way. In 2023, M&G launched its first carbon-neutral stationery series and the "Carbon Emission Reduction Plan" gel pen series featuring quantifiable carbon reduction data. The Company also collaborated with the Mangrove Wetlands Conservation Foundation (MCF) and developed the "Endangered Animals: Wetland" stationery series to raise consumer awareness of green, low-carbon living and biodiversity conservation.

### Carbon-neutral stationery series

M&G teamed up with Meituan's "Lush Mountain Plan" program and jointly launched M&G's first carbon-neutral stationery series. This series of products is carbon neutral throughout its life cycle, from raw material sourcing, production and processing, transportation and distribution to use and disposal. Each barrel of the pen, made from recycled plastic food containers, can reduce the use of 2.3 grams of plastic and the related carbon emissions. This product series has passed third-party carbon footprint accounting and offsetting in accordance with ISO 14067 and PAS 2050 standards, and obtained carbon-neutral certification.



### "Carbon Emission Reduction Plan" gel pen series

Optical grade acrylic sheet from discarded LCD TVs and displays can be used as materials for recycle and reuse. Made with recycled acrylic from used household appliances, each "Carbon Emission Reduction Plan" gel pen can help reduce the emission of about 49 grams of carbon dioxide equivalent.



### "Endangered Animals: Wetland" stationery series

This product series is made of PLA biodegradable materials or recycled materials. Using five endangered wetland animals as the inspiration for its packaging design, this series of eco-friendly products aims at educating consumers about endangered animal conservation. Information about endangered animals was also displayed in Jiumu Stores in various formats, such as in-store education, interactive H5, VR experiences, etc., allowing more people to learn about endangered animals. We also invited consumer families to visit wetland conservation areas for bird watching, to gain a first-person view of wetland environments and endangered animals.

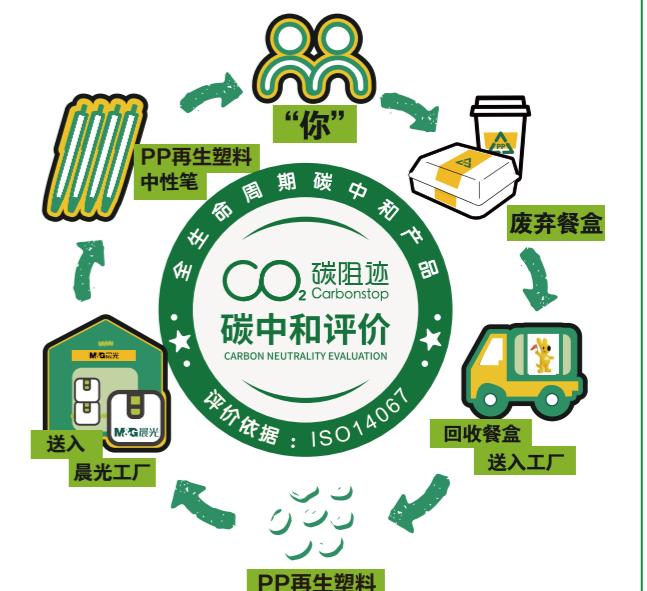


### M&G Launching its First Carbon-neutral Stationery Series

In February 2023, M&G launched its first carbon-neutral stationery series in China, including eight product categories such as gel pens, highlighters, markers, staplers, pen holders, and pencil cases, etc.

This series of stationery is an innovative attempt by M&G in collaboration with Meituan's "Lush Mountain Plan" program. It uses recycled plastic made from discarded food containers to reduce the use of virgin plastic. The carbon footprint data collected during this project allows the Company to evaluate the carbon emission sources and emissions data of its product life cycle, laying a solid foundation for further carbon reduction efforts.

Adhering to the concept that "green products are first and foremost good products", M&G conducted technical research and experiments. From initial trials, pilot tests, to large-scale continuous production tests, the production testing of the product series took 50 days, undergoing 20 mold structure adjustments, product performance and process verifications, showcasing M&G's strong commitment to product quality.



Closed-loop environmental impact of the carbon-neutral stationery series

After its launch, the M&G carbon-neutral stationery series was exhibited in a dozen high-profile sustainability-related venues home and abroad, such as the China International Consumer Products Expo, the Shanghai International Carbon Neutrality Expo, and the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28), playing a pioneering role in the low-carbon and green development of the stationery industry. Based on this product series, M&G Colipu also launched a green product procurement program for corporate customers to choose greener stationery products, engaging customers with greater cooperation in sustainability-related opportunities.



- M&G's Huanbaoji carbon-neutral stationery series won the **"2023 Stationery · China Culture and Education Office Supplies Innovation Award (Student Stationery)"—Green Award**

Jiumu Store, an independent brand of cultural and creative products under M&G, is an important channel for the Company to directly reach consumers. Jiumu Store is committed to actively raising the awareness of sustainability concepts among consumers through measures such as offering sustainable products, integrating sustainable consumption factors into its membership store point platform, and organizing sustainability themed activities.

### Jiumu Store's Advocacy for Sustainable Consumption

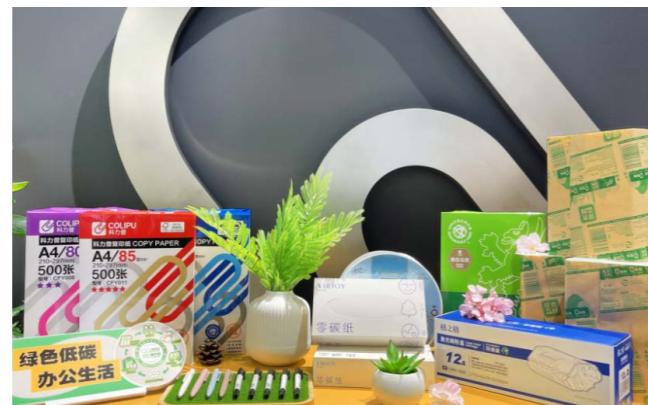
Advocated green consumption concept with sustainability themed seasonal activities, such as a city walk campaign to encourage green walking lifestyle.



By 2023, over 600 Jiumu Stores nationwide set up a sustainable product section for sustainable products such as the "Huanbaoji" and "Endangered Animals" stationery series, directly promoting sustainability concepts and green lifestyle to consumers.

Jiumu Store developed a store point charity platform for store members to promote consumer awareness and encourage sustainable consumption. By 2023, consumers donated 166,000 store points, which were matched with over 1,600 donated stationery sets. Jiumu Store donates 5% of the sales proceeds of the "Carbon Emission Reduction Plan" gel pen series to "One Planet Foundation", engaging consumers to jointly support climate action.

With the deepening of China's carbon dioxide peaking and carbon neutrality strategy, the demand for green and sustainable products from corporate customers increases rapidly. In 2023, M&G Colipu developed a green product catalogue, offering a rich selection of sustainable products to meet the growing green procurement needs of customers. This catalogue includes products defined as green products in multiple aspects, including using recycled materials, obtaining green certifications, adopting environmentally friendly manufacturing processes, using green packaging or low-impact logistics, sourcing from certified manufacturers, and promoting low-carbon concepts, etc. Typical green products include Forest Stewardship Council (FSC)-certified printer paper, zero carbon paper towel with carbon neutral certification, and toner cartridge with environmentally friendly packaging.



Sustainable products offered by M&G Colipu

In 2023, M&G's subsidiary More-Than-Fun launched a charitable campaign in collaboration with Alipay and the "Genshin Impact" IP of miHoYo. With the launch of a series of environmentally friendly IP products and fun gameplays such as point redemption and lucky draws, the campaign reached out to consumers and called on them to choose green travel and other low-carbon lifestyles. Among the environmentally friendly products launched, there were a vintage eco-friendly laptop sleeve with washable kraft paper cover and wool felt lining, and an environment-friendly notebook with high strength spruce paper pages and fabric-bound edges. All of these products were made with bio-degradable materials and had obtained FSC certification and Green Product Certification issued by third-party organization.



More-Than-Fun environment-friendly notebook

### Sustainable Design Concept

M&G's sustainable innovation is not limited to the development of new products. Instead, the Company is dedicated to expanding the concept of sustainable design to other product categories and continuously expanding its pipelines of sustainable products with various sustainable attributes in all product categories.

In September 2023, the M&G Sustainability Office, the Sustainable Products Development Team, and the Technical Center collaborated with other departments to jointly develop its first sustainable products corporate standard, after studying domestic and international standards and certification requirements for green products and recycled materials. In alignment with the strategic focuses of M&G's sustainable products development, this standard specifies the definition of sustainable products from four aspects: material, functionality, safety, and packaging. The standard also specifies the procedures for the development of new products with sustainable attributes. Besides formally applying this standard to the assessment process of product development, M&G also designed a dedicated green logo for sustainable products for future use, highlighting the sustainable attributes of the products for consumers to draw greater attention towards green production and consumption.

In 2023, M&G continued to apply sustainable design concepts in new product development and launched a number of products with sustainable attributes:

- Larger capacity** → The new metal gel pen has 20% more ink compared to previous models.
- Longer product life** → The quick-drying stamp pad and refill ink can last as long as five years with the new ink formula.
- Simpler design** → The design of a utility knife box product was optimized by reducing unnecessary clamps, which resulted in simpler mold, shorter molding time, and reduced material use.
- Generic design** → M&G optimized the structure of a vacuum sealer product, reducing the number of screw specifications from 8 to 3 and making it easier for production and assembly.
- More efficient material use** → By modifying the shape of sheet metal parts, such as nail tracks and guide rails, of a single-handed stapler product designed for the food delivery business, the utilization rate of sheet metal has been greatly improved.



M&G's Green Logo for sustainable products



2023 Red Dot Award  
Winning Products of M&G

- M&G Steel Tape Pro "Contemporary Good Design – Gold Winner 2023"
- M&G Utility Knife Pro "Contemporary Good Design Award – Winner 2023"

## Sustainable Materials

M&G pays great attention to the sustainability of materials and continuously strengthens the use of certified environmentally friendly and safer materials, aiming to bring more green and safe products to consumers. M&G is committed to using sustainable materials for certain key material categories by 2025.

### Using Certified Environmentally Friendly Materials

M&G actively sources raw materials for multiple product categories that have passed environmental and health-related certification, aiming to improve the environmental attributes of its products from the source. M&G Colipu also actively sources printer paper products with sustainable forest certifications to support the protection of forest resources.

#### M&G Products with Sustainable Certifications

Sustainable Certification	Certified Products
EU toy safety standard EN71-3 Certification	Arts and kids drawing products, such as clay, markers, oil paint stick, watercolor pens, glue stick, etc.
EU Restriction of Hazardous Substances (RoHS) Certification	Smart calculating device, smart spelling device, smart large screen microscope, and toner cartridges for laser printer
Global Recycled Standard (GRS) Certification	Carbon-neutral stationery series, "Carbon Emission Reduction Plan" gel pen series, and notebooks customized for Boao Forum
German IGR Ergonomics Certification	M&G spine protection schoolbags
China Environmental Labeling Product Certification (Ten Ring Certification)	Toner cartridges for laser printer and multifunctional printer paper
China Energy Conservation Product Certification	Laser printer and dot matrix printer
Forest Stewardship Council (FSC) Certification	Red M&G multifunctional printer paper, and M&G Colipu 3-Star and 5-Star printer paper
Programme for the Endorsement of Forest Certification Schemes (PEFC) Certification	M&G Colipu 2-Star printer paper

### Ensuring the Safety and Harmlessness of Materials

M&G always prioritizes the safety and quality of its products. The Company attaches great importance to the safety and harmlessness of materials in product development and material procurement, strictly adhering to Chinese national mandatory safety standards and referring to international standards. M&G has formulated targeted chemical control policies regarding different consumer age groups, and conducts thorough internal testing and third-party inspections to ensure that its products fully meet the requirements of relevant safety standards.

### Developing products using food-grade materials

Material safety is a key focus of M&G regarding arts and kids drawing products. All products developed for children fully comply with mandatory safety standards in China. Among these products, food-grade crayon, food-grade markers, and food-grade rice color clay series products also meet the requirements of the EU standard Safety of toys - Part 3: Migration of certain elements (EN71-3). The Company has formulated detailed inspection standards on health and safety regarding the three major categories of arts and kids drawing products: painting products, handicraft products, and puzzles, covering product categories such as acrylic markers, clay, and board games. Product development is also implemented in strict accordance with these above-mentioned standards. In 2023, M&G intensified the development of food-grade, antibacterial, and easy-to-clean products to further expand the food-grade product lineup. New food-grade materials have been used in a greater variety of product sub-categories, such as color pencil, outline pens, markers, watercolor pens, oil paint stick, clay, crayon, etc.

#### Development of Food-grade Cat Paw Easy-grip Crayon

In 2023, M&G launched the food-grade Cat Paw Easy-grip crayon. The product is made of food-grade paraffin, which meets both Chinese national mandatory safety standards and the stricter EU EN71-3 safety standard. Besides being safer, harmless, and environmentally friendly, this product also features a three-point grip design to guide children in developing the correct gripping posture. This product has won the "Green Stationery Award" (Art supplies).



Food-grade Cat Paw Easy-grip crayon

#### Phasing-out Harmful Chemicals

M&G actively promotes the phasing-out of harmful materials in products. In 2023, we focused on phasing-out PVC and replacing nitrocellulose paints with water-based paints, further enhancing the safety and harmlessness of our products.

#### PVC Phasing-out Project

PVC plastic may contain potential health and safety hazards, such as benzene, lead, and mercury. PET plastic, which is more environmentally friendly than PVC and does not contain plasticizers, can be used as alternatives to PVC. In August 2023, M&G officially launched the PVC phasing-out project, with the goal to completely eliminate the use of PVC in the future.

As of the end of 2023, PVC plastic was not allowed to be used in packaging materials such as blister packs, bases, and trays, meaning that packaging of new products contains no PVC, while PVC packaging for existing products will gradually switch with alternative materials. Replacement plans for PVC bags are currently in development. For products with PVC as the main material, we will strengthen the safety supervision and explore replacement plans in the future. As of the end of 2023, the Company has already phased out PVC plastic from over 1,700 products and packaging materials.



Products that have eliminated PVC plastic

### Paint Replacement for Wooden Pencil

Wooden pencil used to have a coating of nitrocellulose paint. With nitrocellulose, as well as alkyd resin, rosin modified resin, and other soft and hard resins as its main film-forming material, nitrocellulose paint usually not only has an odor, but also contains some organic solvents.

Axus Stationery actively pushes for the replacement of nitrocellulose paint with the safer and more environmentally friendly water-based paint in the production of wooden pencil. With the new paint, the safety of product is further enhanced with the reduction of harmful substances in its paint coating. Water-based paint mainly consists acrylic resin emulsion, pigments, fillers, solvents, and water. It does not contain organic substances such as benzene, aromatic hydrocarbon, as well as curing agents or plasticizers, thus no odor is produced. As of the end of 2023, 50% of Axus Stationery's wooden pencil products have switched to water-based paints.



Axus Stationery's MARCO water-based paint professional art charcoal

### Exploring Plastics Recycling Solutions

Plastics is a major material for the manufacturing of stationery products. M&G has been focusing its innovation efforts for environmentally friendly products on plastics, identifying reduction possibilities, researching on biodegradable materials, and exploring innovative replacement solutions in order to contribute to the development of circular economy.

#### Plastics reduction

The Company developed a gel pen made with plant-based materials, replacing the plastics in pen body with plant-based materials produced from plant residues such as sugarcane, wheat, and fir, which have good biodegradability and biocompatibility.

The faux ceramic gel pen uses a self-developed faux ceramic material containing 80% of zirconia and 20% of plastics. Using zirconia to replace plastics can significantly reduce the amount of plastics used without compromising on product quality and performance.



Plant-based gel pen



Faux ceramic gel pen

#### Biodegradable materials

The "Endangered Animals: Wetland" stationery series uses biodegradable PLA material made from biomass such as corn. This material has excellent biodegradability. After 180 days of industrial composting, the degradation rate can reach over 95%.



Biodegradable PLA material gel pen

## Green Product Packaging

M&G regards green packaging as one of the core elements of sustainable products. The Company vigorously promotes the green transformation of product packaging to reduce the negative impacts on the ecological environment, prioritizing the use of more environmentally friendly packaging materials, and advocating for using paper packaging instead of plastic packaging. For example, the packaging box of the carbon-neutral stationery series set is made from recycled pulp, and the display shelf of the "Endangered Animals: Wetland" series is made using paper material instead of plastic material. Axus Stationery has developed pulp molding packaging to replace the traditional tin box packaging of gift sets.



Eco-friendly packaging of the carbon-neutral stationery series

M&G also vigorously explores "packaging reduction" following the principles of "simplicity and practicality", minimizing the use of packaging materials without compromising on product quality. By using new packaging materials and processes, we eliminated the inner boxes for some office supply products, reducing both the use of cardboard boxes and the amount of work for packaging operations. We are working on a compact packaging for the M&G large screen microscope series products, which is expected to be launched in 2024 to accelerate the reduction of product packaging.

## Chemical Safety Management

To reduce the impact of chemicals in products on the environment and human health, M&G has established a comprehensive chemical management system and continuously optimizes its chemical safety management in accordance with stricter standards than the mandatory regulatory requirements in China.

### Chemical Management System

M&G closely adheres to the requirement of national chemical management standards. In accordance with the Inventory of Severely Restricted Toxic Chemicals, the Regulation of the People's Republic of China on the Administration of Controlled Chemicals—Various Monitored Chemicals List, the Request in Common Use of Security for Student's Articles (GB 21027-2020), the Company forbids the use of any of the listed chemicals in product development, and requires that all purchased chemicals must be sourced from qualified suppliers.



M&G has formulated the Chemical Management Policy<sup>2</sup> to ensure centralized and standardized management of chemical use in the Company. The policy clearly specifies the main objectives of chemical management, the prohibition and phasing-out of chemicals, safety standards and certification requirements, product audits and penalties, and the management of chemical suppliers and related parties. To comprehensively ensure the chemical safety of products, the Company has also formulated strict chemical risk assessment and inspection control procedures covering the full lifecycle of products, including material procurement, storage, product development, production, acceptance, and sales.

<sup>2</sup>The M&G Stationery Chemical Management Policy can be accessed from the Company's website under the section "Investor Relations - ESG".

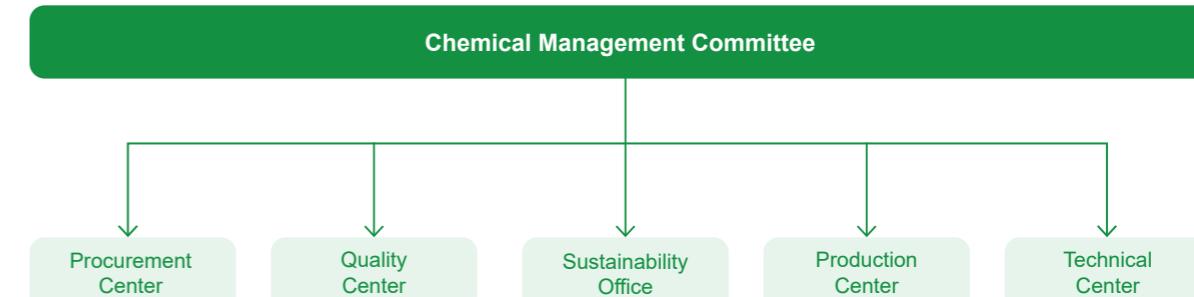
In early 2024, M&G established the Chemical Management Committee to coordinate the management of chemical safety in products and production processes. The committee consists of representatives from the Sustainability Office, the Procurement Center, the Production Center, the Technical Center, and the Quality Center. Aiming to ensure the compliance of the Company's chemical management, the committee's responsibilities include the regular review of the list of chemicals-related issues, establishing performance assessment criteria, and ensuring the implementation of improvement measures. The Company also focuses on chemicals prohibited or restricted by regulations to make phase-out lists and plans, and ensures the implementation of the phase-out plans. The committee also works to improve information transparency to better communicate about M&G's management of chemical safety externally.

For products containing substance of very high concerns (SVHC), M&G strictly monitors and manages their environmental, health, and safety attributes based on the requirements of relevant national and industry standards. For example, student supplies and toys for children under 14 years old are managed in accordance with the EU EN71-3 standard; the inks used in all writing instruments are managed in accordance with the EU EN71-3 standard, among which the black gel pen ink also refers to the restricted substances list in Appendix XVII of the EU REACH regulation; and soft modeling products such as modeling clay are managed in accordance with the EN71-3, EN71-9, and T/CSSGA 1006 Student Modeling Clay standards.

M&G's European subsidiary, Beckmann, has developed a dedicated chemical compliance guide in accordance with local regulatory requirements, which also applies to all suppliers in terms of chemical management. For certain chemicals, this guide has stricter requirements than the EU REACH regulation. As a member of the Research Institute of Sweden (RISE) Chemicals Group, Beckmann regularly communicates with industry experts to closely follow the latest updates and trends of relevant laws and regulations in the chemical and environmental sectors.



### M&G Chemical Safety Management Structure



### Key Chemical Safety Standards Referenced by M&G

- Inventory of Severely Restricted Toxic Chemicals
- The Regulations of the People's Republic of China on Administration of Controlled Chemicals—Various Monitored Chemicals List
- Request in Common Use of Security for Student's Articles (GB 21027-2020)
- Gel Ink Ball Pens and Refills (GB/T 37853-2019)
- National Safety Technical Code for Toys (GB 6675-2014)
- Student Modeling Clay (T/CSSGA 1006)
- Book Cover and Slipcase (T/CSSGA 1001-2017)
- Technical Requirements for Environmental Labeling Products Cultural Paper (HJ 410-2017)
- Requirements of Concentration Limits for Certain Restricted Substances in Electrical and Electronic Products (GB/T 26572-2011)
- Hygienic Requirements of Study Products for Myopia Prevention and Control in Children and Adolescents (GB 40070-2021)
- Safety of Toys - Part 3: Migration of Certain Elements (EN71-3)
- Safety of Toys - Part 9: Organic Chemical Compounds Requirements (EN71-9)
- Registration, Evaluation, Authorization and Restriction of Chemicals (REACH Regulation)

## Chemical Control and Phasing-out

M&G has established a comprehensive chemical control list, and is committed to implementing a strict phasing-out list to eliminate certain chemicals from its products. The number of product categories covered by the chemical control list and the phasing-out plan continues to grow. In 2023, M&G added the EU REACH Regulation to the testing standards for black gel pen ink, further raising the chemical control requirements for inks. M&G also actively participates in the development of industry standards regarding the control of hazardous substances, making positive contributions to the green and healthy development of the industry. In 2023, the industry standard, GB/T 42822-2023 Determination of Primary Aromatic Amines in Art Articles, was officially released. M&G has participated in the development of this standard, which is applicable to the determination of primary aromatic amines in art supplies (including crayon, oil paint stick, gouache paint, oil paint, and acrylic paint), filling the gap in the testing methods for harmful aromatic amines in related categories.

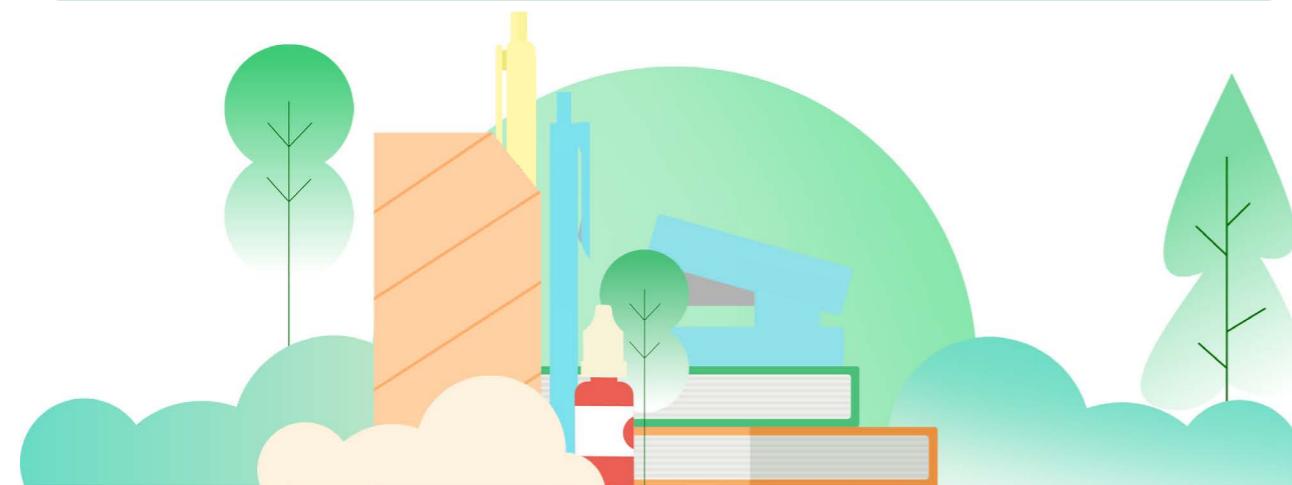
In terms of the phasing-out and upgrading of chemicals, M&G has innovatively developed thermoplastic elastomer (TPE/TPR) materials, which were used to make TPE erasers, providing an effective solution to phase out PVC materials in traditional erasers. The Company has also developed safer boron-free clay products, and developed a PVC phasing-out plan, continuously promoting the improvement of production processes and the development of alternative chemical choices. To further enhance product safety, M&G will continue to strengthen the control of chemicals to comply with increasingly stringent domestic and international standards and regulations.

### Developing More Environmentally Friendly TPE Erasers

In 2023, M&G developed and launched a benzene-free TPE eraser, making another step to gradually phase out PVC materials. Ordinary erasers are made mainly of PVC materials, whose processing often needs various additives, including benzene plasticizers. TPE is an environmentally friendly material. It does not produce irritating odors during processing, and is non-toxic and harmless to the human body. TPE can also be recycled and reused. In addition, TPE erasers have greater safety attributes because that the material is free of chemicals such as heavy metal, halogen, polybrominated biphenyls, polychlorinated biphenyls, organic tin, etc.



TPE erasers



### Phasing-out Harmful Elements in Clay Products

M&G actively promotes the control and elimination of boron in products. In June 2023, the Company launched a boron-free clay with its proprietary formula. The product has passed the 3C quality certification as well as the EU EN71-3 and EN71-9 standards certifications.

In 2018, M&G took the lead in formulating the association standard T/CSSGA 1006-2018 Student Modeling Clay for the China Stationery & Sporting Goods Association, which sets higher safety requirements than the industry standard. Safety indicators regarding boron, harmful aromatic amines, and other limited substances that consumers are concerned with were included in the standard. After five years, this standard has been adopted by many companies in the industry voluntarily, as well as various third-party testing agencies and market supervision authorities, using the standard in their evaluation of clay products. This standard has been awarded the 2020 Ministry of Industry and Information Technology's Demonstration Project for the Application of One Hundred Association Standards.

Furthermore, in 2023, M&G proposed a revision plan of the Modeling Clay industry standard to the National Technical Committee on Stationery and Sporting Equipment Standardization Administration of China. The revision plan calls for stricter limits on migratory elements such as boron, free formaldehyde, and preservative, in order to further improve the safety standards of modeling clay products. The proposal has been submitted to the Ministry of Industry and Information Technology for review and approval.



Boron-free clay product with M&amp;G's proprietary formula

### Awareness Raising on Chemical Safety

M&G actively disseminates knowledge about chemicals to the public. With more transparent communication with consumers, the Company aims to enhance consumers' awareness of the safety of children's stationery. We use platforms such as corporate WeChat account, Xiaohongshu, and Douyin live streaming to provide consumers with chemical safety information of stationery products such as food-grade clay and book covers. These initiatives intend to guide consumers to pay attention to chemical safety and make informed choices about stationery products that have good performance, high quality, and dependable safety.



Pop science short videos on product chemical safety

# Governance and Business Growth

M&G Stationery has established a robust corporate governance system. The Company continuously optimizes its corporate governance, strengthens risk management, and implements compliance management with business ethics and anti-corruption management at the core, aiming at laying a solid foundation for the healthy and sustainable development of the Company. We continue to strengthen information security management and strive to protect data security and customer privacy with effective measures. Relying on technological innovation as the driving force for our growth, we commit to contributing our expertise to the development of the industry and providing continuous support to achieve a sustainable and shared future.

## 2023 Performance Highlights

- Linking ESG performance to executive compensation, including ESG factors in the annual performance evaluation system for 8 department heads
- Established the **Risk Management and Compliance Committee** chaired by the Company president, further optimizing the Company's risk management structure and policy system
- Launched an **online training course on the M&G Code of Business Conduct** as a mandatory course for all employees
- Conducted internal control audits against non-compliance with business ethics, covering 22 operating locations that represent 100% of M&G's operational sites
- Filed 2,612 patent applications cumulatively, with 2,407 patents granted and 1,211 valid patents
- Member of 22 industry associations, and participated in the formulation of 25 standards in 2023

This chapter responds to the **Responsible Corporate Governance** of M&G Stationery's sustainable development strategy.

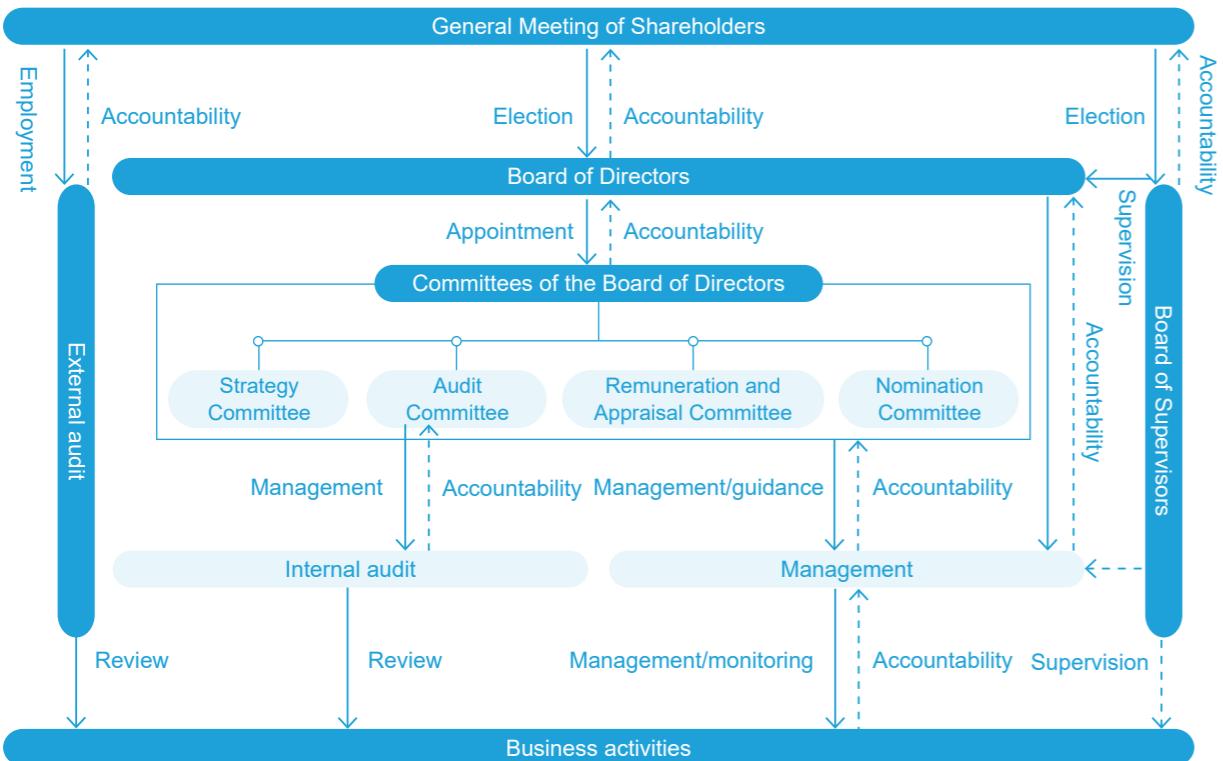
## Addressing Sustainable Development Goals (SDGs):



# Corporate Governance

M&G has established a sound corporate governance structure and strives to build a robust modern enterprise system, so as to build a top-level design that ensures the orderly and efficient operation of the Company.

## M&G Stationery's Corporate Governance Structure



## Board of Directors

M&G strictly follows the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, and the relevant laws and regulations promulgated by China Securities Regulatory Commission and Shanghai Stock Exchange. The Company continuously improves its corporate governance structure, ensures effective division of responsibilities and checks and balances mechanism at the Board of Directors, and standardizes corporate operations, laying a solid foundation for the sustainable and healthy development of the Company, as well as the effectively protection of the legitimate rights and interests of investors and other related parties.

The General Meeting of Shareholders is the highest authority of M&G Stationery and decides on significant matters of the Company's operation and management. The Board of Directors is elected by the General Meeting of Shareholders in accordance with the law and is the standing executive body of the Company. The Board of Directors has four specialized committees: the Strategy Committee, the Audit Committee, the Remuneration and Appraisal Committee, and the Nomination Committee. When appointing members of the Board of Directors, the Company takes into account diversity factors such as professional experience, cultural and educational background, age, and gender to ensure the competency of the Board of Directors to make scientific decisions. The Board of Directors consists of seven directors, including four non-independent directors and three independent directors, with female directors accounting for 14.3%.

Each board committee is composed of three directors, who fully leverage their expertise to support the functioning of each committee. All directors conscientiously fulfill their duties as directors, providing efficient and professional decision-making advice for major corporate matters in accordance with the Rules of Procedure of the Board of Directors as well as other governance policies.

### Strategy Committee

Responsible for studying and providing recommendations on the Company's long-term development strategy and major investment decisions.

### Remuneration and Appraisal Committee

Responsible for formulating the assessment criteria for directors and senior executives and conducting assessments; formulating and reviewing the remuneration policies and plans for directors and senior executives with the authorization of the Board of Directors.

### Nomination Committee

Responsible for researching, reviewing, and providing recommendations on the selection criteria and procedures for candidates for the Company's directors, president, and other senior management positions that need the appointment of the Board of Directors.

### Audit Committee

Responsible for the communication, supervision, and verification of internal and external audits of the Company.

## Effectiveness of Board of Directors

The Company has made specific provisions on the powers, authorities, and meeting arrangement of the Board of Directors in the Rules of Procedure of the Board of Directors. In 2023, the Company convened a total of five Board of Directors meetings, all of which with a 100% attendance rate of all directors.

In order to ensure that independent directors have sufficient time and energy to fulfill their duties, the China Securities Regulatory Commission released the Measures for the Management of Independent Directors of Listed Companies (hereinafter referred to as the Measures) in 2023, which stipulates that "in principle, independent directors can serve as independent directors in a maximum of three domestic listed companies, and should ensure that they have sufficient time and energy to effectively fulfill their duties as independent directors". The Company will revise its Independent Director Working System in accordance with the Measures. In fact, the three independent directors of the Company already meet the requirements of the Measures, each holding less than three independent director positions in domestic listed companies. The Company's three independent directors have professional experience in law, accounting, and management consulting respectively, as well as expertise in strategic development, corporate governance, and risk management, allowing them to provide effective advice for decision-making in various dimensions of the Company's development. An independent director also has experience in the manufacturing industry.



In 2023, number of board meetings convened by the Company

5



As of the end of 2023, the average tenure of M&G's board members

5.4 years

## Independence of Board of Directors

The Company has specific provisions regarding the number and qualification, nomination, election and re-election of independent directors in the Rules of Procedure of the Board of Directors and the Independent Director Working System, which also clearly define the authorities and responsibilities of independent directors. The Company stipulates that the Board of Directors shall include at least one-third independent directors, with at least one of them being an accounting professional, to ensure that the Board of Directors can exercise its powers independently from management and has sufficient risk management capabilities. As of the end of 2023, independent directors accounted for 43% of the Board of Directors, higher than the 33% required by the China Securities Regulatory Commission.

The nominators of independent directors need to provide a statement that there is no relationship that affects their independence with the Company, while the nominees also need to make a public statement that they meet the independence requirements and other conditions for serving as independent directors. The independence statements of the three independent directors and their nominators can be accessed from the Company's corporate website under the section "[Investor Relations - Interim Announcement Reports](#)" and on the Shanghai Stock Exchange website as public information.

In order to fully leverage the role of independent directors, in addition to the powers granted by the Company Law of the People's Republic of China and the M&G Stationery Articles of Association, the independent directors of the Company are also authorized to make judgments on major related-party transactions, propose the appointment or dismissal of accounting firms, propose the convening of interim General Meeting of Shareholders and Board of Directors meetings, independently engage external audit firms and consulting firms, and publicly solicit voting rights from shareholders.

## Remuneration and Appraisal of Directors and Executives

According to the M&G Stationery Articles of Association, the remuneration for directors and supervisors shall be approved by the General Meeting of Shareholders, and the remuneration for senior executives shall be approved by the Board of Directors. The allowances for independent directors shall be approved by the General Meeting of Shareholders. Senior executives are assessed based on annual operational performance, and receive monthly prepayments of their basic salary and an annual settlement of their annual remuneration after the completion of the Company's annual operational goals. The Company approved the Proposal on the 2023 Remuneration Standards for Directors and the Proposal on the Independent Director's Allowance of the 6th Board of Directors at the 2022 General Meeting of Shareholders.

M&G establishes a comprehensive compensation and incentive system for all employees. Compensation of functional department employees has a fixed salary part and a variable compensation part, which is determined by the annual performance of employees. The Company has implemented equity incentives as a long-term incentive plan for middle and senior executives. To further promote the achievement of the Company's sustainable development goals, sustainability related performance has been incorporated into the variable compensation part for certain senior executives.

M&G clearly states in its Employee Handbook that the Company reserves the right to reclaim employee compensation due to company property damage or loss caused by employees and rights of other recovery of payment authorized by employees. This clawback provision also applies to senior executives.



As of the end of 2023, independent directors in the Board of Directors accounted for

**43%**

## Board of Supervisors

The Board of Supervisors of the Company is a standing supervisory institution under the leadership of the General Meeting of Shareholders, coexisting with the Board of Directors and independently exercising the supervisory power over the Board of Directors, senior executives, and the entire company management. Upholding its responsibility to the Company and all shareholders, the Board of Supervisors strictly complies with the relevant provisions of the Company Law of the People's Republic of China, and the Articles of Association and the Rules of Procedure of Board of Supervisors of M&G Stationery, attends the General Meeting of Shareholders and Board of Directors meetings, convenes the Board of Supervisors meetings, and exercises its supervisory powers in strict accordance with laws and regulations. The Board of Supervisors supervises the legitimacy and compliance of the Company's governance, financial condition, and the performance of duties by the Company's directors and senior executives, playing an active and important role in safeguarding the Company's compliance management. The Chairman of the Board of Supervisors has extensive experience in financial risk control and internal control.

The Board of Supervisors has three members, including an employee supervisor and two external supervisors. In 2023, the Board of Supervisors convened a total of five meetings, with a 100% attendance rate for the supervisors.



In 2023, the Board of Supervisors convened a total of  
**5** meetings

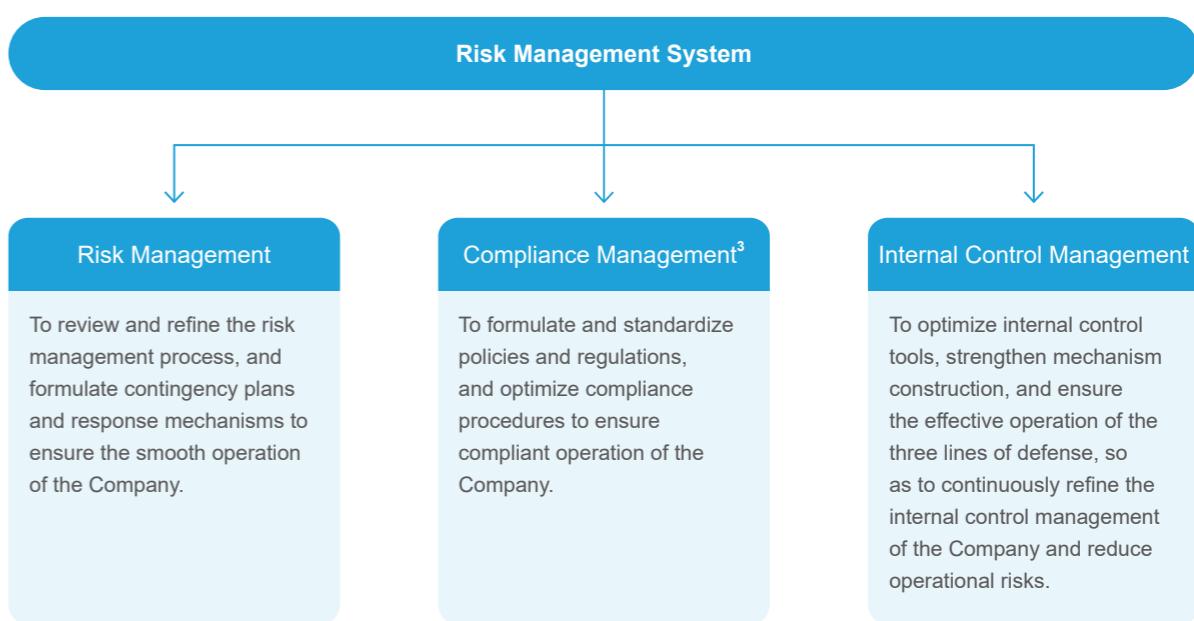


Attendance rate of supervisors  
**100%**

## Risk Management

In order to effectively respond to external risks and further enhance the Company's stability and sustainable development capabilities, the Risk Management and Compliance Committee was established in July 2023 with the approval of the Company president. Aiming at the goals of "optimizing operations, preventing corruption, and controlling risks", M&G's risk management system is divided into three major components: risk management, compliance management, and internal control management.

### M&G Risk Management System Framework



<sup>3</sup> Please refer to section "Business Ethics and Anti-Corruption" for more content on compliance management.

## Deepening Risk Management

The Company's Board of Directors is responsible for planning and establishing the Company's risk management framework, formulating risk management policies and related guidelines, and supervising the execution of risk management measures. The Board of Supervisors supervises the establishment of internal control systems and the implementation of internal control measures by the Board of Directors, and the management is responsible for coordinating the daily operation of internal controls in the Company. The Risk Management and Compliance Committee operates under the leadership of the Company president. Committee members include directors of the Sustainability Office, the Human Resources Center, the Audit Department, the Legal Affairs Department, and the Finance Center. The Committee functions independently of the operational departments to ensure the independence and objectivity of the Company's risk management function. Senior executives of the Company were briefed about the optimized risk management system in September 2023.

### M&G Risk Management and Compliance Committee Structure



The Company has identified three major risk categories, including strategic risks, operational risks, and financial risks. In 2023, the Company conducted risk mapping assessment, and is expected to develop a complete risk mapping next year with targeted risk management action plans.

The Company has formulated the Tax Management Policy and the Tax Self-Inspection Procedures to regulate its tax management. To ensure strict tax compliance, the Company requires that all tax-related data shall have the confirmation of dedicated personnel during its tax declaration process. In 2023, the Company carried out focused self-inspections on VAT deduction ratios and other tax-related risks, and made these measures into standardized management procedures. In addition, the Company organized a series of themed trainings on tax risk self-inspection, tax planning, and interpretation of the latest tax policies for employees engaged in tax-related work to further enhance the tax management of the Company.

## Strengthening Internal Control Mechanism

The Company has established an internal control framework based on the understanding of the concept of the "three lines of defense", and has adopted a series of tools, including compliance testing (CT), proactive review (PR), and semi-annual/annual assessment (SACA), to evaluate the effectiveness of the "three lines of defense" management model.

### Positioning of the "Three Lines of Defense"

Line of Defense	Department	Responsibility
<b>First line of defense</b>	Business units/functional departments	<ul style="list-style-type: none"> <li>Each business unit is the primary responsible party for internal control, responsible for resolving over 95% of issues.</li> <li>Developing business process standards.</li> <li>Developing relevant processes.</li> </ul>
<b>Second line of defense</b>	Internal Control Department	<ul style="list-style-type: none"> <li>Formulating internal control strategies.</li> <li>Monitoring activities and conducting inspections.</li> <li>Providing coaching on internal control system.</li> <li>Carrying out inspections to ensure sound internal control of high-risk businesses.</li> </ul>
<b>Third line of defense</b>	Audit Department	<ul style="list-style-type: none"> <li>Carrying out special audits.</li> <li>Carrying out internal control audits.</li> <li>Carrying out audits for corruption and fraudulent incidents.</li> <li>Carrying out spot inspections as a deterrent.</li> </ul>

A sound process alone constitutes an effective internal control line of defense. In 2023, the Company reviewed 766 policies and regulations from 20 departments, issued standards for policy document, and compiled the M&G Document Management Regulation, to effectively standardize the internal business processes and code of conducts within the organization. The Company carried out pilot optimization projects focusing on high-risk processes, streamlining the "three lines of defense" with comprehensive improvement of policies, processes, and systems, evaluating the maturity levels of the internal control for pilot projects, and continuously following up the results of the improvement measures.

Each year, the Audit Department conducts regular audits of the authenticity, accuracy, and timeliness of key financial data included in the consolidated financial statements to ensure the timely detection of significant potential internal control risks. During the reporting period, the Audit Department carried out a series of audit projects to comprehensively examine the Company's risk management procedures and promote the optimization and improvement of various processes and policies, such as the management systems of the direct sales business and the store management systems of Jiumu Store. These audits included internal control audits of 18 key business processes such as sales, procurement, fund management, and information system management, internal control audits of financial statements of subsidiaries, audits of procurement prices, monthly audits of fund expenditures, quarterly reviews of information security, audits of executive departures, and other special audits based on specific risks.

Audits of business ethics has been incorporated in the Company's internal control audits, covering audits for fraudulent activities, false expense reporting, and misappropriation of funds/assets, etc. In 2023, the Company conducted internal control audits on 22 operating locations, achieving 100% coverage of M&G's operational sites.

In addition, the Company actively carries out internal communications to raise the awareness of internal control among employees through monthly meetings on the "three lines of defense", the internal publication "M&G Internal Control", and relevant capacity building trainings. By incorporating risk management culture and internal control concepts into M&G's corporate culture, the Company is building a strong risk control culture, laying a solid foundation for ensuring stable growth.

## Business Ethics and Anti-Corruption

M&G Stationery strictly adheres to the relevant laws and regulations on business ethics, such as the Anti-Monopoly Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, and the Interim Provisions on Prohibiting Commercial Bribery, continuously strengthens business ethics and anti-corruption management, and adheres to the bottom line of compliance. In 2023, while strengthening the awareness education of business ethics and anti-corruption among employees, the Company also developed an online compliance management platform. In addition, M&G formulated the Supplier Code of Conduct, and actively conducted supplier surveys in order to deepen supply chain compliance management and build an honest business environment.

The Risk Management and Compliance Committee is in charge of all compliance and business ethics-related work of the Company. The Audit Committee of the Board of Directors is responsible for internal audit supervision of the financial management and internal control systems of both the Company and its subsidiaries. Under the guidance of the Audit Committee, the Audit Department conducts audits independently. It is also responsible for establishing of robust anti-fraud mechanisms within the Company covering the key areas, processes, and content of anti-fraud operations, and monitoring and preventing possible fraudulent activities during the internal audit process to strictly prevent fraud risks.

### Compliance Management of Business Conduct

Compliance management is one of the core components of the M&G risk management system. The Company has been continuously optimizing its compliance system and formulated a series of policies in recent years, such as the Guidelines of Anti-trust Compliance, the Management System Against Fraudulence, the Whistleblower Protection and Non-retaliation System, the Internal Investigation and Handling System for Employee Misconduct, the M&G Code of Business Conduct, the Supplier Code of Conduct, and the Employee Conflict of Interest Management System<sup>4</sup>. These policies both ensure that the Company's compliance system fully complies with national laws and regulations, and provide a viable guidance for regulating the compliance behaviors of employees and suppliers.

In the 2022 revised version of the M&G Code of Business Conduct, the Company dedicated a full chapter to focusing on "Upholding Integrity and Legal Compliance Bottom Line", laying out specific requirements for various compliance behaviors covering compliance with laws and regulations and business ethics, fair competition and anti-trust, anti-fraud, probation of insider trading, use of privacy data, record transparency, anti-money laundering, etc. In 2023, the Company incorporated these requirements into the revised version of the Employee Handbook to further enhance the awareness of compliance among employees.

In 2023, M&G further strengthened the compliance management of its social media platforms. Based on national laws and regulations such as the Advertising Law of the People's Republic of China and the Copyright Law of the People's Republic of China, as well as the M&G Intellectual Property Compliance Management Provisions, the Company formulated the M&G Social Media Platform Operation Guidelines, comprehensively enhancing risk control by requiring stricter content review and confirmation across its social media outlets.



M&G has set up whistleblowing channels to ensure effective supervision of its compliance management. Both employees and external parties can report any incident of violations through hotline, email, WeCom, and other means. Upon receiving the complaint, dedicated personnel from relevant departments shall contact the whistleblower within three working days to obtain more details and follow-up accordingly. To ensure the due process of the investigation of reported cases and protect both the whistleblowers and the investigation personnel, the Company has formulated the Whistleblower Protection and Non-retaliation System that requires strict confidentiality of the whistleblower's privacy information. Employees who intentionally disclose such information or engage in retaliatory actions against them shall face disciplinary actions accordingly, ranging from warnings, demerit, and termination of employment to legal consequences depending on the severity of misconducts. In 2023, the Company received a total of 42 complaints, all of which were promptly recorded and properly handled.

### Supplier Compliance Supervision

M&G has signed the Transparent Procurement & Integrity Convention with all procurement, service, and engineering suppliers and contractors, urging them to commit themselves to business integrity. The Company opens its whistleblowing channels to suppliers and encourages them to report any unethical behavior, such as embezzlement, fraud, solicitation or acceptance of bribes by M&G employees in a timely manner. In 2023, the Company formulated the M&G Supplier Code of Conduct, specifying requirements and expectations for suppliers in five aspects: business ethics, labor and employment, health and safety, environmental protection, and intellectual property. This document has already been officially attached to the processing contracts of the Supply Chain Management Center and the Office Business Division, as well as the annual procurement contracts of the Procurement Center. Suppliers are required to sign this document together with the contract. In addition, the Company has formulated dedicated management policies regarding supply chain integrity risk prevention with detailed provisions on codes of conduct and relevant disciplinary actions for various violations, further strengthening the integrity of the supply chain and related personnel in the office business line.

#### M&G Supplier Code of Conduct Requirements on Business Ethics

- Suppliers must comply with the laws and regulations of where they operate and adhere to the highest ethical standards.
- Suppliers must comply with all applicable anti-corruption and anti-bribery laws and regulations, adhere to M&G Stationery's Transparent Procurement & Integrity Convention and the Management System Against Fraudulence, and prohibit any form of bribery, corruption, extortion, and embezzlement.
- Suppliers are prohibited from providing any cash or cash equivalents, gifts, or entertainment to M&G employees, agents, and their family members beyond reasonable limits.

Starting from 2022, the Audit Department has been conducting surveys among suppliers of the Procurement Center, the Supply Chain Management Center, and the Office Business Division, using questionnaires and phone interviews to identify improvement opportunities in procurement, quality inspection, logistics, and other related processes of the Company and reflect on the business conducts of M&G employees. For suppliers, the surveys also serve both as a briefing about the Company's anti-fraud and complaint mechanisms, and an opportunity to report possible misconducts, ensuring a stronger anti-fraud environment. The Audit Department regularly issues audit reports on supplier follow-up visits based on the survey results. In 2023, a total of 305 suppliers participated in the survey.



Number of suppliers participated in the survey in 2023

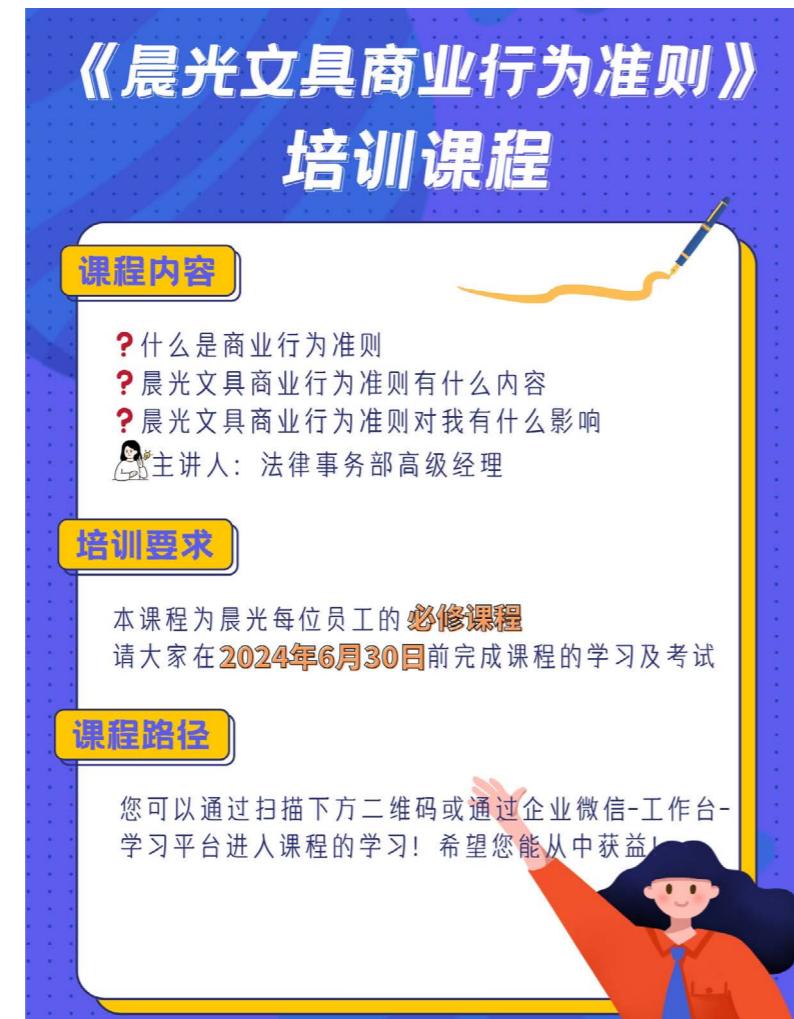
**305**

<sup>4</sup>The Management System Against Fraudulence and the M&G Code of Business Conduct are released publicly and can be accessed from the Company's corporate website under the section "[Investor Relations-ESG](#)".

## Compliance Culture Cultivation

M&G has been focusing on the cultivation of compliance culture and building an integrity and fair business environment as an important part of business ethics work for years. Once the Company's compliance policies, such as the Management System Against Fraudulence and the M&G Code of Business Conduct, were approved by Company president, they would be directly communicated to every employee via office email and posted on the OA platform at the same time. In February 2024, the Company launched an online training course on the M&G Code of Business Conduct, which was made mandatory for all employees, to ensure the full coverage of employee training on the code of conduct.

The Company sends monthly email reminders on anti-fraud reporting channels to all employees. "Anti-fraud, Prioritizing Integrity" posters were also put up in offices, factories, retail stores, and warehouses. New employees must sign the Letter of Commitment on Integrity and Self-Discipline upon joining the Company, pledging to jointly maintain a transparent and honest working environment.



Notice of the training on the M&G Code of Business Conduct

In 2023, the Company carried out a series of anti-fraud training, covering the definition and causes of fraud, anti-fraud focuses, relevant policies and requirements, common forms of frauds and their consequences, aiming to create a culture of integrity where employees "do not want, cannot, and dare not" engage in fraud activities. Over 420 employees participated in the anti-fraud training, including Company executives as well as front-line employees on key sensitive posts such as procurement, retail store operations, manufacturing, quality inspection, logistics, and administration. The course was included in the mandatory orientation training for new employees. Over 80% of the Company's procurement personnel have completed in-person training of this course. In 2023, M&G Colipu also carried out online anti-corruption trainings covering 100% of its employees.

In 2023, M&G organized 25 compliance training sessions, covering topics of anti-fraud, personal information protection, intellectual property management, marketing promotion with product style book, Labor Law, intellectual property issues in social media platform operations, etc. A total of 949 participants effectively enhanced their compliance awareness with the take-aways of these trainings.

In March 2023, M&G officially joined the Trust and Integrity Enterprise Alliance as a member, pledging to operate with integrity and embarking on a new journey of building a corporate culture of integrity. The Alliance was initiated jointly by a number of well-known enterprises and the Criminal Law Science Research Center of Renmin University of China. M&G joined the Alliance with a shared

vision for a business environment that is honest, transparent and trustworthy, and striving to work together with like-minded organizations to advocate for a culture of integrity and compliance. During the year, M&G participated in seminars, forums, and exchange meetings organized by the Alliance, covering topics such as compliance system construction, integrity and compliance in the internet industry, anti-fraud compliance construction, audit and supervision methods, business data management, fraud investigation experience sharing, integrity culture construction, etc.



M&G joining the Trust and Integrity Enterprise Alliance



Number of participants in anti-fraud training

420+



Number of compliance training sessions conducted

25



Number of participants in compliance training (person-times)

949



## Information Security Management

M&G established the Information Security Management Working Group in July 2022 to take full charge of the information and network security of the Company. The Company has formulated a series of relevant policies and regulations to ensure the confidentiality, integrity, and availability of its information system, including the Information Security Management Manual, the Information Security Policy, the Information Security Management Framework, the System Construction Security Management Policy, the Information Classification and Grading Labelling Management Policy, the Information Security Incident Management Policy, etc. The Company continuously optimizes these management policies, and takes active measures to ensure their implementation following the principles of "active prevention, coordinated planning, focusing on both technology and implementation, and all-in participation". In 2023, the Company did not receive any complaint on information security and privacy protection and had no information security incident such as information leaks or loss of customer information.

### Information System Construction

In 2023, the Company established an information security self-inspection taskforce to conduct monthly information security inspections and threat simulations of the information systems of M&G Alliance, OA, and Jiumu Store. The M&G Alliance System and Jiumu Store Membership System have passed the Level 3 certification of the Security Classified Protection for Information System Registration, and the Company's email system has passed the Level 2 certification of the same standard.

The Company has formulated information security emergency plans and incident response procedures, and conducts business continuity tests at least once a year. The Company also uses third-party tools of Alibaba Cloud and Huawei Cloud to conduct vulnerability scanning and analysis of relevant hosts and sites, and carries out the suggested security repairs or updates accordingly. In 2023, the Company did not discover any information security vulnerabilities. In addition, the Company carried out two high-traffic access attack simulation drills and a data injection simulation drill on the Jiumu Store Membership System UAT environment during this year.



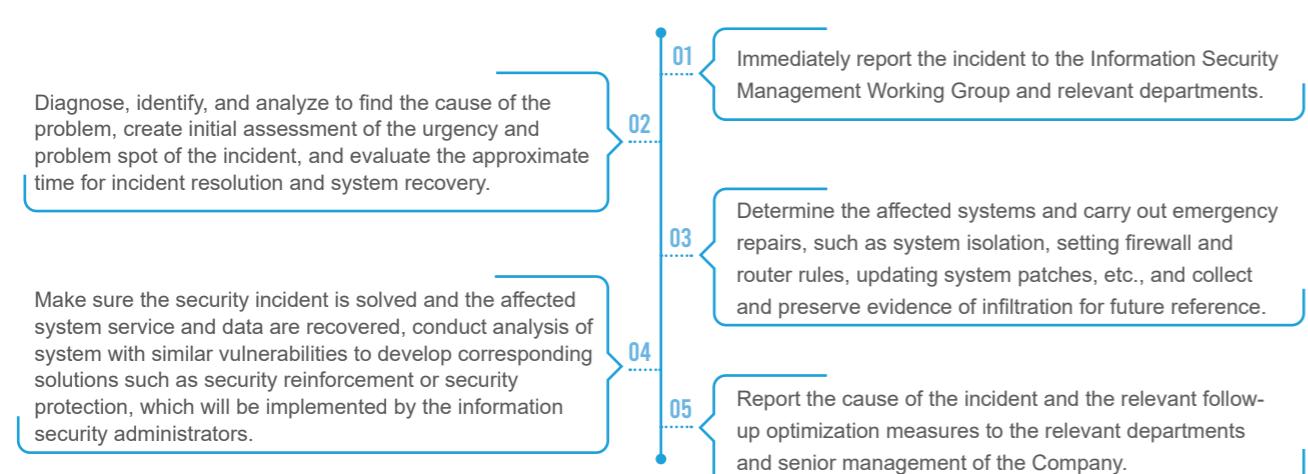
The M&G Alliance System and Jiumu Store Membership System have passed the Security Classified Protection for Information System Registration with

#### LEVEL 3 certification

The Company's email system has passed the Security Classified Protection for Information System Registration with

#### LEVEL 2 certification

### M&G Information Security Incident Response Procedures



## Data Security and Privacy Protection

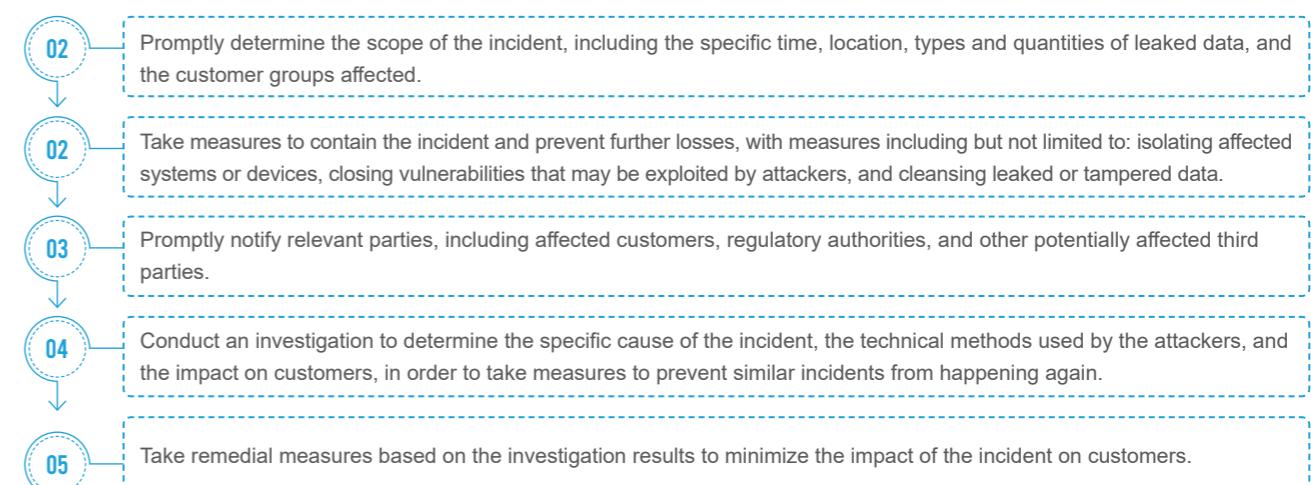
The Company requires the secure management of data in various business systems, with a focus on the identification of data that requires special security management. Employees are required to prioritize using the Company's domain to login the system to ensure the timeliness of access information. The login records are required to be archived for at least six months for reference. For sensitive information containing personal data, including but not limited to name, address, ID number, phone number, and WeChat ID, is required to be desensitized. Other sensitive information, including but not limited to pricing, costs, formulas, mold information, etc., is also required to be isolated and stored with encryption as much as possible. The authorization of access to information follows the principles of "traceable access, reasonable scope, and appropriate permission", and is managed as a closed loop process. When an employee leaves or changes position, his/her access permission shall be promptly termination or changed accordingly. Permissions of operations and export of core data are strictly controlled, and the records of such operations shall also be archived for reference.

In terms of customer information collection, the Company requires that the targeted customers shall be informed of the purpose, scope, methods, use, sharing, etc. publicly and transparently and asked for their consent. In 2023, the Company further strengthened its privacy protection measures by following the principle of "minimum and necessary only" regarding collecting customer information. Jiumu Store optimized its membership information collection process and platform interfaces following the principle of "collecting only when necessary, using only when necessary, and displaying only when necessary".

### Jiumu Store Membership Information Management Procedures

- |   |   |
|---|---|
| <b>Collection of member information</b> <ul style="list-style-type: none"> <li>Collect member information based on the principles of lawfulness, openness, and transparency.</li> <li>Clearly inform members of the scope and purpose of information collection and obtain their consent.</li> <li>Collect member information through secure channels and take reasonable technical and management measures to protect the security of member information.</li> </ul> | <b>Use of member information</b> <ul style="list-style-type: none"> <li>Use member information strictly for its intended purpose, and ensure not to use it beyond the intended scope.</li> <li>Use member information reasonably and in compliance with agreements with members.</li> </ul> |
| <b>Protection of member information</b> <ul style="list-style-type: none"> <li>Take reasonable measures to protect the security of member information and prevent information leak, damage, or loss.</li> <li>Regularly back up and encrypt member information to prevent unauthorized access or use of the information.</li> <li>Strictly limit the permissions for accessing member information to those with proper authorization.</li> </ul>                      |   |

### Response Procedures for Customer Information Leak Incident



## Information Security Awareness Training

M&G regularly conducts information security awareness education and training activities to continuously improve both the awareness and risk response capabilities of employees regarding information security. The Company developed and launched the M&G Employee Information Security Training online lectures, which allows its employees to learn about the importance of information security and common information security case studies through the online learning platform.

Employees are required to report suspicious information security incidents to relevant personnel of the Company's Digitalization Center. Reported incidents are handled by personnel with different security clearance levels based on the type and severity of the incidents. Employees can also directly report the incidents to the Information Security Management Working Group. Upon receiving an incident report, the information security management personnel and supervisors need to promptly handle the incidents or report them to higher-level supervisors based on the severity of the incident.

For information security incidents and violations discovered during information security inspections, the Company will take disciplinary actions towards the individuals involved in accordance with the relevant provisions of the Employee Handbook and the Performance Evaluation System. Former employees who violate their security responsibilities and leak sensitive information of the Company will also be held liable. The Company will pursue their legal responsibilities in accordance with relevant regulations and agreements. Incidents of severe violations will be compiled into internal awareness education cases to prevent similar issues from happening again.

### M&G Colipu Enhancing Information Security Risk Prevention and Control

To protect against network attacks and malware, M&G Colipu has formulated a series of information security management policies, including the Information Content Security Management Policy, the Information Assets and Equipment Management Policy, the General Emergency Plan for Major Emergencies, and the Personnel Security Management Policy. It has deployed cloud firewalls, cloud WAF, and cloud security centers. In 2023, M&G Colipu initiated the third-party network security classification evaluation of its e-commerce platform, and received a "Level 3 (S3A3)" security protection rating. The Technical Department conducts security training every month, and produces a series of information security risk prevention knowledge posters for employees.

For any form of leaks of confidential information, whether intentional or due to negligence, M&G Colipu will require the responsible personnel to pay a compensation based on the severity and harm of the incident, with possible termination of the labor contract. If such behavior leads to serious consequences, M&G Colipu may pursue legal liability following due processes.

## Technological Innovation and Digitalization

M&G is committed to achieving innovative-driven development and innovation for good causes. As a champion of the sustainable development of the industry, M&G continuously enhances research and development and innovation capabilities, and integrates green and environmental factors in research and development. The Company also vigorously uses digitalization to promote the transformation of operational and development models to achieve greater win-win economic, environmental, and social benefits. In 2023, the Company invested RMB170 million in technological improvements, technological innovation, and R&D.



Investment in technological improvement and innovation, and R&D in 2023

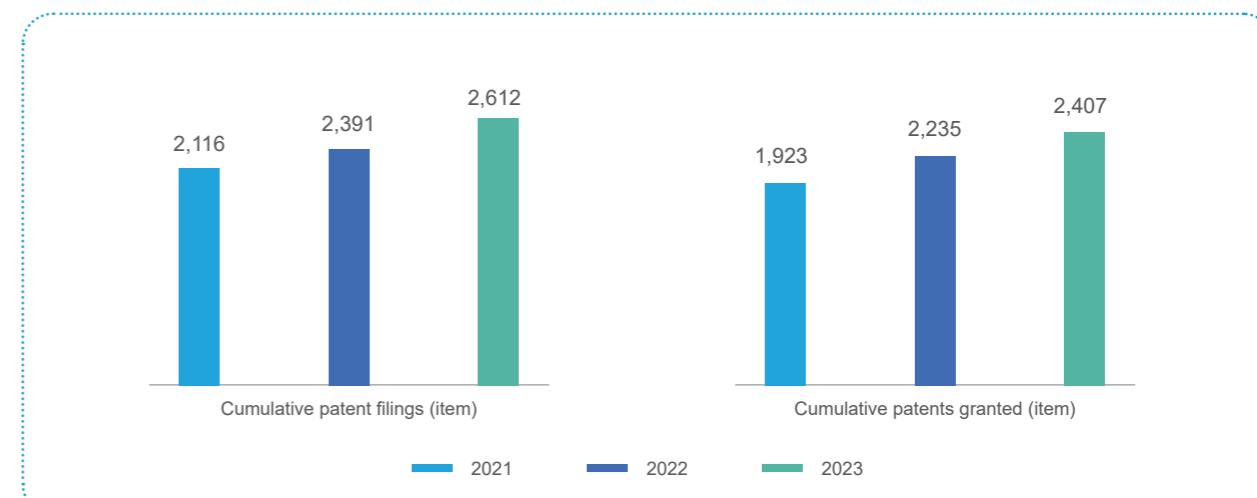
RMB170 million

## Product Research and Development

In 2023, M&G formulated the Technology Development Project Management Process and the R&D Process Management—New Technology Development, to standardize the process for new technology development, accumulate and consolidate project experience, and enhance the technical and project management capabilities of developers. The Company achieved a series of key technological breakthroughs during the year focusing on product functionality, core consumer needs, and environmental friendliness, and developed a series of new products, including the development of easy-to-wash marker ink formula and the full series of Pickering emulsion ink, as well as the development of food-grade painting stick, boron-free ultralight clay, large screen microscopes, smart calculating device (2nd generation), smart spelling device, smart reader, color timer, etc.

As of the end of 2023, M&G had filed 2,612 patent applications cumulatively, with 2,407 patents granted and 1,211 valid patents. In 2023, M&G further enhanced its product competitiveness with the completion of 32 product certifications in various product categories.

### Number of Patent Applications and Grants Owned by M&G Stationery



### 2023 M&G Product R&D Innovation Awards

- "Q31/012000003C163 Gel Ink Ballpoint Pens and Refills" was awarded the honor of "[Shanghai Standard](#)"
- "Stainless Steel Pen Tip Preparation Technology Development and Application" won the "[Private Sector Technology Development Contribution Award—Second Prize](#)"
- "Pen Manufacturing Intelligent Detection Technology Development and Application" won the "[Shanghai Science and Technology Award—Third Prize](#)"
- "Key Technology and Industrialization of New Environmentally Friendly Materials for Pen Manufacturing" won the "[Shanghai Science and Technology Award—Second Prize](#)"
- The project "Key Technologies and Industrialization of High-performance and Environmentally Friendly Ink" won the "[2023 China National Light Industry Council Science and Technological Innovation Award—First Prize](#)"

### Improving Performance and User Experience of Products

In 2023, the Company focused its improvement efforts on gel pen and correction tape products, aiming to comprehensively improve overall user experience in terms of user perception, quality, and functional performance of the products. The improvement measures covered product planning and design, supply chain improvement, and technological breakthroughs. As the result, the user experience of core category consumers has been comprehensively improved. The gel pen performance improvement project included 16 sub-projects on the soft rubber feel, plug-in force of pen cap, adhesion of the protective cover, texture standardization, printing positioning, etc. The correction tape performance improvement project included 6 sub-projects on mold structure, wrinkling and damage in re-writing, gear structure and parameter design, etc.

### Digitalization

Digital transformation is the strategic path for enterprises to achieve high-quality development. M&G has built a digital vision of "Digital M&G, Internet M&G", focusing on the digitalization of core businesses (marketing and consumer operations, channels and sales terminals, and R&D, production, and supply chain), organizational and collaborative digitalization, and digital infrastructure, continuously growing its digital capabilities.

In 2023, with the launch of projects such as the JuBaoPen App, the M&G Alliance, and the Sales and Inventory System, the Company has initially built a complete digital sales and marketing system. The channel management App JuBaoPen provides digital support to sales personnel in three dimensions: People (task follow-up, decision-making support), Product (category opportunity exploration, accurate order copying), and Place (store operation analysis). These measures can effectively improve sales operation efficiency, and have been widely used by frontline and channel personnel. In terms of logistics, the Company has successively launched digital systems such as the visitor appointment system, the electronic release form system, and safety inspection system, which not only result in simpler processes and higher efficiency, but also effectively reduce the use of paper documents, implementing the green and low-carbon principles in practice.



### Advanced Pen Production Intelligent Factory

Established in 2021, the M&G Stationery Advanced Pen Production Intelligent Factory mainly manufactures the liquid-ink ballpoint pens, student fountain pens, retractable ballpoint pens and other mainstream products with intelligent production operations. The factory has developed a series of application systems in equipment intelligence, production process intelligence, product and service intelligence, and software system application, topping industry peers in per capita output value with its lean production management mode. Some of the systems, such as the independently developed intelligent waterway system, the mold precision maintenance system, the line marking detection system, and the Andon system, are all pioneering in the stationery industry.

After the intelligent manufacturing transformation, the Factory has achieved significant improvements in all major indicators:

Per capita annual output value increased by  
**30%**

Annual cost reduction  
**RMB5** million

Product defect rate reduced by  
**38%**

Energy consumption reduced by  
**75%**

Workshop noise reduced by  
**13%**

### M&G Colipu Enhancing Digital Capabilities

M&G Colipu is a B2B integrated digital e-commerce platform built by M&G Group. M&G Colipu continuously promotes the digitalization of the industry focusing on four areas: expanding product lines, promoting the efficient operation of the platform ecosystem, upgrading intelligent warehousing systems, and optimizing the platform through digital technology iteration. With a strong R&D team consisting of 100 personnel, M&G Colipu has independently developed a number of core systems, such as business rule engines, workflow engines, information collection engines, price monitoring engines, and auxiliary quotation systems, which have been widely used in digital business scenarios such as price comparison, data retrieval, and information collection and accumulation.



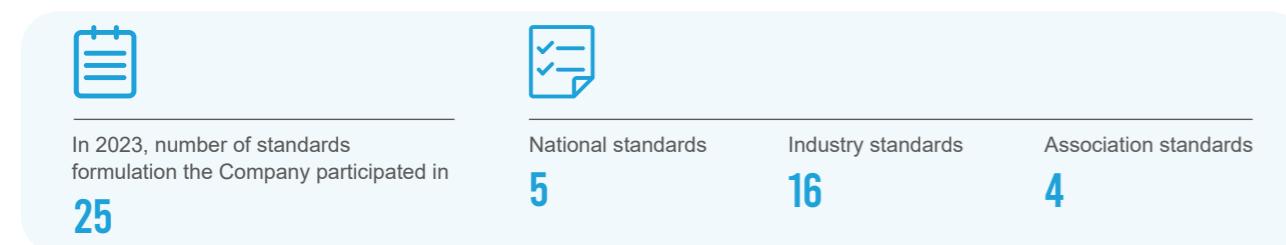
Fully intelligent warehouse of M&G Colipu

M&G Colipu deployed multiple intelligent processing systems in its new intelligent warehouse, such as dense storage system. The warehouse deploys various intelligent systems across the full warehousing process, such as the advanced AS/RS automated warehouse system, information transmission through the EIP system, order allocation through the WMS system, picking by the AGV system, robot scheduling by the RCS system, and order dispatching and control by the TMS system. These systems have significantly improved the throughput efficiency of the warehouse, topping intelligent warehousing and logistics peers with a daily throughput capacity of 80,000 boxes.

With its outstanding digital capabilities, M&G Colipu has won a number of awards in digitalization in 2023, such as the China Government Procurement Award "Excellent Supplier Award", "2023 China Industrial Digitalization Pioneer Award" and "2023 China Industrial Digitalization Top 100 Enterprises" by Toby.com, and "Dingge Award" Digital Transformation Pioneer List "Annual Industry Platform Award".

## Promoting Industry Development

M&G has been actively involved in the development of the industry. The Company has successively participated in initiatives such as the "Global Sustainable Consumption Initiative", "Decarbonization-Friendly Actions", "Sustainable Solutions", and "Sustainable Industrial Development Consensus", working together with ecosystem partners to vigorously promote sustainable consumption and the green and low-carbon development of the industry. M&G has participated in 22 industry associations, with annual membership fees totaling RMB420,000. As a member of the China Writing Instrument Association and the China Culture, Education and Sports Industry Standardization Expert Committee, M&G actively participates in the formulation of relevant national, industry, and association standards, contributing our experience in product research and development into industry standards. In 2023, the Company participated in the formulation of 25 standards, including 5 national standards, 16 industry standards, and 4 association standards, expanding its professional influence in pen production to a broader scope of stationery, sporting goods, "the four treasures of the study" (brush, ink, paper, inkstone), etc.



### Supporting the Development of Sustainability Standards

In 2023, M&G formulated its first corporate sustainability standard, the M&G Sustainable Products, which clearly defines the Company's sustainable products from the aspects of material, functionality, safety, and packaging, and promotes the development of sustainable products throughout the Company. The Company is also committed to promoting its sustainability concept in the industry, and participated in the formulation of the association standards "Carbon Footprint Accounting Methodological Guidelines for Cultural and Sport Products" and the "General Principles for Evaluation of the Reusability and Recycling and Reuse Rate of Cultural and Sport Products", as well as the industry standard "General Requirements for Recyclable and Recyclable Design of Plastic Products".



M&G attended the United Nations Sustainable Development Goals Summit and signed the "Business in Action: Sustainable Industrial Development Consensus" initiative

## Intellectual Property Protection

M&G has formulated more than 20 policies regarding the protection of intellectual property, including the Intellectual Property Handbook, the Intellectual Property Management Method, the Intellectual Property Risk Management Control, the Reward System of Intellectual Property, the Patent Management Method, the Copyright Management Method, the IP Licensing Product Risk Control System, etc. In 2023, the Company formulated the Trademark Application Management Method to comprehensively protect intellectual property rights. The Company obtained the certification of the Intellectual Property Management System (GB/T 29490-2013) in 2021, and completed the periodic audits in 2022 and 2023 respectively. The certification process has helped the Company monitor and evaluate the effectiveness of intellectual property management in various business processes, which is conducive to the continuous improvement of the intellectual property management and the formulation of a positive mechanism in support of technological innovation. In 2023, the Company cooperated with law enforcement authorities in the crackdown of 121 intellectual property piracy cases.



Number of cases of crackdown on intellectual property piracy in 2023

**121**

### Maintaining Legitimate Market Operations

In March 2023, M&G identified three online stores selling counterfeit M&G brand gel pens and refills, with a significant amount of sales. The Company promptly collected information and reported the case to the regulatory authorities. After investigating the sales volumes and operating locations of these illegal vendors, law enforcement authorities arrested the three suspects in July.

M&G has always adopted a "zero tolerance" attitude towards infringement. With a strong determination, the Company vigorously protects the legitimate rights and interests of consumers, channel partners, and M&G itself, safeguarding the Company's brand and reputation.



# Environmental Development

As one of the largest stationery manufacturers in the world, M&G Stationery is highly concerned about the environmental impact of its operations and vigorously takes on the responsibility of environmental protection. The Company actively implements its climate strategy and continuously strengthens the management of its environmental footprint. In 2023, M&G was awarded the title of "Five-Star Green Factory" by the Shanghai Municipal Commission of Economy and Informatization and the Shanghai Municipal Development and Reform Commission. In the future, M&G will fully leverage the exemplary role as a "Green Factory" and continue to integrate the concept of green and low-carbon development in every aspect of production and operation processes.

## 2023 Performance Highlights

- Completed company-level **Scope 1 and Scope 2 GHG emissions accounting**, and conducted preliminary calculation of Scope 3 emissions to identify carbon emission sources and reduction potentials
- Implementing **multiple energy-saving measures**: air compressor energy saving, waste heat recovery, injection molding machines upgrade, and water pump motors optimization
- Increased the total installed capacity of photovoltaics to **15,700 kilowatts**
- Promoted greener packaging options and packaging reduction for the logistics process, with **330,000** cardboard boxes saved and **640,000** cardboard boxes recycled cumulatively
- Reduced **48,840** kilograms of carbon dioxide equivalent in 2023 through **electricity, water, and paper conservation** campaigns in the M&G headquarters office building

## Addressing Sustainable Development Goals (SDGs):



This chapter responds to the **Response to Climate Change** pillar of M&G Stationery's sustainable development strategy.



## Responding to Climate Change

M&G regards "response to climate change" as a key pillar of its sustainable development strategy. The Company closely follows government climate policy trends and the related dynamic development, strives to take targeted actions to manage climate change risks, and actively explores climate-related innovative solutions, so as to fully grasp the development opportunities under the background of the carbon peaking and carbon neutrality policy.

### Governance Structure

M&G has established a top-down sustainable development governance structure with four strategic pillars, including response to climate change. The Board of Directors and the Strategy Committee are responsible for supervising the Company's response to climate change risks, reviewing and approving climate-related goals and policies, and ensuring the implementation of key climate response projects. The Sustainability Office is responsible for coordinating the implementation of climate strategies, including assigning goals and tasks, coordinating and formulating cross-department working mechanisms, following up on implementation progress toward the goals, and climate-related information disclosure.

In 2023, M&G established a Risk Management and Compliance Committee that directly reports to the Company president. Climate risks will be gradually incorporated into the Company's comprehensive risk management system in the future, which will generate a more systematic climate change response action plan.

### Climate Risks and Opportunities

Identifying climate-related risks and opportunities allows us to better understand climate issues and their relevance to M&G, and lay a solid foundation for deepening our climate action. M&G evaluates the impact of climate risks and opportunities in the following time frames: short-term (1-3 years), medium-term (3-10 years), and long-term (10-50 years).

#### Climate-related Risks

Risk Type	Risk Description	Impact Time	Main Response Measures
<b>Physical risk</b> Acute risk	<ul style="list-style-type: none"> <li>Frequent extreme weather events such as high temperatures, typhoons, heavy rains, etc. may result in risks such as damage to Company's production equipment, logistics disruptions, and damage to product inventories, which may have negative impact on the Company's operational capacity, and result in higher operating costs.</li> <li>Extreme weather events such as high temperatures and thunderstorms may pose risks to the health and safety of employees.</li> </ul>	Short-, medium-, and long-term	<ul style="list-style-type: none"> <li>Regularly inspect and upgrade production, operation, and storage facilities to enhance the level of protection against natural disasters.</li> <li>Develop customized emergency response plan for each factory, regularly conduct emergency drills, purchase accident insurance, and ensure adequate inventory of disaster prevention and control supplies.</li> </ul>

Risk Type	Risk Description	Impact Time	Main Response Measures
<b>Physical risk</b> Chronic risk	<ul style="list-style-type: none"> <li>Rising sea levels may lead to greater instability in the operation of the Company's facilities located in coastal areas, thereby increasing operating costs.</li> <li>Climate change may exacerbate the vulnerability of ecosystems, which may affect Axus Stationery's own forest land, as well as M&amp;G's supply chain stability regarding wood, pulp, and other supplies.</li> <li>In the long run, continued high temperature may increase the possibility of virus transmission and outbreak, which may affect the health and safety of employees.</li> </ul>	Medium-to long-term	<ul style="list-style-type: none"> <li>Upgrade equipment performance and extend equipment service life, and gradually incorporate climate risk considerations into infrastructure construction and future business planning.</li> <li>Strengthen the prevention and control of forest risks such as fire and wind disasters, pests, and diseases, and gradually deepen the sustainable management of forests.</li> <li>Closely follow the physical risks caused by climate change, and continuously improve employee health, safety, and benefits.</li> </ul>
<b>Transition risk</b> Policy and legal risk	<ul style="list-style-type: none"> <li>Under the context of the carbon peaking and carbon neutrality policy, companies face increasingly stringent energy-saving and carbon reduction regulatory requirements, and may need to increase efforts and investment in order to meet compliance requirements.</li> <li>With the expansion of the national carbon trading market, an increasing number of companies will be required to fulfill the GHG emission allowance surrendering obligation, which also needs more refined management of their carbon assets.</li> <li>As EU's carbon border tax policy gradually expands its scope, high-emission companies may face increased export costs and border taxes in the future.</li> </ul>	Medium-term	<ul style="list-style-type: none"> <li>Establish training and sharing mechanisms to ensure that relevant departments of the Company have a comprehensive understanding of the latest policies and promptly integrate policy requirements into daily work plans for implementation.</li> <li>Continuously improve carbon management capabilities, and promote the energy transformation; meanwhile, continue to carry out carbon emission assessment and gradually promote carbon reduction in the value chain.</li> </ul>
<b>Transition risk</b> Technology risk	<ul style="list-style-type: none"> <li>Increasingly strict carbon reduction policies require companies to continue to increase R&amp;D investment in renewable energy, energy conservation, and emission reduction technologies. However, the implementation of carbon reduction measures can achieve effective cost reduction in the long run, and the cost of using renewable energy will continue to decrease in the future, lowering the overall technology risks for the Company in future.</li> </ul>	Short- to medium-term	<ul style="list-style-type: none"> <li>Actively explore carbon reduction potential and implement energy conservation and carbon reduction projects; optimize energy structure and continuously increase the proportion of renewable energy in the overall energy structure.</li> <li>Vigorously promote the construction of intelligent factories to ensure greater synergy of energy conservation and carbon reduction.</li> </ul>

Risk Type	Risk Description	Impact Time	Main Response Measures
Transition risk Market risk	<ul style="list-style-type: none"> <li>Consumers and customers are increasingly concerned about the carbon footprint of products, and have greater demand for low-carbon and environmentally friendly products. To better compete in such a market, companies need to focus their carbon reduction actions from the perspective of the entire value chain.</li> <li>The gradual phasing out of fossil-based materials may lead to price increases for materials such as plastics, which could increase the operational costs of the Company.</li> </ul>	Medium-term	<ul style="list-style-type: none"> <li>Increase R&amp;D investment of sustainable products, continuously develop green and low-carbon products, and communicate M&amp;G's sustainability concept to consumers, engaging them to participate in joint climate action.</li> <li>Gradually promote carbon reduction throughout the value chain to reduce product carbon footprint.</li> </ul>
Transition risk Reputation risk	<ul style="list-style-type: none"> <li>Media, professional institutions, industry associations, and other stakeholder groups are increasingly concerned about global warming and its various impacts, and have higher expectations for companies to set positive goals and take actions.</li> </ul>	Short- to medium-term	<ul style="list-style-type: none"> <li>As the first listed company in the Chinese stationery industry to release an ESG report, M&amp;G has long attached great importance to green and low-carbon development. Listing "response to climate change" as a key strategic pillar for sustainable development, M&amp;G responds to stakeholders' expectations with practical actions and has adopted positive carbon reduction measures in product R&amp;D, production and operation, daily office work, and warehousing and logistics.</li> </ul>
<b>Climate-related Opportunities</b>			
Opportunity Type	Opportunity Description	Impact Time	Main Response Measures
Opportunities for green product innovation	<ul style="list-style-type: none"> <li>With the increasing awareness of green and low-carbon among consumers, their demand for quality sustainable products is also growing. Strengthening the development and supply of green products can meet consumers' diversified consumption needs and help the Company enhance its competitiveness.</li> </ul>	Short-, medium-, and long-term	<ul style="list-style-type: none"> <li>Enhance the R&amp;D of green products, and have successively launched a series of green products, such as the carbon-neutral stationery series, the "Carbon Emission Reduction Plan" series, and the "Endangered Animals" series.</li> <li>M&amp;G has gradually formulated its own definition of sustainable products focusing on green design, sustainable materials, green packaging, and green advocacy. It plans to apply the concept to more product categories and develop a larger sustainable products portfolio.</li> </ul>
Opportunities for energy and resource efficiency	<ul style="list-style-type: none"> <li>Companies need to strengthen the management of energy and resources to realize their carbon reduction goals. The implementation of relevant measures will increase costs in the short term, but achieve cost reduction in the medium and long term, thus realizing a win-win situation for economic and environmental benefits.</li> </ul>	Medium- to long-term	<ul style="list-style-type: none"> <li>Strengthen the utilization of renewable energy; implement a series of energy-saving renovation projects, such as equipment optimization and upgrading, waste heat recovery, etc., to improve energy efficiency.</li> <li>Actively promote green logistics and green office, and strengthen energy conservation and emission reduction efforts in various key operational processes.</li> </ul>

## Strategic Goals and Actions

### Climate Goals

M&G actively responds to the national carbon peaking and carbon neutrality strategic goals, and has identified "response to climate change" as one of the key pillars of its sustainable development strategy. The Company has set the goal of "to be carbon neutral by 2050", and is currently working on the breakdown of emission reduction targets by phase to create an effective implementation mechanism to achieve the goal.

### Climate Action Progresses

In 2023, M&G conducted a systematic accounting of Scope 1 and Scope 2 GHG emissions at the company level, covering M&G Stationery Shanghai production and distribution center, Shanghai headquarters office building, South China production and distribution center, North China distribution center, Axus Stationery, M&G Colipu, and Jiumu Store. The accounting methodology was based on ISO 14064-1:2018 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals, relevant Chinese standards such as the General Guidelines of the Greenhouse Gas Emissions Accounting and Reporting for Industrial Enterprises (GB/T 32150-2015), the 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, as well as other international and domestic standards and specifications. According to the accounting results, in 2022, Scope 1 emissions accounted for 4.4% of M&G's total emissions, mainly from the combustion of fossil fuels such as diesel and gasoline, while Scope 2 emissions accounted for 95.6%, mainly from various forms of electricity consumption.

The Company also made preliminary attempts to calculate Scope 3 emissions in accordance with the GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard. During the process, the Company defined 11 applicable categories of Scope 3 emissions, and conducted a pilot collection of emission data from 66 suppliers. In the future, M&G will continue to optimize the calculating mechanism and data quality for Scope 3 emissions.

### M&G GHG Emissions Data<sup>5</sup>

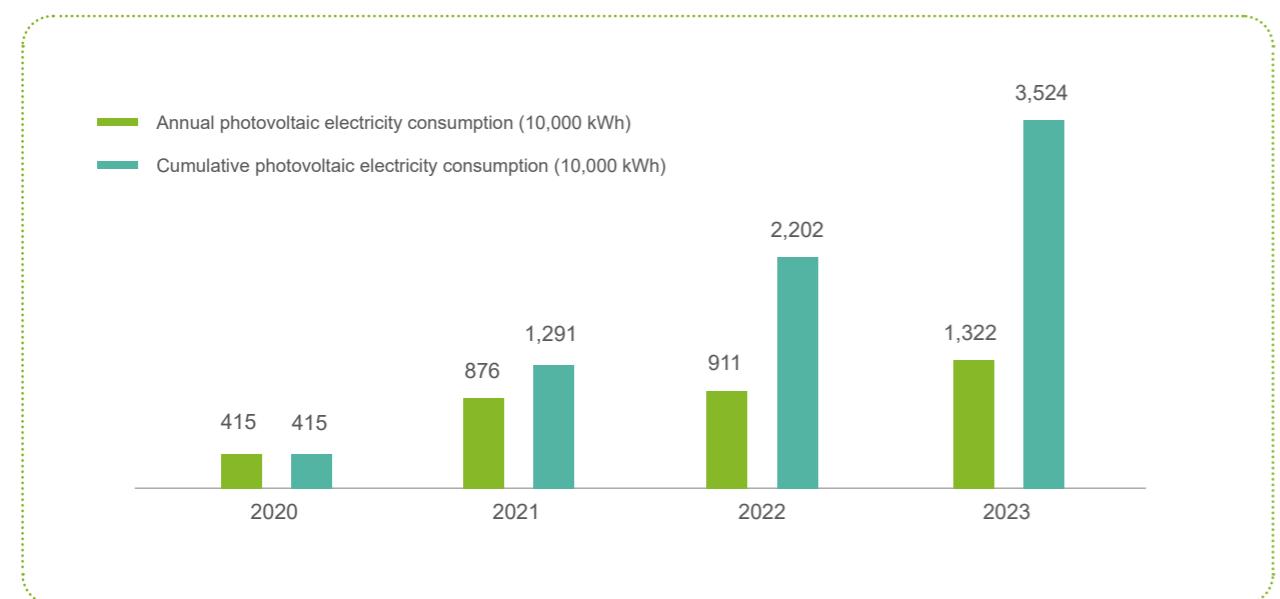
Indicator	Unit	2021	2022	2023
Scope 1 GHG emissions	tCO <sub>2</sub> e	2,481	2,170	2,115
Scope 2 GHG emissions	tCO <sub>2</sub> e	88,876	46,668	45,940
Total GHG emissions (Scope 1 + Scope 2)	tCO <sub>2</sub> e	91,357	48,838	48,055
GHG emission intensity	tCO <sub>2</sub> e/million RMB of revenue	5.2	2.4	2.1

<sup>5</sup>The data scope covers M&G Stationery Shanghai production and distribution center, Shanghai headquarters office building, South China production and distribution center, North China distribution center, Axus Stationery, M&G Colipu, and Jiumu Store.

In 2023, the Company continued to advance the construction of photovoltaic power generation at production bases, including the expansion of photovoltaic power generation capacity, and switching some of the street lights into solar powered lights, further increasing the proportion of renewable energy. As of the end of 2023, the total installed capacity of photovoltaic power generation capacity of M&G Shanghai production and distribution center and Axus Stationery reached 15,700 kilowatts, and the total consumption of photovoltaic electricity was 35.24 million kilowatt-hours, which is equivalent to the reduction of approximately 13,000 tons of carbon dioxide emissions.



#### 2020-2023 Photovoltaic Electricity Consumption of M&G<sup>6</sup>



Ms. Poppy Chen, Chief Sustainability Officer of M&G, making a speech at COP28

<sup>6</sup>The data scope of photovoltaic electricity consumption includes M&G Stationery Shanghai production and distribution center and Axus Stationery.

## Practicing Green Operations

M&G actively responds to the government initiative for ecological and environmental protection and the carbon peaking and carbon neutrality policies, continuously improving energy management and the management of emissions, effluents, and waste in its production process, accelerating the implementation of green logistics and green office practices, and increasingly strengthening its focus on biodiversity.

### Environmental Management System

M&G strictly complies with the requirements of the Environmental Protection Law of the People's Republic of China and other laws and regulations, and continuously optimizes its environmental management system. The Company has formulated a number of environmental management policies, such as the Environmental and Safety Management Operation Control Procedures, the Environmental Factor Identification and Control Procedures, and makes continuous efforts to strengthen the identification, evaluation, and risk control of key environmental factors in the production process. M&G Shanghai production base has passed the ISO 14001 Environmental Management System certification, and will receive a renewal audit in 2024.

In September 2023, the Company conducted an internal audit of its environmental management system, focusing on the initiatives, operational processes, and implementation measures, and emergency preparedness related to environmental management, covering product design, development, production, and services. The internal audit identified two incidents of minor non-conformity, and both had been rectified with timely improvement measures.

Axus Stationery has established and continuously optimizes the Environmental, Health, and Safety (EHS) management system, and formulated the EHS Management Manual and the EHS Social Responsibility and Management Policy to provide specific guidelines in all aspects, including the identification, evaluation and control of environmental factors, legal and regulatory requirements, objectives and targets setting, training and capacity building, emergency preparedness and response, inspection and rectification, EHS management system audit, etc.

### Energy Management

M&G has summarized its energy management principles as "standardized management, compliance with regulations, technological innovation, green research and development, energy conservation and emission reduction, and shared responsibility". Adhering to these principles, the Company has formulated the M&G Stationery Energy Management Manual in accordance with the ISO 50001:2018 Energy Management Systems - Requirements with Guidance for Use as well as relevant laws and regulations, aiming to establish a measurable, traceable, assessable, and continuously improving energy management mechanism. The Company's energy management system has passed the ISO 50001 certification.

In 2023, the Company further explored the potential for energy conservation and carbon reduction with the implementation of 11 projects in various aspects, such as photovoltaic power generation, air compressor energy saving, waste heat recovery, injection molding machines upgrade, and water pump motors optimization. All of these projects have achieved significant energy-saving results.



Number of energy-saving projects implemented in 2023

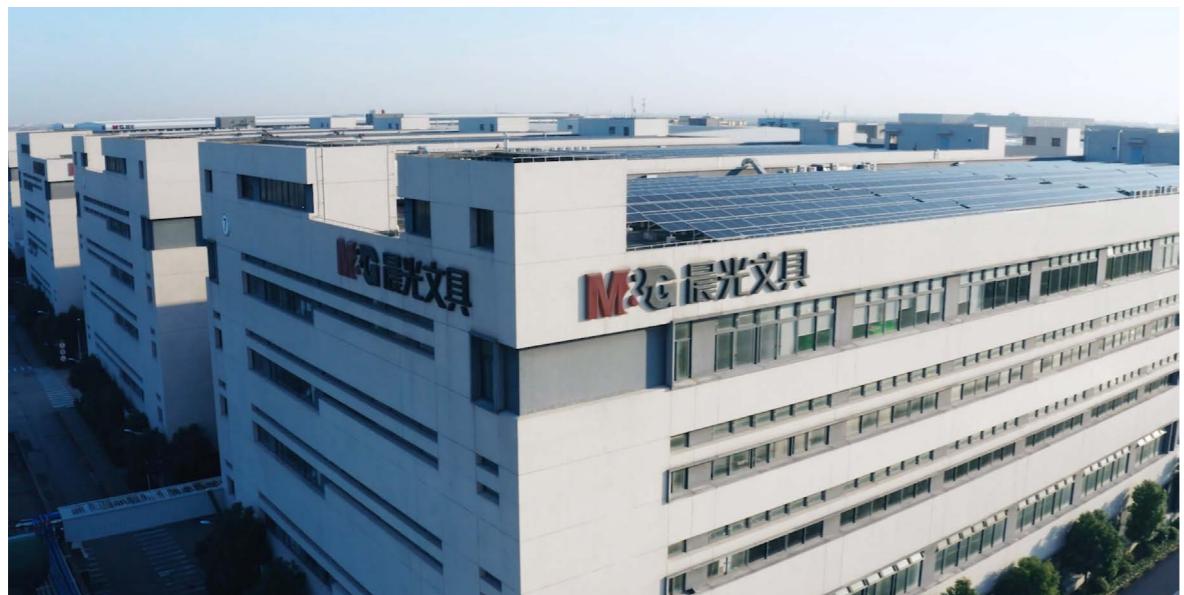
11



### Optimizing Energy Structure with Photovoltaic Power Generation

Using photovoltaic power is a key measure for optimizing energy structure. M&G started constructing photovoltaic power generation facilities in Guangming and Qingcun production parks of its Shanghai base in 2020. In 2023, the Company expanded the installation of photovoltaic power generation facilities in the distribution center, with an installed capacity of 5,700 kilowatts and an expected annual power generation of 6 million kilowatt-hours. As of the end of 2023, the total installed capacity within the Company reached 15,700 kilowatts. In addition, the Company replaced traditional lighting in Qingcun park with 86 solar powered lights, which could save 86,000 kilowatt-hours of electricity, equivalent to reducing carbon dioxide emissions by 36 tons.

Axus Stationery started installing distributed rooftop photovoltaic power generation facilities in 2021. In 2023, these units generated a total of 1.91 million kilowatt-hours of electricity, equivalent to reducing carbon dioxide emissions by 802 tons. Axus Stationery is planning to expand photovoltaic power generation facilities to cover the rooftops of office buildings with an expected installed capacity of 2,464 kilowatts.



Rooftop photovoltaic power generation units at M&G Shanghai base

### Achieving Cost and Efficiency Benefits with Air Compressor Energy-saving Upgrades

A key measure for energy saving and carbon reduction at M&G Shanghai base is reducing the energy consumption of air compressors, which used to consume 17.8% of the total energy consumption of the base. After conducting in-depth research on the working conditions of the air compressor systems, we developed a series of optimization plans focusing mainly on reducing air duct operating pressure and reducing waste due to small leaks. With nearly three years of continuous efforts, the energy consumption of air compressor systems was reduced to 12.6% of the total energy consumption of the base, a decrease of about 5% compared to 2021. This significant energy saving also generated a cost reduction of RMB4.23 million.

## Water Resource Management

M&G strictly complies with relevant laws, regulations, and standards related to water resource management, such as the Water Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, and the Shanghai Integrated Wastewater Discharge Standard. The Company strives to continuously optimize water efficiency, ensure compliant discharge of wastewater, and integrate the concept of sustainable use of water resources into its production and operation process.

The Company closely watches its water use conditions by monitoring key indicators such as the total consumption of municipal water, total amount of recycled and reused water, as well as wastewater discharge statistics, and continuously optimizes water utilization efficiency with various campaigns and upgrade projects on the reduction, recycling, and reuse of water. In 2023, the Company implemented a leak detection and renovation project over the fire protection water supply system, identified five leakage points, and promptly completed the necessary corrections.

Regarding wastewater treatment, the Company has formulated the M&G Stationery Water Treatment Facility Operation Manual, which specifies the procedures and processes for wastewater treatment facilities, including equipment operation, operation management, process maintenance, and water quality management. The Company has also developed a wastewater treatment process flowchart and rigorously carries out staged treatment of production wastewater accordingly. Third-party wastewater compliance testing is conducted annually to ensure strict compliance with applicable discharge standards before the wastewater enters the municipal sewage system. By adding a water treatment system that redirects wastewater to the condensing tower for recycling, wastewater discharge can be reduced by one ton per day.

## Waste Management

M&G strictly complies with national laws and regulations regarding waste management, such as the Solid Waste Pollution Prevention and Control Law of the People's Republic of China, and has formulated waste management systems and policies, such as the Solid Waste Control Plan, the Hazardous Waste Storage Facility Management System, and the Hazardous Waste Pollution Prevention and Control Responsibility System, to specify the supervisory responsibilities of various departments regarding the management of hazardous waste. M&G continuously optimizes the management of solid waste, hazardous waste, and relevant storage facilities, aiming towards standardized, safe, and economical disposal of waste. The Company also regularly conducts training for environmental management personnel on standardized management of solid waste.

M&G requires that all solid waste generated during the production process shall be properly disposed of in accordance with relevant laws, regulations, and standards. Solid waste is categorized into hazardous waste, recyclable waste, and non-recyclable waste with different statistics and management approaches accordingly.

Recyclable waste will be processed by waste recycling companies. Non-recyclable waste and domestic garbage are collected and disposed of by qualified companies. Hazardous waste is handled by properly licensed third parties in compliance with relevant regulations.

### Efficient Utilization of Plastic Materials

With a consistent dedication to reducing plastic waste and promoting plastic recycling in the production process, M&G focuses its research and testing efforts on plastic materials with recycling potentials in order to maximize the reuse of plastic materials while ensuring product quality and safety.

The Company recycles and reuses plastic scraps from the injection molding process of M&G K35 gel pens. The new material to recycled material ratios have reached 1:1 for pen neck, 1:2 for refill and pen barrel, and 1:3 for pen clip, protective sleeve, and rotating wheel, achieving both higher material reuse rate and lower waste generation.

## Air Pollutants Control

M&G manages exhaust gas emissions strictly in accordance with relevant laws, regulations, and standards, such as the Regulations of Shanghai Municipality on Prevention and Control of Air Pollution and the Integrated Emission Standard of Air Pollutants. The Company continuously upgrades and optimizes air pollution control facilities to eliminate or mitigate the adverse impact on the atmospheric environment as much as possible. In 2023, Axus Stationery carried out pipeline and process improvement projects for dust control, effectively solving the problem of dust accumulation and improving the working environment at the operation site.

## Green Logistics

M&G vigorously explores best practices in green packaging and green transportation, and strives to build a modern green logistics system with efforts such as logistics packaging improvement and energy-saving and carbon reduction in logistics processes.

### Green Logistics Packaging

In 2023, M&G carried out packaging optimization and used boxes recycling projects to realize greater reduction and recycling of logistics packaging.

**Packaging optimization:** The Logistics Center piloted packaging optimization on a rubber product, collaborating with multiple functions including ordering, production, and quality, to test different ways to optimize product packaging. By removing unnecessary cartons and inner boxes and using turnover boxes, the project resulted in the saving of 6,000 large cardboard boxes and 324,000 small cardboard boxes during the year. The packaging optimization project was expanded to another three products in November, which is expected to further reduce the amount of cardboard boxes used in 2024.

**Recycling of used boxes:** The Logistics Center arranged dedicated personnel to collect and recycle cardboard boxes used for storage and replenishment. A total of 640,000 used cardboard boxes were recycled during this year. Other than being used for product shipping, recycled boxes were also sent to retail stores for reuse, raising the employees' awareness about recycling while reducing packaging waste.



Recycling of logistics cardboard boxes



### M&G Colipu Recycling and Reusing Cardboard Boxes and Pallets

M&G Colipu requires its warehouses to implement categorized management of recycled cardboard boxes. Boxes from suppliers are sorted and stored according to different sizes and types in the product receiving process, and in the order packaging process, on-site workers prioritize the use of recycled cardboard boxes that match the product size. In 2023, the reuse rate of recycled cardboard boxes of M&G Colipu reached 49.3%. In addition, other than the pallets used in designated areas within the warehouse, M&G Colipu also shares some printer paper pallets with carriers and requires them to return the pallets after use, achieving circular utilization of materials.

### Building Energy-efficient Logistics

The logistics industry is a significant source of global carbon emissions. In 2023, M&G focused on reducing carbon emissions as a main task for the logistics process, and carried out a number of specific projects to reduce logistics energy consumption.

The Shanghai production and distribution center optimized the operation mode of equipment for better energy conservation in warehousing. RGVs were operated for shorter durations, or temporarily shut off when workload was low to avoid unnecessary power consumption. The lighting mode of the aisles of the automated warehouse were also optimized, with lights shut-off during daytime and half-lit at night, saving approximately 515 kilowatt-hours of electricity per day. In addition, a total of 11 diesel powered forklifts were replaced with electric forklifts, effectively reducing fuel consumption.

Regarding self-operated transportation, the Company has made various efforts, such as route optimization and vehicle scheduling optimization, to minimize unnecessary shipping. Regarding third-party shipping carriers, a comprehensive assessment of their routing, service, and warehousing was carried out to identify optimization opportunities. Based on the locations, coverage, and shipment requirements of M&G's regional distribution centers, a number of measures have been implemented to improve transportation efficiency, including adjusting shipment ratio, adjusting the quantity of goods received at different warehouses, and increasing the proportion of direct shipments to customers, etc. These measures are expected to help reduce fuel consumption by 240,000 liters per year.

### Green Logistics Initiatives of M&G Colipu

M&G Colipu East China Warehouse replaced its shipping fleet with 10 newly purchased new energy vehicles, which not only effectively reduced the emissions of pollutants but also lowered the shipping cost from approximately RMB1 per kilometer to RMB0.5 per kilometer.

M&G Colipu's warehouses use an intelligent system to closely monitor the operations and energy consumption of vehicles. Drivers have their daily routes optimized based on shipment quantities and customer locations prior their departure to avoid unnecessary shipping distance and reduce energy consumption.



M&G Colipu's new energy delivery vehicles

## Green Office Operation

M&G vigorously promotes the concept of green office operation, and is committed to enhancing employees' awareness of energy conservation and environmental protection while cultivating green and low-carbon behavior habits. With the implementation of electricity, water, and paper conservation campaigns, M&G headquarters office building reduced approximately 48,840 kilograms of carbon dioxide equivalent in 2023.



### Green Building

The G60 Science and Technology Innovation Corridor in Songjiang District, Shanghai, where M&G headquarters office building is located, has obtained the LEED Platinum certification, the highest level of the LEED international green building rating system, exceeding in green and low-carbon facilities and operations.



### Green Workplace

The Company conducts monthly workplace environment inspections to encourage all departments to actively implement the "Building a Beautiful Home" campaign. The inspection focuses on four areas, including bottled water consumption, electricity consumption, printer paper consumption, and workplace sanitation. The results are announced on the monthly meetings of the Sustainability Ambassadors and shared with all senior executives to provide greater incentives for more positive actions.

In 2023, the Company also organized two stair climbing events as a fun way to raise employees' awareness of the low-carbon concept. Employees from 23 departments participated in these events, climbing a total of 60,006 floors of stairs collectively.



### "Lights Out Hour" Campaign

In August 2023, the Company started implementing the "Lights Out Hour" campaign. Lights in elevator halls and office areas were turned off for an hour during the lunch break. As the result, a total of 115,000 kilowatt-hours of electricity was saved by the end of year.



### Reducing Bottled Water Use

The Company encourages employees to reduce the use of bottled water. Bottled water is no longer served at internal meetings, and participants are encouraged to bring their own water bottles. Receptions of external guests can still serve bottled water, but only with prior application via the OA system. Since the launch of this campaign, the use of a total of 4,648 bottles of bottled water were avoided, a 56% reduction compared to the same period before the campaign.



### Reducing Office Paper Use

In August 2023, M&G launched a campaign to encourage employees to prioritize the use of electronic documents, reduce unnecessary printing and photocopying, use double-sided printing, and reuse recycled printing paper with a blank side. The Company also set the default configuration of all office printers to use double-sided printing. The campaign resulted in a saving of 66 packs of printer paper, an 8.7% reduction compared to the same period before the campaign.

## Biodiversity Conservation

Biodiversity has become a focus in global environmental governance. The Chinese government has named biodiversity conservation as a strategic topic of the country and formulated relevant biodiversity conservation strategy and action plan for 2030. The wastewater and pollutants generated during the production and disposal of plastic products can cause negative impacts on land and marine ecosystems and threaten biodiversity. As a stationery manufacturer, M&G attaches great importance to the sustainability of raw materials and strives to minimize the environmental harm caused by product disposal. The Company actively explores solutions to reduce plastic usage, researches and develops biodegradable materials, and vigorously promotes the importance of biodiversity conservation to young consumers through marketing channels, product advocacy, and consumer communications, encouraging the public to pay greater attention to biodiversity and participate in conservation activities.

M&G collaborated with the Mangrove Wetlands Conservation Foundation (MCF) to launch the "Endangered Animals: Wetland" series of gel pens, which were made with PLA biodegradable materials and recycled materials to reduce plastic waste and pollution, thus minimizing the risk of animals ingesting or getting entangled in plastic waste. This series also used five endangered wetland animals as the inspiration for its packaging design. The Company further invited more people to pay attention to endangered animals and raise their awareness of biodiversity by means of bird-watching tours, in-store education, VR experiences, and interactive H5. In addition, M&G has donated part of the revenue from this product series to support MCF's wetland conservation and environmental education programs.



The green office proposal of M&G



M&G organized wetland bird-watching tours for consumer families



Axus Stationery attaches great importance to sustainable forest management and biodiversity conservation. As early as 2009, Axus Stationery successfully overcame the technical challenges of "using fast-growing poplar to replace basswood in making pencil shafts", and has been continuously conducting research on more sustainable tree species. As of the end of 2023, all of the 2,396 mu of forest land owned by Axus Stationery had obtained the FSC Certification. In its Sustainability Management Policy, Axus Stationery specifies its commitment to never using non-certified tropical rainforest timber. It does not use chemical fertilizers in plantation management and carried out pilot drip irrigation projects to reduce soil erosion. Forest rangers conduct weekly inspections of the forest and continuously monitor the biodiversity conditions of its forest land. Prior to construction, Axus Stationery provides training to its contractors on operation procedures and forest protection to enhance their awareness of biodiversity conservation.

# Social Responsibility

M&G Stationery actively fulfills its social responsibility and collaborates with stakeholders such as employees, consumers, and suppliers to create social value together. We practice responsible procurement by evaluating, training, and communicating with suppliers to continuously optimize supply chain sustainability management. We respect employee rights and attach great importance to employee development and growth, and strive to create an equal, inclusive, healthy, and safe working environment. With a consumer-centric mindset, we take product and service quality as our top priority. We also actively participate in a variety of public welfare activities to fulfill our responsibilities and pay back to society.

## 2023 Performance Highlights

- Revised the **Employee Handbook** in accordance with international human rights conventions, and added multi-dimensional employee communication channels to ensure the effective protection of employee rights
- Optimized the remuneration system, providing all employees with performance-based **variable compensation**
- Introduced comprehensive **health insurance** for all employees, upgraded the **living conditions** in factory dormitories, and achieved an overall employee satisfaction score of **92%** for office environment
- Average training time per employee increased to **11.8** hours, with an employee training coverage rate of **93%**
- Launched the M&G online learning platform, offering **85** courses covering workplace skills, management skills, corporate culture, and business knowledge; the cumulative online learning time over the platform reached **10,000** hours
- Charitable donations totaling **RMB6.08 million**
- M&G Charity carried out educational public welfare initiatives in 42 cities in 19 provinces, benefiting nearly **1 million** students and over **3,000** teachers
- 3,787** employees participated in public welfare activities, including **all** M&G executives

This chapter responds to the **Sustainable Supply Chain** and **Empowering Employees and Communities** pillars of M&G Stationery's sustainable development strategy.



# Sustainable Supply Chain

Striving to build a responsible supply chain, M&G continuously consolidates and optimizes its supplier management system with the increasing integration of ESG factors. The Company provides suppliers with capacity building trainings to guide suppliers to better fulfill their environmental and social responsibilities, ensuring the high-quality and sustainable development of its supply chain.

## Supply Chain Management Mechanism

Over the years, M&G has established a robust supplier management system and formulated policies such as the Supplier Management Method, Supplier Evaluation Management Method, New Supplier Development and Introduction Management Method, and Supplier Code of Conduct. These documents clearly define the classification, evaluation and assessment of suppliers, as well as the management procedures and key control points for introducing new suppliers, effectively controlling supply chain risks.

M&G has established a fair supplier introduction mechanism. The seven-step process includes application, wide selection, preliminary screening, sample testing and review, field review, etc. A total of six departments are involved in the review and approval process, including the Legal Affairs Department, the Audit Department, the Technical Center, and the departments overseeing procurement. Qualified suppliers still face a comprehensive assessment on their capabilities in various areas, including pricing, management capabilities, technical R&D, sales capabilities, production capacity and equipment, warehouse management, and quality assurance systems. The Company ensures the stability, security, and competitiveness of its supply chain with dynamic evaluations covering six areas, including management, quality, cost, delivery, service, and technology, of the suppliers.

## Supply Chain ESG Management

In 2022, M&G initiated the process to build an ESG evaluation system for its supply chain, developing a preliminary set of standards and carrying out pilot ESG evaluations of suppliers. In 2023, the Company further optimized the supplier ESG evaluation standards and indicators, and formulated a number of relevant policies, such as the Supplier ESG On-site Audit Protocol, and the ESG Audit Checklist, with evaluation focusing on five aspects: labor and employment, environmental protection, health and safety, business ethics, and management systems, making continuous improvements of its supply chain ESG management system.

### M&G's 2025 Sustainable Supply Chain Goals

To implement responsible procurement, keep optimizing supply chain management, raise awareness about sustainable supply chain, and optimize the management of chemicals in the supply chain.

To meet M&G ESG guidelines by 2025 for 100% key suppliers.

Supplier on-site audit was a new focus of M&G's supply chain ESG evaluation in 2023, which focused on the supplier's management capabilities in areas such as labor and employment, environmental compliance, health and safety, and quality management. The supplier's self-assessment and on-site audit scores were consolidated into a comprehensive score rating. Suppliers who failed the on-site audit should develop and implement a rectification action plan based on the audit results and undergo another assessment after rectification completed. In 2023, the Company conducted ESG evaluation on 71 key suppliers, with 27 of them receiving on-site audits. The pass rate for supplier rectification efforts exceeded 80%.

In 2023, M&G also integrated ESG management into the annual performance evaluation for key suppliers. In addition, the Company refined the ESG assessment criteria in the comprehensive evaluation of new supplier development and introduction, placing ESG assessment ahead of the formulation of partnership. In the future, M&G will continue to deepen the ESG evaluation and management of key suppliers, which will be gradually expanded to cover all suppliers and potential suppliers to enhance the overall sustainability of its supply chain.



Number of key suppliers receiving ESG evaluation from M&G

**71**

Number of on-site audits

**27**

Pass rate for supplier rectification efforts exceeding

**80%**



## Supplier Capacity Building

M&G regularly communicates with suppliers regarding topics such as cost, operational plans, quality control, and implementation status to deepen mutual understanding and coordination in areas like product demand, process improvement, and production and supply plan synchronization. M&G's procurement team constantly collaborate and support suppliers in overcoming practical challenges in production and logistics, monitoring improvements in bottleneck processes, or sharing peer best practices to identify gaps, support rectification, and enhance quality management. Beyond daily business interactions, the Company holds supply chain conferences annually, facilitating focused and in-depth communication with supply chain partners. In addition, the Company also organizes ad hoc meetings regarding specific key issues identified in the supply chain.

M&G is committed to providing support for the Company's procurement staff and suppliers regarding ESG management. In 2023, the Sustainability Office conducted training on the supplier ESG assessment system for about 100 employees from the Procurement Department to enhance their ESG competency. For suppliers, the Company not only provides training on key issues during the ESG evaluation process, but also supports suppliers to develop customized and practical improvement plans based on their specific conditions to help them further enhance their ESG management capabilities.

To ensure smooth cooperation and win-win outcomes with suppliers, the Company distributes the M&G Stationery Supplier Questionnaire annually to inquire about suppliers' sustainability certifications, environmental reporting, and satisfaction levels throughout cooperation, etc. to help improve any potential issues in the cooperation process.



Number of procurement staff participating in the supplier ESG assessment system training

100

## Supply Chain Conference

M&G has been holding its Supply Chain Conference for 11 consecutive years, engaging in in-depth discussions with supply chain partners on topics such as quality, cooperation, and corporate management. The conference is an important annual event for M&G and suppliers to review the work of the previous year and look forward to future collaborations.

M&G organized the 2023 Supply Chain Conference with a total of 155 supplier participants. The conference arranged a dedicated ESG training session, during which the Company emphasized its 2025 goals for sustainable supply chain and urged its suppliers to improve their ESG performances, so as to continuously enhance supply chain resilience and risk mitigation capabilities. The conference also established the "Supplier ESG Progress Award" to commend suppliers who had made outstanding contributions in energy conservation, environmental protection, safety management, employee rights protection, and social welfare contributions, encouraging all suppliers to work together in building a sustainable supply chain.



M&G supplier received the "ESG Progress Award"

## Employee Rights and Benefits

M&G prioritizes a "people-oriented" principle, placing great emphasis on employee experience and corporate culture, and is committed to growing together with its employees. The Company strives to create an open and inclusive corporate culture with innovative measures, explore employee empowerment and development models, and build a strong employer brand for the new generation. In 2023, M&G won the "Top Human Resources Management Awards—Outstanding Employer" by 51job and the "Digital Intelligence Organization Development Award" at the 16th Management Action Force by the Business Review.



"Top Human Resources Management Awards—Outstanding Employer" by 51job



"Digital Intelligence Organization Development Award" by Business Review Management Action Force

## Protecting Employee Rights

M&G strictly abides by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and other labor and employment laws and regulations. Adhering to the seven core International Labour Organization (ILO) conventions approved by China, including the Equal Remuneration Convention, the Minimum Age Convention, the Worst Forms of Child Labour Convention, the Discrimination (Employment and Occupation) Convention, the Forced Labour Convention, the Abolition of Forced Labour Convention, and the Occupational Safety and Health Convention, the Company has formulated the Code of Business Conduct, the Employee Handbook, and other policies and systems regarding employment. M&G is committed to treating all employees with respect, recognition, and care, and firmly prohibits forced labor, child labor, and any infringement of employees' legitimate rights and interests. The Company ensures fair remuneration and benefits for employees, and makes recruitment, salary, promotion, performance management, disciplinary action, dismissal, and other employment related decisions based on employees' job value, abilities, and performance. The Company prohibits any forms of discrimination, including discrimination based on gender, region, ethnicity, religion, age, pregnancy or marital status, disability, and other legally protected characteristics, and maintains a zero-tolerance attitude towards harassment, violence, or bullying behaviors.

M&G strictly abides by the Trade Union Law of the People's Republic of China and strives to build harmonious labor relations, establishing open and equal consultation channels internally. As of the end of 2023, 100% of the Company's employees are union members.



Percentage of employees joining the labor union

100%

## Comprehensively Updating the Employee Handbook

In 2023, M&G updated its Employee Handbook, after a comprehensive review of its human resources management policies, as well as the requirements of relevant laws and regulations and the trends of external business environment. The content of the handbook was expanded to include specified rights and obligations of M&G employees, further standardizing the human resources management of the Company.

After referencing with international human rights conventions, the new Employee Handbook added provisions against workplace discrimination and harassment, commitment to equal remuneration, strict prohibition of child labor and any form of forced labor, and requirements for multi-dimensional employee communication channels. It also included 14 revised policy documents as attachment, including the holiday and leave policy and the performance management policy.

The revision process followed democratic decision-making and consultation procedures, with suggestions from employees fully incorporated. Over 40 employee suggestions regarding the revised content were received, and more than 30 employee representatives participated in the discussion. The revised Employee Handbook officially took effect after proper employee consultation and acknowledgement.



## Diversity and Equal Opportunities

M&G regards "openness and inclusiveness" as one of its core values, and is committed to creating a diverse, equal, and inclusive workplace that is free from discrimination or harassment for all employees. The Company also strives to provide employees with fair and equitable career development opportunities and the necessary empowerment to support its employees to fully unleash their potentials and achieve self-development.

In 2023, M&G focused its corporate culture building efforts on "openness and inclusiveness". Senior management were required to take the lead in setting examples, discussing and formulating the Code of Conduct for Executives, which advocates behaviors such as listening with an open mind and valuing mutual recognition and encouragement. The Company printed out and placed this document on the desks of all senior executives, constantly reminding them to lead by example in fostering an open and inclusive workplace. The Company plans to keep promoting the awareness, acceptance, and belief in the value of openness and inclusiveness among all employees in the future, using a variety of approaches, such as promotion articles, cultural activities, and special cultural month campaign, to steadily guide employees to "see it, remember it, and practice it".



Desktop display of the M&G's Code of Conduct for Executives

M&G attaches great importance to safeguarding the rights and interests of female employees, and is committed to supporting them to achieve career development and work-life balance. In addition to ensuring that employees have the rights to maternity, nursing, and parental leaves, M&G has furnished nursing rooms in its office building, providing nursing mothers with the amenities and privacy. Every year, the Company offers the "Parent-Child Mother EQ Course", helping new moms to deal with the pressure of parenting and achieve work-life balance with knowledge sharing, practical tools, and communication skills on parenting.



Flowers for female employees on Women's Day

## Moms for Temps Program

M&G strives to provide equal employment opportunities for different groups and help create a fair employment environment. M&G Shanghai base launched the Moms for Temps program, providing temporary stationery assembly and packaging job opportunities for moms from neighboring communities. Workers on this post worked six hours a day, and five days a week. In 2023, a total of 100 moms were recruited through this program. The program not only helped these moms increase their family income while allowing them to pick up and drop off their children at kindergartens or schools, but also effectively supplemented the Company's labor demand during peak seasons.



2023 recruits of the Moms for Temps program

## Compensation and Benefits

M&G continuously optimizes its compensation and benefits system. The Company strives to unleash the potential of employees with reasonable compensations and incentives while building a unique employee benefits system to provide support to employees both in their work and personal life.

### Employee Compensation and Incentives

Adhering to the principles of "fairness, motivation, and equal pay for equal work", M&G is committed to providing fair, scientific, and reasonable compensation for all employees. The Company strictly complies with national laws, regulations, and local policies of where it operates to ensure that its compensation exceeds local minimum wage standards. The Company sets its compensation standards based on the value creation, capabilities, and performance requirements for each position as well as benchmark results with industry peers, and dynamically adjusts the employee compensation system to ensure its competitiveness in comparison with industry peers and other local businesses.

The Company has developed a performance-based variable compensation mechanism for all employees. According to the Company's Performance Management System, a closed-loop management of performance goal setting, performance coaching, performance evaluation, and application of evaluation results is carried out on an annual basis. The performance review results will be applied to calculate employees' performance bonuses and year-end bonuses, as well as position and salary adjustments. This mechanism provides an effective guidance and motivation to help employees align their career development goals with the Company's strategic goals. To better motivate employees, the Company developed and launched a number of compensation incentive programs in 2023, such as granting equity incentives to middle and senior management, and establishing a sales performance-based compensation incentive scheme for sales staff.

### Employee Benefits and Care

Besides providing various social insurance and housing provident fund for employees in compliance with state and local laws and regulations, M&G has also established a unique employee benefits system. In addition, the Company organized various interest clubs and activities to enrich the leisure time of employees. Every year, the Company organizes physical examinations and medical services such as traditional Chinese medicine consultations, and provides employees who work in overseas markets with medical and casualty insurances, fully ensuring the health and safety of all employees.

M&G has built a staff residential area at its Shanghai production base, and has established the "VOC" employee feedback platform to collect suggestions and opinions from employees regarding the administrative and facility management within the factory area. In 2023, the Company renovated 527 dormitory rooms, creating cleaner and more comfortable accommodation and convenience for employees with optimized rooms, housekeeping services, environment, and layout.



Number of dormitory rooms renovated

**527**

### M&G Employee Benefits System



Allowances and subsidies

- Cash allowances and subsidies, such as communication allowance, meal allowance, seniority allowance, overseas allowance, etc.;
- Successful application of RMB300,000 in government allowance for special talents for applicable employees in 2023.



Health and well-being

- Annual physical examinations;
- Gym facilities at the M&G headquarters office building;
- Various sports clubs such as badminton, basketball, football, and board games; annual sports games;
- Health and well-being activities such as stair climbing, weight loss campaigns, and health lectures to ensure the physical and mental health of employees.



Protection against risks

- Paying basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident fund for employees;
- Additional commercial health insurance for all employees launched in 2023, with comprehensive protection against death from disease, critical illness, accidental injury, and accidental medical treatment; additional cost-effective optional insurance products for employees and their families.



Paid leaves

- Maternity leave, paternity leave, nursing leave, childcare leave, additional leave for factory workers during Spring Festival, etc., aside from statutory annual leaves.



Accommodations

- Dormitories and apartments, and rental subsidies for qualified employees.

M&G organizes a variety of cultural and sports activities to enrich employees' leisure time and enhance team spirit. Special celebration activities are organized at both the M&G group and subsidiaries at home and abroad such as M&G Colipu and Jiumu Store, on occasions such as New Year's Day, Women's Day, Mother's Day, Mid-Autumn Festival, National Day, Qixi Festival, Christmas, etc. In 2023, the Company held the Family Open Day event, arranging family visits for factory employees. Employees shared their work with their families, and participated in parent-child fun activities together, enhancing communication with their families.



## Employee Communication

M&G highly values the demands and opinions of the employees. The Company has established an open, transparent, and smooth communication channel and a standardized and fair complaint handling mechanism to ensure employee feedback and opinions are timely responded and handled. Employees can communicate their complaints through various channels, including WeCom, Human Resources Center email, HR-related report email, and anti-fraud report email. The Company requires that employee complaints shall be responded and handled within certain timeframes, and that the progress of the handling shall be communicated to the employees. As of the end of 2023, the Company received 618 employee feedback and suggestions through the employee feedback platform, all of which were closed loop processed. Regarding the management of working environment and facilities, the Company not only conducts a semi-annual satisfaction survey, but also posts the QR code for satisfaction survey in restroom, lounge, and cafeteria areas to collect feedback from employees on a daily basis. In 2023, the overall employee satisfaction rate was 92%.

In 2023, M&G launched an internal corporate culture platform for timely communication of company news, corporate culture, stories of outstanding employees, etc. The Company also created the "GuangHeJiang" IP, a dedicated WeChat account, to interact with employees and ensure that the information about M&G cultural values is effectively communicated.



Employee feedback platform

## Employee Cultivation and Development

M&G highly values the growth and development of employees. The Company has developed a comprehensive promotion mechanism with scientific performance evaluations, encouraging employees to continuously improve their professional competitiveness. The Company strives to cultivate talents at multiple levels, in multiple areas, and across different fields by continuously improving its talent development and employee training system, and providing targeted training customized to the diverse needs of employees.

## Talent Introduction and Cultivation

M&G continuously optimizes its talent recruitment mechanism. In 2023, the Company formulated the Recruitment Management Policy to further refine the principles and standards for talent recruitment, and specify recruiting processes and procedures. The Company also intensified its cooperation with universities and launched the "Future Leaders" program for MBA graduates in 2023, promoting two-way communication with students through "enterprise open day" events or "campus roadshows".

M&G is committed to building a fair and robust promotion mechanism and position system, and providing employees with scientific, transparent, and diversified career development channels. The Company has established various promotion mechanisms, including annual promotion, on-the-job promotion, management trainee promotion, and management staff promotion, and continuously expands the career development channels for employees, aiming to motivate capable and willing employees to pursue better career development opportunities. The Company encourages employees to apply for positions and provides abundant opportunities for job rotation and promotion for outstanding employees, allowing them to fully utilize their talents.

## Employee Training and Development

M&G empowers employees through multi-level and diverse training opportunities of various formats, enhancing their overall abilities and skills, and supporting their career development. The Company offers a variety of training programs customized to the growth needs of employees at different levels and growth stages, such as new employee orientation training, training for management trainees, leadership training, etc. Each department organizes targeted training according to job requirements to promote continuous improvement of employees' professional capabilities. In 2023, in support of the rapid development of live streaming business, the Company carried out a series of training focusing on live streaming skills, such as anchor training, short video training, and operation training. Subsidiaries such as Jiumu Store, M&G Colipu, and Axus Stationery, also offer targeted employee capability training programs based on their own business characteristics. For example, M&G Colipu continuously empowers employees' career development with a comprehensive series of training programs, including new employee orientation training, skills training, management training, leadership training, campus recruitment and management trainee training, etc.



Monthly training at the Sales Center



Anchoring training at the Live Streaming Sales Department

### 2023 M&G Employee Training Data

Percentage of employees covered by employee training system	Average training hours per employee	Number of online courses available on the M&G e-learning platform
<b>93%</b>	<b>11.8</b>	<b>85</b>

### Jiumu Store Empowerment Training

In 2023, Jiumu Store organized 23 empowerment training sessions focusing on corporate culture and values for new employees, functional department employees, and middle-level managers, aiming to create a positive and proactive team spirit.

- 88 functional department employees participated in the updated corporate culture course—"Building Trust"
- 37 young employees were invited to the Executive Roundtable, listening to corporate culture stories shared by company executives
- Middle-level managers participated in leadership courses such as "One-Minute Manager", "Crucial Conversations", and "Effective Delegation"
- Hosted 10 Values Co-creation Workshops to help employees better understand and practice company values



"Building Trust" corporate culture course



Jiumu Store's Values Co-creation Workshop

In 2023, M&G launched a company-wide M&G e-learning platform, which offers a wide range of self-learning resources in leadership, workplace skills, company policies and events, corporate culture, and sustainable development. Departments can also share their internal training materials on this platform to ensure greater interdepartmental knowledge sharing. There are currently 85 online courses available. As of the end of 2023, the cumulative learning time of M&G e-learning platform reached 10,000 hours, with over 67% of employees, including 2,052 active users using the platform for self-improvement.

The Company strongly encourages employees to improve their professional skills through continued education to meet both their personal growth and the Company's development needs. The Company provides financial support for employees applying for certain certification programs. For example, fee reimbursement is offered for employees at the Finance Center who passed relevant financial certificate exams. For factory employees, the Company also offers similar fee reimbursement incentives for vocational qualification certificates related to seven job categories, such as forklift operators and electricians. In 2023, a total of 32 employees received certificate reimbursement support. The Company also provides the "Executive Growth Management Fund" degree training program for executives, providing funding support for executives to participate in education and training programs to achieve self-improvement.

### Management Trainee Development Program

Every year, M&G carries out a management trainee development program following the principles of "competitive selection, balance, and timeliness", aiming to help newly graduated trainees better integrate into the workplace and become qualified backbone/management talents. In 2023, the M&G management trainee development program conducted a total of 20 training sessions for 97 management trainees from 12 departments.

The Company organized a one-week orientation training for newly recruited management trainees, inviting industry experts to share their business knowledge and experiences to help the trainees set the right course for growth. In the next two weeks, trainees participated in job rotation to quickly understand the Company's business and get used to the work environment. After the trainees were assigned to their formal positions, each business unit or department assigned mentors to assist the trainees in their early career development.

The Company also made efforts to help the management trainees realize their long-term potentials. Exceptional trainees with outstanding learning willingness, reflective ability, and influence would have promotion opportunities to support them in pursuing their career dreams.



M&G management trainee program in 2023

## Leadership Training

M&G has developed customized leadership training programs for managers at different levels to help them more effectively manage their teams. In 2023, the Company conducted a total of 47 leadership training sessions for 996 participants from 32 departments.

### "Bootcamp for New Managers"

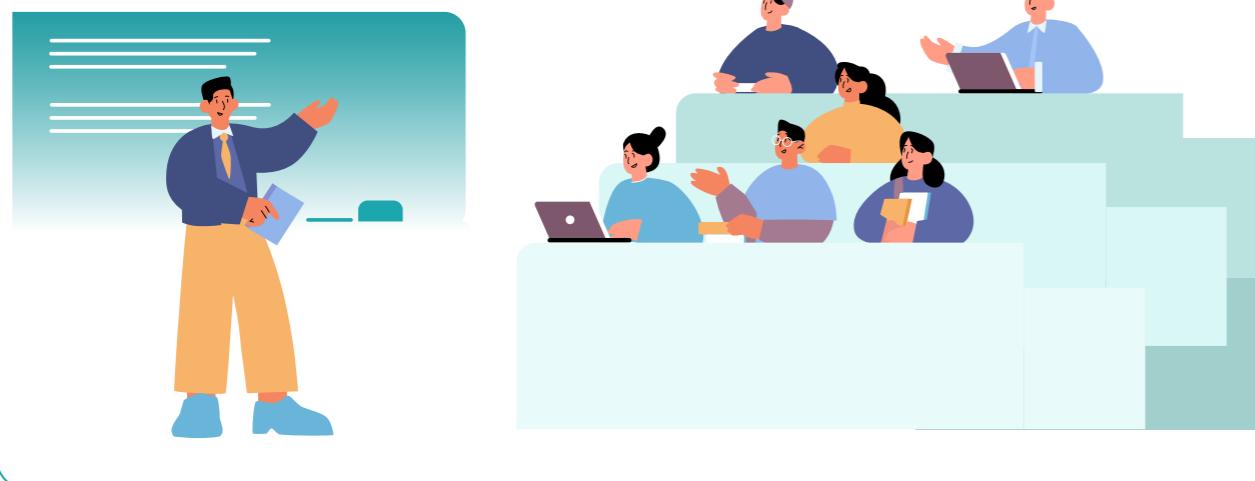
"Bootcamp for New Managers" was a series of courses offered by M&G to help newly promoted managers accelerate their transition from professional employees into junior managers. The program included a five-month online courses and in-person workshops to help new managers take the first step right in their new management roles. The training consisted of five modules: role change/self motivation, achieving results, coaching team members, efficient collaboration, and team building.

### Executive Leadership Workshops

M&G provides rich leadership training and workshops for core executives to enhance their strategic decision-making and team management capabilities. In 2023, the Company organized a "Strategic Leadership Sandbox Workshop", using sandbox simulations to help executives improve self-awareness and explore strategic plans to establish core competitiveness and develop differentiated advantages. The Company also invited Global Leadership Summit (GLS) lecturers and CEO coaches from CEIBS to organize a GLS workshop for executives focusing on innovative thinking and leadership. In addition, the Company used the Hogan personality assessment tool and conducted assessments and team workshops to guide executives to rethink about business direction, organizational design, mechanism and processes, and incentive mechanisms, promoting the continuous improvement of the organizational effectiveness of the Company.



Leadership training for executives



## Occupational Health and Safety

M&G is committed to creating a healthy and safe work environment for employees. The Company prioritizes building a robust safety production system and ensuring the occupational health of employees, and continuously optimizes its safety management system to ensure production safety.

### Strengthening Production Safety System

M&G strictly complies with the Labor Law of the People's Republic of China, Production Safety Law of the People's Republic of China, and other relevant laws and regulations. Following the principles of "prevention as priority, response as supplement, effective control, and continuous improvement", the Company has established effective emergency plans and occupational health and safety management plans, and formulated policies and systems, such as the Environmental and Safety Management Operation Control Procedures and the Safety Management Standards, providing specific requirements for safety management, safety inspections and acceptance, and accident handling, in order to fundamentally eliminate or reduce occupational health and safety risks, and ensure the occupational health of employees. The Company has established a robust production safety responsibility system, covering managers at all levels with clearly defined safety management responsibilities. With its strict and comprehensive system requirements and implementation, M&G's safety management system has obtained the ISO 45001 Occupational Health and Safety Management System Certification.

For safety management in production bases, the Company has formulated clear requirements for safety and environment management signs, forklift safety, aisle planning, temperature setting, etc. High-risk operations in factory areas need prior approval and are subject to full-process supervision of dedicated personnel. The Company also conducts regular and ad hoc safety inspections in both office buildings and production bases, with the identified safety hazards or unsafe factors promptly rectified, and regular fire emergency drills.

The Company provides professional training for employees at production bases in compliance with the requirements of the laws and regulations. Specialty operators and key safety position personnel are required to complete the relevant certification process before taking up their positions. On top of the mandatory safety trainings, the Company also provides dedicated safety trainings for factory safety management personnel to enhance their safety awareness and safety management capabilities. Ad hoc safety education is offered to on-site workers during daily production operations to enhance their safety awareness in order to promptly identify and rectify safety risks. In 2023, M&G provided a total of 20,220 hours of safety training.

L

Total hours of safety training in 2023

**20,220**

### Occupational Health Management

To ensure the occupational health and safety of employees, M&G strictly complies with relevant laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Occupational Disease, the Regulations of the People's Republic of China on Work-Related Injury Insurance, and the Classification for Hazards of Occupational Exposure. The Company has formulated a series of system documents, including the Occupational Health Management Policy, the Occupational Disease Prevention Management Policy, the Occupational Hazard Prevention and Control Responsibility Policy, and the Occupational Disease Hazard Monitoring and Evaluation Policy. With the implementation of various policies and measures, M&G continuously optimizes its working conditions to ensure the physical and mental health of employees.

The Company has formulated and vigorously implements occupational disease prevention and control plans and implementation plans. Regular monitoring and assessment is conducted focusing on occupational disease hazard factors such as dust, toxic gases, and noise. There is also regular inspection, maintenance, and upkeep of occupational disease prevention and control equipment to ensure that they function properly. Employees are properly equipped with personal protective equipment, and employees with occupational contraindications are prohibited from engaging in work with occupational disease hazards. Occupational health records and annual physical examinations are in place for employees.

## Product and Service Quality

The Company also vigorously carries out awareness raising and education activities regarding occupational disease prevention and control, providing EHS-related training for safety management personnel, including job safety analysis (JSA), occupational health and protection training, safety awareness and management capability training, etc.

For M&G, providing society with quality products and services is not an ongoing pursuit, but also the cornerstone of the Company's high-quality and sustainable development. With a customer-centric mindset, M&G strictly controls product quality and safety with high standards for both itself and its suppliers. The Company also actively engages in responsible marketing, maintains smooth communication with consumers and customers, and strives to continuously improve the quality and efficiency of customer service.

### Noise Control Improvement

In 2023, M&G Shanghai production base carried out a noise control improvement project, improving noise control comprehensively with five approaches of elimination, reduction, absorption, diversion, and isolation. Specific measures included adding cushion pads and soundproof covers, reducing the operating speed of pneumatic workstations, adding sound-absorbing covers, using silent fans, selecting low-noise vacuum generators, etc. The successful implementation of this project significantly reduced the number of employees exposed to noise.

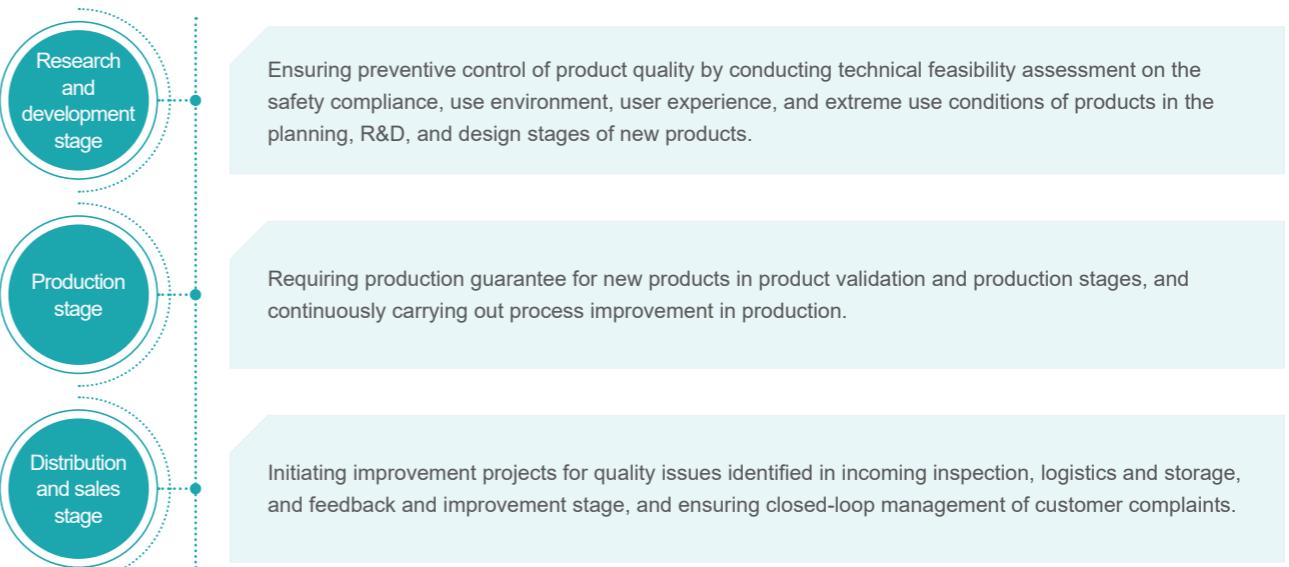
Sharing sessions were organized to promote the improvement measures to more workshops. As of the end of 2023, the noise issues were improved in 8 assembly workshops and 7 flip-flop workshops.

### Product Quality Management

M&G Stationery strictly complies with national laws, regulations, and standards related to product quality, such as the Product Quality Law of the People's Republic of China, the Request in Common Use of Security for Student's Articles, and the Hygienic Requirements of Study Products for Myopia Prevention and Control in Children and Adolescents, while actively implementing national and regulatory requirements such as the Outline to Improve Quality of Development and the Work Plan for the Safety Protection of Children and Student Supplies. The Company continuously upgrades internal inspection standards and has established the M&G quality management system to ensure higher requirements and standards for quality control. The system includes a number of relevant policies, such as the Management and Control Procedure for Product Safety, the M&G Product Audit Sampling Mechanism (Trial), the Product Safety Requirements Checklist - Student Supplies, and the Product Safety Requirements Checklist - Office Supplies and Office Equipment, as well as specific safety control processes, audit and sampling mechanisms for various types of new products, high-risk products, and regular products. The system also specifies the disposal mechanism for non-conforming products. In 2023, the Company formulated the Operational Specification for Outsourced Product Safety Testing, which standardizes the testing process for outsourced products, further strengthening the standardization of third-party testing for all self-made and outsourced products. M&G has passed the ISO 9001:2015 quality management system certification. Third-party supervision and audit of the Company's system are conducted annually. In 2023, the Company had no occurrence of any significant safety or quality incidents related to its products or services.

M&G has established and continuously improved a comprehensive quality control system throughout the entire process. From raw material procurement and manufacturing to the delivery of finished products, all steps are strictly monitored and managed to ensure and improve the stability of product quality. The Company conducts in-depth research of consumer demands and uses the insight to develop better and safer products. The product initiation flow management approach is adopted during the product development stage to identify potential risks for improvement.

### M&G Quality Control System



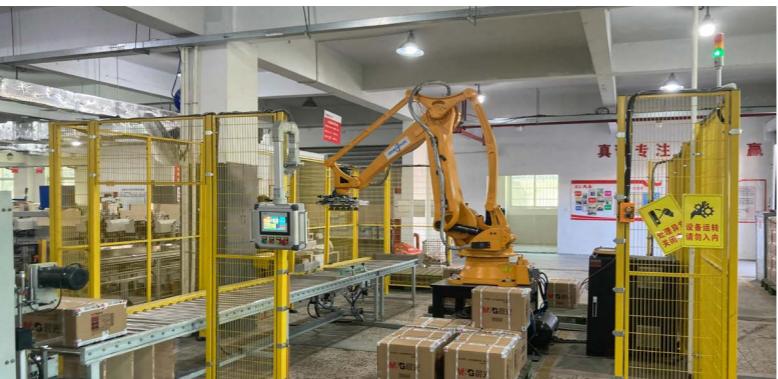
### Preventing Occupational Hazards in Paper Production

#### Preventing dust hazards and improving working environment

Dust generated in paper-making process is collected using suction of negative pressure. But the process still leaves a significant amount of flying dust in the workshop. The paper production workshop of the M&G Shanghai base installed dust extraction units inside the machines, directly extracting paper dust from the machine. This upgrade has effectively eliminated visible dust particles in the workshop and reduced the potential health risks caused by dust exposure.

#### Deploying stacking robot to reduce lower back injury risk

Packaged boxes of notebook products are quite heavy. To move about 25 tons of products requires a worker to bend over about 1,000 times in a day, which is likely to cause lower back injuries. In 2023, the paper production workshop deployed an automatic stacking robot to replace manual handling, effectively reducing the labor intensity of employees.



Automatic stacking robot in the paper production workshop

In 2023, the Company established the Quality Center, formally separating quality inspection from production as an independent function. The Quality Center is responsible for independent inspection of the product manufacturing process and the internal/external inspection during product warehousing, report collection and confirmation, as well as the submission and sample collection for annual inspections and external inspections. The Quality Center has established a quality management system consisting of QC (Quality Control), QA (Quality Assurance), and QE (Quality Engineering). Under each section, the Quality Center carries out various work such as product inspection, quality non-conforming incident handling, process quality improvement, and establishment of good product conditions. In 2023, the Company established a standardized QC operating procedure based on "one process, one standard, and one method", comprehensively improving its product quality management. The Company also regularly organizes activities, such as quality review meetings and quality improvement weeks. By collecting and analyzing quality data, common problems are identified and become the focuses of targeted improvement activities, and preventive measures are taken to address key quality issues to avoid future incidents. In 2023, the Company handled and resolved 43 product quality non-conforming incidents. The qualified rate of finished products before warehousing was 99.97%, and the one-time pass rate of full inspection was 99.75%.



Qualified rate of finished products before warehousing

**99.97%**

One-time pass rate of full inspection

**99.75%**



M&G supply chain quality improvement training camp

## Supplier Product Quality Management

M&G continuously optimizes the product quality management system for suppliers and has established a robust system of policies regarding defective products and product quality risk control, strictly ensuring the quality of purchased products from the source. The Company has issued the Management Measures for Comprehensive Improvement of Supplier's Factory Inspection and Performance, in order to reduce the occurrence of quality issues in incoming goods by setting the product shipment inspection standards and strengthening the self-checking capabilities of suppliers. As of the end of 2023, the qualified rate of purchased products reached 99%. In 2023, M&G organized two quality improvement training camps for suppliers, inviting external lecturers to provide targeted quality improvement guidance for 32 suppliers. In addition, the Company regularly visited suppliers to provide on-site quality management and improvement support.

### M&G Supplier Product Quality Control System

- Bulk Sample Approval Process** Clarifying the responsibilities of various functional departments regarding the approval of bulk samples, including the scope, timeframe, and process of approval, ensuring the quality of bulk products.
- Product Compliance Self-check Management System** Standardizing the regular self-inspection process for product quality risk control, continuously reducing product quality risks, optimizing product quality, and ensuring that product quality meets company requirements.
- Code of Practice for Internal and External Inspection of Outsourced Products** Clarifying the pre-launch inspection processes, both internal inspection and third-party inspections, for all product categories, improving the efficiency of new product development, and shortening the development and launch cycle of new products.
- Defective Product Return Management Procedure** Standardizing, supervising, and managing the return process for three types of defective products: recalls due to quality issues, customer complaints, and incoming inspection failures.
- Key Level 2 Material Control Process** Clarifying the control process of key secondary material for suppliers to ensure product quality stability and cost optimization.
- Quality Risk Control Regular Verification Management System** Standardizing the regular inspection mechanism for quality risk control of various product categories, reducing product quality risks, and ensuring that outsourced products meet national standards and company requirements.
- New Product Launch Development Management System** Standardizing the daily pre-launch management of new outsourced products, including planning, designing, prototyping, internal and external inspection, quotation, and sealing stages, shortening the time to market for new products.

## Responsible Marketing

M&G strictly complies with the Advertising Law, the Copyright Law, and other relevant laws and regulations, and has formulated relevant internal system policies such as the Measures for the Administration of Trademark Applications, the Product Specification Manual (Document) Compliance Audit Standard, and the Notice on Further Standardizing Product Graphic Design Elements. To protect consumer rights, all packaging and promotional information of products must go through internal review, so that the advertising is legitimate and in compliance with relevant laws and regulations, and the marketing and sales information is transparent and accurate. The Company has also formulated the M&G Social Media Platform Content Guidelines to lay out the specific requirements for regulating social media communication content. It is required that "all content published on social media platforms shall be truthful, legitimate, healthy, and accurate, and must not contain false or misleading information, or deceive or mislead consumers". The Company has also formulated the M&G Media Relations Guidelines, which stipulates that when M&G employees communicate with the media or influencers, they shall base their communication on facts with honesty, clarity, and candidness, and actively practice responsible marketing.

### The M&G "Brand Messenger" Project

In October 2023, M&G launched the "Brand Messenger" project. The project aimed at standardizing the Company's brand management in areas such as social media, visual identification system (VI), and crisis response by forming an internal community of "brand messengers" and a communication mechanism. All brand messengers were provided with regular trainings on brand management awareness to improve capabilities to better prevent relevant risks, and to protect the Company's brand image.

More than 40 brand messengers from various departments participated in the program. They shared ideas on brand management and brand image maintenance, co-created the Brand Messenger Declaration, and signed the Brand Messenger Commitment together, committing to playing the role of brand owners, actively promoting the M&G brand, and jointly building a warm and sustainable M&G brand.



M&G Brand Messengers

## Compliance Training on Social Media Platform Operation

In November 2023, M&G organized a compliance training on social media platform operation. A total of 61 employees participated in the training online and offline. The training mainly focused on material usage, advertising and promotional activities, and VI requirements, aiming to enhance the compliance awareness of social media operation teams and designers, prevent risks, and maintain the Company's brand image and interests in social media operations. Social media operation team leaders signed the Platform Content Self-Discipline Commitment during the training.



Compliance training on social media platform operation

## Providing Quality Services

Adhering to the consumer-centric philosophy, M&G actively listens to the voices of customers and consumers and gathers feedback, taking consumer suggestions and criticism as opportunities to further improve its products and services. The Company handles the received feedback in a timely manner, and develops new products or optimizes existing ones based on market demand.

### Channel Partners

The Company has established operational standards for the M&G Customer Complaint Platform, clarifying the complaint submission process to reduce re-submission of complaints due to incomplete information or improper information input, ensuring the timely and efficient handling of complaints from channel partners regarding product quality, delivery shortages or damages, and other issues. In 2023, the Company conducted a satisfaction survey of 36 channel partners. The survey covered various aspects such as product quality, timely delivery, new product supply, information communication, service attitude, and after-sales service. The overall satisfaction score was 83.5.

### Retail Stores

Jiumu Store has established a comprehensive customer complaint handling process with standardized full-channel handling and analysis processes for customer complaints, as well as relevant rules for complaint escalation. Customer complaints are categorized into general complaints, urgent complaints, and major complaints, each category with specific handling processes accordingly to ensure more timely, complete, and efficient responses and better after-sales service.

### E-commerce Platforms

For e-commerce channels, M&G has formulated policies, such as the Customer Complaint Handling Standards, to specify the responsibilities for handling pre-sales, sales, and after-sales complaints. The Company standardizes the full-process management of e-commerce sales through measures such as pre-sales data dashboards and daily review meetings, continuous follow-up communication during sales, and daily report on key after-sales indicators. At the beginning of each month, the Company reviews and categorizes the complaints received in the previous month and conducts follow-up reviews over quality-related complaints, continuously optimizing the complaint handling process and response speed to improve the quality of e-commerce services.

### M&G Colipu

In 2023, M&G Colipu conducted a satisfaction survey for corporate customers, using a combination of various forms, such as telephone communication, social media platform surveys, and questionnaires distributed in customer groups. The survey result was used to continuously optimize the service experience of customers, aiming to improve customer satisfaction.

## Empowering Partners

M&G adheres to the core value of "Benefiting Others" and the business philosophy of "Partnership for a Shared Future", and is committed to forming a stable and win-win cooperation mechanism with channel partners at all levels. The Company strives to build a high-level partner ecosystem and grow together with partners, providing comprehensive support for channel partners to help them achieve progress in business management and technological improvement.

The Company organizes a number of activities and events for partners, such as annual marketing conferences and elite training camps. Channel partners can use this opportunity to learn about new M&G products and marketing strategies for the next year, and communicate with the Company on sales related issues. In 2023, the Company held four partner meetings with over 4,000 attendees. The Company also regularly conducts market visits and store visits to help stores identify and solve problems, and better support their operations and development.



Introducing new products to channel partners

## Store Partner Training and Empowerment

M&G actively empowers retail store customers. In November 2023, the sales team visited the headquarters of Dingjia Stationery in Xinxiang City, Henan Province to provide category planning training for more than 20 store managers and purchasing personnel. The training on aesthetic appearance and product display skills helped the participants improve product display at their stores with the efficient presentation of product appearance, performance, and features to store consumers.



The themed pop-up store in Xinyulou, Hebei Province

M&G also actively explores new opportunities of stationery sales with key retail customers, such as setting up flagship pop-up stores to achieve the rapid sales turnover of in-store products during the peak sales season. In August 2023, the Company successfully opened its first themed pop-up store in the flagship store of Xinyulou Department Store in Cangzhou City, Hebei Province. A 60-square-meter pop-up area was set up, and popular short video influencers from Douyin were invited to conduct on-site promotion. The event attracted much attention and generated significant sales growth.

## Social Philanthropy

Throughout its history, M&G has demonstrated a strong commitment to fulfilling social responsibilities and paying back to society. The Company established the M&G Rainbow Charity Fund in 2015, and Shanghai M&G Charity Foundation (hereinafter referred to as "M&G Charity") was officially registered in 2020. Adhering to the philanthropic concept of "promoting quality education and empowering inclusive community development", M&G Charity carries out a variety of philanthropic programs in the fields of quality education, environmental protection, and humanitarian care.



Number of students benefiting from the M&G philanthropic programs

Nearly 1 million

M&G Charity not only leverages the corporate resources of M&G to focus on supporting rural art education, caring for groups with special needs, and other philanthropic causes, but also raises the awareness and encourages actions of the public to work together to address social issues, contributing to the harmonious development of society. As of the end of 2023, M&G Charity had carried out educational charity initiatives in 19 provinces and 42 cities across China, benefiting nearly a million students and over 3,000 teachers. In 2023, M&G donated RMB6.08 million in total, including in-kind donations, to support philanthropic programs, and a total of 3,787 employees participated in public welfare activities, with a total of volunteer service duration of 5,730 hours.

Number of teachers benefiting from the M&G philanthropic programs

3,000+

## Golden Seed Plan

Launched by M&G Charity in 2015, the "Golden Seed Plan" is a public welfare initiative that donates customized stationery gift packages tailored to the learning needs of rural students for 1-2 school years. As of the end of 2023, the "Golden Seed Plan" had been carried out in more than 1,000 schools and social service institutions, distributing over 500,000 Golden Seed stationery gift packages and benefiting 100,000 rural students with high-quality stationery.

M&G Charity also actively responds to China's "Belt and Road" initiative and has extended the "Golden Seed Plan" to help students in overseas markets such as Laos and Kenya. M&G also encourages its channel partners, subsidiaries, and other like-minded companies from the industry to join the efforts for doing good, driving a total donation of over RMB1.5 million, including in-kind donations.



Total value of donations including in-kind donations of the "Golden Seed Plan" exceeding

**RMB1.5 million**



M&G Charity donating Golden Seed stationery gift packages to students in Laos and Kenya



## Art Education Plan

Along with the implementation of the national strategy of rural revitalization, the Chinese government has been actively promoting rural art education in recent years. The Ministry of Education issued a number of policy documents accordingly, such as the Guidelines for Public Art Courses in Higher Education Institutions and the Notice on the Establishment of the First National Primary and Secondary School Art Education Teaching Guidance Professional Committee. All sectors of society are encouraged to increase their support for art education and contribute to improving the quality of education for rural children.

In response to the national policy calling for supporting rural art education, M&G Charity consolidated its resources and launched the "Art Education Plan" for rural children in view of the unbalanced distribution of art education resources. The program aims to build a rural art education network, in order to promote rural revitalization and provide quality rural art education. M&G Charity partnered with the One Foundation, the Jack Ma Foundation, the Huochaibox, the Shanghai Charity Education and Training Center, as well as other like-minded partners and jointly launched the "Art Education Plan" program. With comprehensive efforts such as teacher resource matching, art lesson development, and community art classes, the program benefits an increasingly number of students with quality art education resources through a variety of activities. As of the end of 2023, the program had been carried out in 153 rural primary schools and 20 community child service centers, benefiting a total of over 330,000 person-times.



M&G Charity art education class

M&G Charity actively leverages the business advantages of M&G to support public welfare. In 2023, for the first time, the art teacher training program developed by the M&G Children's Art and Creativity Division for rural art teachers through online live streaming. The courses were viewed for 14,000 times during the year, allowing many rural art teachers to use the program to grow their teaching abilities. We also leveraged M&G's resources and capabilities of organizing nationwide painting competitions and partnered with the One Foundation to launch a rural painting competition. The competition, participated by nearly 120,000 rural children, provided a platform for them to showcase their artwork, and motivated rural schools to attach greater importance to art education. In addition, the competition not only benefited rural students with improvement in their art education abilities, but also functioned as an evaluation of the effectiveness of the art teacher training program.

To further promote rural art education, in November 2023, on the occasion of World Children's Day, the Company aired short video clips of interviews with 20 rural students from Sichuan, Yunnan, Guizhou, and other places, and invited influencers to expand impact through short video platforms. The campaign brought these children's real-life stories with rural art education classes and M&G Charity's philanthropic concept of "Gathering Twilight, Warming Childhood" to a greater audience registering over 10.24 million views. The Company also set up a dedicated philanthropy section at large-scale exhibitions such as the Frankfurt Stationery Exhibition, showcasing both M&G's philanthropic creative products as well as the philanthropic efforts of M&G Charity in promoting art education.



M&G Charity distributing philanthropic posters on World Children's Day



The philanthropy section of the M&G booth at the Frankfurt Stationery Exhibition

## Autism Support Program

Supporting the growth and social integration of groups with special needs is one of the focuses of M&G Charity. In 2017, M&G Charity cooperated with the Shanghai Charity Education and Training Center and jointly launched the Autism Support Program, supporting the rehabilitation training of autistic children with artistic creation. Over 2,000 autistic children received regular services to help them improve their Autism Support Program to better express how they feel, think, and say with creative artwork. Each year, a number of outstanding works are selected and used on product packaging of M&G's philanthropic products, to allow a greater audience to witness and appreciate the special talents of these children. Currently, M&G has developed and launched seven philanthropic products, with all profits donated to support the operation of this program.

In 2023, the Autism Support Program started covering autistic population of older ages, with special attention given to the developmental needs of different age groups with autism. M&G Charity, in collaboration with partners such as China Construction Bank, set up workshops in special needs schools, helping adult autistic students to learn to do artistic reiteration of rural intangible cultural heritage works. Their selected works were also used in M&G products, with profits donated to help individuals with autism and craftswomen in rural areas with more employment opportunities and better quality of life.



Deputy Minister of Civil Affairs acknowledging M&G Charity's Autism Support Program

M&G Colipu actively collaborates with its value chain partners to participate in the caring for people with autism. In September 2023, M&G Colipu participated in the charity exhibition of paintings and calligraphy works of people with autism, organized by the CPIC Blue Foundation, supporting autistic children to realize their dreams with the donation of 1,000 customized stationery kits.



The charity exhibition of works of people with autism

## Everyone for Charity

M&G Charity strives to foster a corporate culture of everyone for charity with a variety of activities. In 2023, M&G Charity further expanded the channels to encourage more employees and partners to participate and support charitable programs, including the "99 Giving Day Rural Children Art Education Fundraising" event, the "E.G.G Walkathon" charity walk, and volunteering opportunities as art education tutors. In the volunteering program designed for senior executives, all M&G executives visited a beneficiary school of M&G Charity's charitable programs to interact with the students, allowing them to better understand and appreciate the Company's value of "Benefiting Others".

### Arbor Day Employee Charity Event

Since 2020, M&G Charity has been working together with Gansu Qingsuo Philanthropy Development Center to grow 1,000 mu of Haloxylon ammodendron shrubs in the Tengger Desert in Changning Town, Minqin County, Gansu Province. To support this program, M&G Charity contributed RMB350,000, while individual M&G employees contributed close to RMB130,000 in addition. The program aims to help sand fixation in the northwest region and reduce the impact of sandstorms on the environment and local residents.

On Arbor Day 2023, M&G Charity invited Mr. Ma Junhe, the founder of Gansu Qingsuo Philanthropy Development Center, to visit the M&G headquarters in Shanghai. Mr. Ma shared his first-hand experience of greening the desert land as well as environmental governance knowledge with M&G Stationery and M&G Colipu employees. M&G Colipu also used this occasion to join the "Volunteer Oasis Action" to contribute efforts towards windbreak and sand fixation.



M&G Colipu employees receiving green plant at the Arbor Day event

### "99 Giving Day" Fundraising Event

During the "99 Giving Day" annual national philanthropy event, M&G Charity and the One Foundation jointly launched a fundraising campaign for art education for rural children. Using "A box of art supplies for RMB19.9" as the slogan, the campaign aimed to encourage public participation and cultivate a culture of philanthropy by signifying that a small amount of donation could help a child to have a box of painting tools and creative art classes. The campaign was promoted through various channels, including M&G's corporate WeChat account, its short video platform accounts, and Weibo account, as well as posters displayed in Jiumu Stores nationwide. During the campaign, a variety of activities were organized to maximize public participation. With flea market charity sales in office buildings and production bases, and a philanthropy corner at the channel partner conference, we encouraged consumers, employees, and partners to join us in participating in philanthropic activities. During the "99 Giving Day" event, a total of 1,260 people participated in our fundraising campaigns, raising over RMB150,000 in total, which could be used to bring the M&G Art Education Plan to more than 15,000 children.



Flea market charity sales market at M&G headquarters

A charity gala, the first for M&G, was hosted during the "99 Giving Day" event. Nearly 600 people from 250 retail terminals across the country attended the gala. Five paintings, all painted by children helped by M&G Charity's charitable programs, were auctioned, with all proceeds used to support these programs. This event built a bridge between M&G and its channel partners, forging a partnership not only in business but also in philanthropy.



M&G charity gala during the "99 Giving Day" event

### "E.G.G Walkathon" Charity Walk

M&G Charity has been participating in the "E.G.G Walkathon" charity walk for consecutive years. In 2023, nearly 150 executives and employees from various departments of M&G, M&G Colipu, and Jiumu Store formed eight charity teams to challenge themselves to finish a 50-kilometer trekking within 12 hours, raising a total of over RMB130,000 for the Autism Support Program, which would be used to provide better growth and development opportunities for people with special needs.



M&G executives and employees participating in the "E.G.G Walkathon"

With its unwavering dedication to and support for philanthropic causes, M&G Stationery continuously received recognition and awards in 2023, such as the 18th People.cn's "Corporate Social Responsibility Award" and Southern Weekend's "For Good Company" Award. In the future, the Company will continuously respond to the national call for rural revitalization, expand the breadth and depth of charitable programs, and promote the cultivation of a corporate culture of philanthropy.



- "Corporate Social Responsibility Award" by People.cn
- "For Good Company" Award by Southern Weekend



# Sustainability Performance

## Environmental Performance

### Environmental Investment

Indicator	Unit	2022	2023
Environmental investment	RMB10,000	222	239

### Energy Consumption and Carbon Emissions<sup>1</sup>

Indicator	Unit	2021	2022	2023
Gasoline	ton	56	45	89
Diesel	ton	566	485	414
Purchased electricity	kWh	107,153,156	94,360,791	92,582,027
Photovoltaic electricity consumption	kWh	8,757,050	9,114,718	13,222,559
Scope 1 GHG emissions	tCO <sub>2</sub> e	2,481	2,170	2,115
Scope 2 GHG emissions	tCO <sub>2</sub> e	88,876	46,668	45,940
Total GHG emissions (Scope 1 + Scope 2)	tCO <sub>2</sub> e	91,357	48,838	48,055
GHG emission intensity	tCO <sub>2</sub> e/million RMB of revenue	5.2	2.4	2.1

### Materials<sup>2</sup>

Indicator	Unit	2021	2022	2023
Total materials usage	ton	48,818	42,401	44,498
Plastic	ton	28,010	21,000	23,286
Paper	ton	16,030	18,000	15,356
Ink	ton	4,778	3,401	3,114

<sup>1</sup> In 2023, based on ISO 14064-1:2018 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals, China's General Guideline of the Greenhouse Gas Emissions Accounting and Reporting for Industrial Enterprises (GB/T 32150-2015), and the 2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, M&G conducted a systematic accounting of Scope 1 and Scope 2 greenhouse gas emissions at the company level. The accounting scope covered M&G Stationery Shanghai production and distribution center, Shanghai headquarters office building, South China production and distribution center, North China distribution center, Axus Stationery, M&G Colipu, and Jiumu Store. The energy consumption and carbon emissions data disclosed in this report for the years 2021 to 2023 are based on the methodology and scope determined in this accounting process. Therefore, certain data disclosed in previous reports are restated accordingly.

<sup>2</sup> The scope of materials-related data for 2021 and 2022 includes the M&G Stationery Shanghai production and distribution center, while in 2023 the scope of data also includes the South China production and distribution center and Axus Stationery.

Indicator	Unit	2021	2022	2023
Wood	ton	/	/	495
Pencil lead	ton	/	/	2,247
Material usage intensity	ton/million RMB of revenue	2.8	2.1	1.9

### Packaging Materials

Indicator	Unit	2023
Total packaging materials usage <sup>3</sup>	ton	24,114
Paper	ton	21,010
Plastic	ton	2,577
Other (such as metal, etc.)	ton	527
Total logistics packaging materials reused <sup>4</sup>	ton	3,316
Wood	ton	2,697
Plastic	ton	619

### Water

Indicator	Unit	2021	2022	2023
Total water consumption <sup>5</sup>	ton	596,000	546,100	570,185
Recycled and reused water <sup>6</sup>	ton	50,000	45,000	49,772

<sup>3</sup> The packaging material data for 2023 covers M&G Stationery's Shanghai production and distribution center, South China production and distribution center, North China distribution center, Axus Stationery, M&G Colipu, and Jiumu Store. In addition to expanding the scope of data disclosure compared to previous years, we have also optimized the data calculation method and added the disclosure of breakdown indicators in 2023. Therefore, historical data for 2021 and 2022 are not provided in this report due to the lack of base for comparability as a result of the above-mentioned updates.

<sup>4</sup> Logistics packaging materials reused refer to reusable wooden pallets, turnover boxes, etc. The data scope of this indicator in 2023 includes the M&G Stationery Shanghai production and distribution center.

<sup>5</sup> The data scope of "tap water consumption" in 2021 and 2022 includes the M&G Stationery Shanghai production and distribution center. This indicator is renamed as "total water consumption" in 2023, with its data scope expanded to include the M&G Shanghai headquarters office building and Axus Stationery.

<sup>6</sup> The data scope of "recycled and reused water" in 2021 and 2022 includes the M&G Stationery Shanghai production and distribution center, and has expanded to include Axus Stationery in 2023.

## Effluents and Waste<sup>7</sup>

Indicator	Unit	2021	2022	2023
Total solid waste	ton	1,020	728	663
Hazardous waste	ton	20	28	29
General waste (non-hazardous waste)	ton	1,000	700	634
Wastewater discharged	ton	2,800	2,000	1,876

## Social Performance

### Employment

Indicator	Unit	2021	2022	2023
Total number of employees	person	5,527	5,574	5,839
<b>Number of employees, by age</b>				
Under 30 years old	person	/	1,527	2,080
30–50 years old	person	/	3,642	3,311
Over 50 years old	person	/	405	448
<b>Number of employees, by educational background</b>				
Bachelor's (college) degree or above	person	3,210	3,401	3,621
High school, vocational school	person	1,094	997	964
Other	person	1,223	1,176	1,254
<b>Number of employees, by level</b>				
Non-management staff	person	/	/	4,506
Management staff	person	/	/	1,333
<b>Number of ethnic minority employees</b>				
Male	person	/	86	101
Female	person	/	24	28

Indicator	Unit	2021	2022	2023
Total number of employees on parental leave	person	/	30	78
<b>Number of employees on parental leave, by gender</b>				
Male	person	/	7	28
Female	person	/	23	50
<b>Number of employees who returned to work after parental leave during the reporting period and remained employed for 12 months or more, by gender</b>				
Male	person	/	6	26
Female	person	/	22	48
<b>Return-to-work rate and retention rate of employees who took parental leave, by gender</b>				
Male	%	/	86	92
Female	%	/	96	96
<b>Percentage of members of Board of Directors and Board of Supervisors, by age<sup>8</sup></b>				
Under 30 years old	%	0	0	0
30–50 years old	%	30	30	30
Over 50 years old	%	70	70	70
<b>Percentage of members of Board of Directors and Board of Supervisors, by gender<sup>8</sup></b>				
Male	%	60	63	70
Female	%	40	37	30
<b>Ratio of basic salary and compensation for male employees</b>				
Basic salary	%	/	66	66
Additional compensation	%	/	34	34
<b>Ratio of basic salary and compensation for female employees</b>				
Basic salary	%	/	77	77
Additional compensation	%	/	23	23

<sup>7</sup> The data scope of "effluents and waste" includes the M&G Stationery Shanghai production and distribution center.

<sup>8</sup> The data scope of "percentage of board members and senior management, by age" and "percentage of board members and senior management, by gender" in 2021 and 2022 reports includes directors, supervisors, and senior executives. In 2023, the scope of both indicators has been changed to exclude senior executive due to an adjustment to the statistical methods, and the names of the indicators as well as data value for 2021 and 2022 have also been adjusted to reflect the change.

Indicator	Unit	2021	2022	2023
Percentage of vacancies filled by internal candidates (internal recruitment)	%	/	/	20
Employee turnover rate	%	/	13.4	11.9
Percentage of employees covered by the trade union	%	/	100	100

## Employee Training<sup>9</sup>

Indicator	Unit	2023
<b>Number of employees trained, by gender</b>		
Male	person	1,873
Female	person	1,711
<b>Percentage of employees trained, by gender</b>		
Male	%	94
Female	%	92
<b>Number of employees trained, by level</b>		
Non-management employees	person	2,920
Middle-level management personnel	person	569
Senior management personnel	person	95
<b>Percentage of employees trained, by level</b>		
Non-management employees	%	92
Middle-level management personnel	%	98
Senior management personnel	%	100
<b>Average training hours per capita</b>		
	hour	11.8
<b>Average training hours per capita, by gender</b>		
Male	hour	13.7
Female	hour	9.8

<sup>9</sup> The data scope of employee training indicators in 2021 and 2022 includes M&G Corporation, M&G Office Stationery, Jiumu Store, and More-Than-Fun, which has been expanded in 2023 to also include M&G Colipu. In addition, the statistical method for employee training has also been optimized, such as replacing "person-time" with "person". Therefore, the employee training data for 2021 and 2022 is not disclosed in this report for lack of comparability due to this adjustment.

Indicator	Unit	2023
<b>Average training hours per capita, by level</b>		
Non-management employees	hours	12.5
Middle-level management personnel	hours	10.2
Senior management personnel	hours	6.0

## Performance Assessment

Indicator	Unit	2021	2022	2023
Percentage of employees receiving regular performance assessment	%	90	100	100

## Occupational Health and Safety<sup>10</sup>

Indicator	Unit	2021	2022	2023
Number of workers covered by occupational health and safety management system	person	/	818	1,140
Total working hours	hour	2,068,524	1,992,995	3,597,498
Fatalities caused by work-related injuries	case	0	0	0
Rate of fatalities caused by work-related injuries	%	0	0	0
Severe work-related injuries (excluding fatalities)	case	/	0	0
Severe work-related injury rate (excluding fatalities)	%	/	0	0
Recordable work-related injuries	case	13	18	21
Recordable work-related injury rate (per million working hours)	/	6.3	9.0	5.8
Work-related injuries (male)	person	8	14	16
Work-related injuries (female)	person	5	4	5
Total safety training hours	hour	18,000	18,000	20,220
Total number of employees who received safety training	person	200,000	200,000	202,020
Investment in labor protection	RMB10,000	253	222	208

<sup>10</sup> The data scope of "occupational health and safety" in 2021 and 2022 includes the M&G Stationery Shanghai production and distribution center, which has been expanded in 2023 to also include Axus Stationery.

## Products and Services

Indicator	Unit	2021	2022	2023
Number of health and safety violations related to products and services	case	0	0	1
Customer satisfaction by average satisfaction score	score	88	88	83.5

## Charitable and Philanthropic Activities<sup>11</sup>

Indicator	Unit	2021	2022	2023
Total cash donations	RMB10,000	611	425	303
Total in-kind donations	RMB10,000	249	108	305
Number of participants in volunteer services	person-time	/	/	3,778
Volunteer service hours	hour	/	/	5,730

## Governance and Economic Performance

### Business Ethics

Indicator	Unit	2023
Number of operational sites covered by business ethics audits	number	22
Rate of operational sites covered by business ethics audits	%	100

### Anti-corruption<sup>12</sup>

Indicator	Unit	2021	2022	2023
Number of public legal cases regarding corruption brought against the Company or its employees	case	0	0	0
Total number of employees participating in anti-corruption training	person	70	313	2,364
Non-management employees	person	/	/	1,786
Middle-level management personnel	person	/	/	534
Senior management personnel	person	/	/	44

<sup>11</sup> The data scope of "charitable and philanthropic activities" in 2023 includes Shanghai M&G Charity Foundation, M&G Colipu, and Jiumu Store.

<sup>12</sup> The data scope of "anti-corruption" in 2021 and 2022 includes M&G Corporation, M&G Office Stationery, Jiumu Store, and More-Than-Fun, which has been expanded in 2023 to also include M&G Colipu. We have also added the disclosure of anti-corruption training by level in 2023.

## Intellectual Property and Technological Innovation

Indicator	Unit	2021	2022	2023
Number of patent filings during the year	item	258	275	212
Number of patents granted during the year	item	210	312	148
Number of valid patents	item	/	/	1,211
Cumulative patent filings	item	2,116	2,391	2,612
Cumulative patents granted	item	1,923	2,235	2,407
Technological improvement, innovation, and R&D investment	RMB10,000	18,875	18,355	17,752

## Supply Chain Management

Indicator	Unit	2022	2023
Number of suppliers participating in ESG audit during the year	number	70	71
Percentage of key suppliers participating in ESG audit during the year	%	/	100
Number of assessed suppliers with substantial actual/potential negative impacts	number	/	6

## GRI Standards (2021) Content Index

Statement of use		
GRI 1 used		
GRI Standard	Disclosure	Pages
GRI 2: General Disclosures 2021	2-1	Organizational details 1-2
	2-2	Entities included in the organization's sustainability reporting 1-2
	2-3	Reporting period, frequency and contact point 1-2
	2-4	Restatements of information 93-100
	2-5	External assurance External assurance has not been conducted
	2-6	Activities, value chain and other business relationships 7-8; 17-18
	2-7	Employees 95-97
	2-8	Workers who are not employees 69-71; 88
	2-9	Governance structure and composition 35-37
	2-10	Nomination and selection of the highest governance body 36
	2-12	Role of the highest governance body in overseeing the management of impacts 3-4; 11; 17-18
	2-13	Delegation of responsibility for managing impacts 11
	2-14	Role of the highest governance body in sustainability reporting 11
	2-15	Conflicts of interest 37
	2-16	Communication of critical concerns 11
	2-17	Collective knowledge of the highest governance body 11
	2-18	Evaluation of the performance of the highest governance body 37
	2-19	Remuneration policies 37
	2-20	Process to determine remuneration 35-37
	2-22	Statement on sustainable development strategy 12-13
	2-23	Policy commitments 17-18; 41-42; 72-73

GRI Standard	Disclosure	Pages
GRI 2: General Disclosures 2021	2-24	Embedding policy commitments 11; 41-44
	2-28	Membership associations 51
	2-29	Approach to stakeholder engagement 17-18
GRI 3: Material Topics 2021	3-1	Process to determine material topics 15-16
	3-2	List of material topics 15-16
	3-3	Management of material topics 15-18; 38-44; 47-92
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed 7-8
	201-2	Financial implications and other risks and opportunities due to climate change 55-59
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage 75-77
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers 41-44
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures 43-44
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices 41-42
GRI 301: Materials 2016	301-1	Materials used by weight or volume 93-94
	301-2	Recycled input materials used 62
	302-1	Energy consumption within the organization 58-59; 93
	302-2	Energy consumption outside of the organization 93
GRI 302: Energy 2016	302-4	Reduction of energy consumption 60-61
	303-1	Interactions with water as a shared resource 62
	303-2	Management of water discharge-related impacts 62
	303-4	Water discharge 95
	303-5	Water consumption 94
GRI 303: Water and Effluents 2018	304-2	Significant impacts of activities, products and services on biodiversity 25-27; 66
	304-3	Habitats protected or restored 66

GRI Standard	Disclosure	Pages
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	58-59; 93
	305-2 Energy indirect (Scope 2) GHG emissions	58-59; 93
	305-3 Other indirect (Scope 3) GHG emissions	58-59
	305-4 GHG emissions intensity	58-59; 93
	305-5 Reduction of GHG emissions	58-59
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	62
	306-2 Management of significant waste-related impacts	62
	306-3 Waste generated	95
	306-4 Waste diverted from disposal	93-94
	306-5 Waste directed to disposal	95
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	69-70
	308-2 Negative environmental impacts in the supply chain and actions taken	69-70
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	97
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	75-77
	401-3 Parental leave	96
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	82-83
	403-2 Hazard identification, risk assessment, and incident investigation	82
	403-3 Occupational health services	82-83
	403-5 Worker training on occupational health and safety	82-83
	403-6 Promotion of worker health	75-77
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	82-83
	403-8 Workers covered by an occupational health and safety management system	99
	403-9 Work-related injuries	99
	403-10 Work-related ill health	82-83

GRI Standard	Disclosure	Pages
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	79-81; 98
	404-2 Programs for upgrading employee skills and transition assistance programs	79-81
	404-3 Percentage of employees receiving regular performance and career development reviews	98
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	95-97
	405-2 Ratio of basic salary and remuneration of women to men	97
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	88-92
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	69-71
	414-2 Negative social impacts in the supply chain and actions taken	69-71
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	28-32; 84-88
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	99
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	86-87
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	46



Website: [www.mg-pen.com](http://www.mg-pen.com)

Address: No. 5, Lane 288, Qianfan Road, Xinqiao Town, Songjiang District, Shanghai

Email: [ESG@mg-pen.com](mailto:ESG@mg-pen.com)