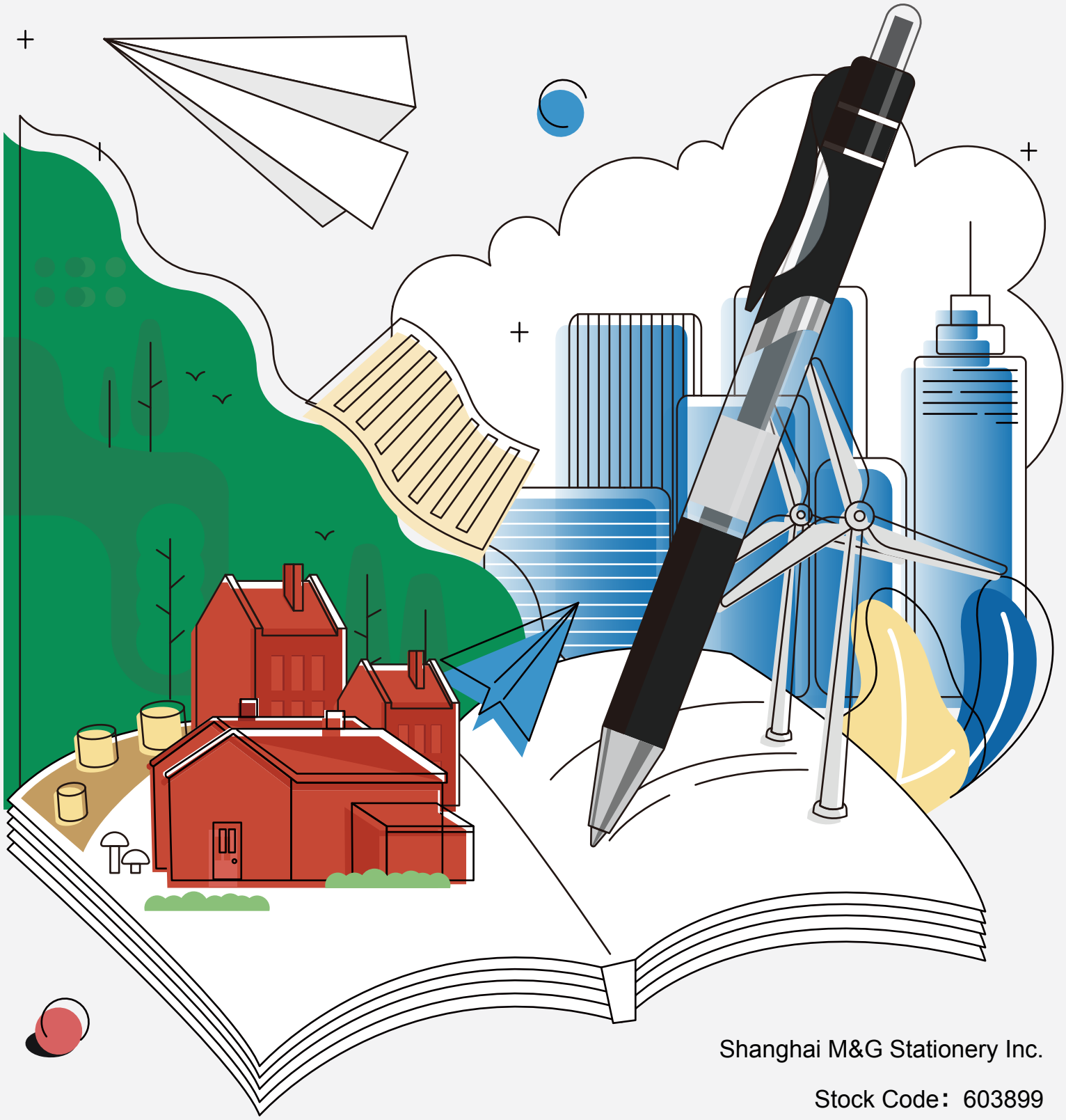
2022 Environmental, Social, and Governance Report

Writing a Sustainable Business Future



Shanghai M&G Stationery Inc.

Stock Code：603899

M&G STATIONERY

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About this Report

This report is the second 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 2022.

Basis of Preparation

This report refers to the United Nations Sustainable Development Goals (SDGs) and is prepared based on the "GRI Standards" issued by the Global Sustainability Standards Board (GSSB).

Scope of Report

This report covers the sustainable development practices and progress of M&G Stationery and its subsidiaries from January 1, 2022, to December 31, 2022 (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 19th meeting of the 5th Board of Directors and the 17th meeting of the 5th Board of Supervisors on March 29, 2023.

Report Access

This report is available in both Simplified Chinese and English. It is released in both paper and electronic versions. The electronic version of the report can be viewed and downloaded on the M&G Stationery's official website (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:
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本报告分别以中、英文编制，在对中外文文本的理解上发生歧义时，以中文文本为准。
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.

President's Message

In 2022, facing a complex and ever-changing external environment, M&G Stationery, behind 33 years of development and accumulated experience, adhered to a long-term vision and continued building upon its value as a national brand. This year is also the first year since the launch of M&G Stationery's sustainable development strategy. With the trust and support of all stakeholders, we constantly broke through our own limits, carried out work proactively under the four strategic pillars of "sustainable products," "response to climate change," "sustainable supply chain," and "empowering employees and communities," achieving beneficial results, and taking a solid step toward "writing a sustainable business future."

Embracing the "New," we provide sustainable products with higher standards.

While maintaining product quality, we actively explore the integration of sustainable development concepts into our products, bringing more green and environmentally friendly product choices to consumers. Through green design, we strive to improve product versatility, expand ink refill capacity, add refillable designs, and extend product life. At the same time, we actively seek renewable, degradable, and safer raw materials, and increase the use of environmentally certified raw materials in products and packaging. In early 2023, we launched the first domestic carbon-neutral series of stationery products, a new frontier in the green and low-carbon field. In addition, we proactively convey green concepts to consumers through product packaging and introduced the "Endangered Animals" marine series of stationery products to raise awareness of biodiversity.

Embracing "Green," we actively respond to climate change.

In response to the national "30/60" carbon peaking and carbon neutrality goals, we continue to explore greener and low-carbon production and operation methods. During the production process, we adopt lower-carbon and energy-saving technologies and processes to promote energy conservation and carbon reduction in production and operation, and at the same time, continue to advance the construction of photovoltaic power generation in production base, gradually increasing the proportion of renewable energy in the overall energy consumption structure. We actively promote low-carbon office initiatives, reducing the environmental impact of office operations while integrating sustainable development culture into employees' daily work and life.

Embracing "Unity," we are committed to building a sustainable supply chain.

Win-win and sustainability are the responsibilities and goals that we and our supply chain partners jointly uphold. By building and improving supply chain management and risk control systems, we strengthened supply chain capacity, and constructed a sustainable partnership of symbiosis, mutual growth, and regeneration, upstream and downstream in the value chain. In 2022, we researched and established an ESG assessment system, in line with the characteristics of the stationery industry's supply chain, and for the first time carried out systematic supply chain ESG assessments, conducting ESG audits on nearly 70 suppliers, and continuously optimizing assessment and improvement initiatives, working hand in hand with suppliers towards a common vision of sustainable development.

Embracing "People," we continuously empower employees and communities.

Adhering to the cultural core of "prioritizing the well-being of others before our own," we regard employees as the Company's valuable assets, and through multi-level, multi-format, and diversified training, we empower employees' growth and development, earning external employer brand recognition. With a high sense of social responsibility, combined with the resource advantages of stationery enterprises, we carry out public welfare projects in quality education, environmental protection, and humanistic care through our Shanghai M&G Charity Foundation, creating a sustainable public welfare brand and influence. By the end of 2022, we have carried out educational public welfare actions in 19 provinces and 42 cities nationwide, benefiting nearly 500,000 students and nearly 2,000 teachers, contributing corporate strength to national education.

A small stroke achieves greatness. We will always maintain a fighting spirit, take sustainable development as our direction, and never cease to explore. Hand in hand with stakeholders, we will move towards a better future together.



Chen Huxiong

President of Shanghai M&G Stationery Inc.

Sustainability Highlights of the Year

Responsible governance

- Established the Sustainability Office and improved the ESG governance system
- Benchmarked high-standard business conduct norms, formulating the "M&G Code of Business Conduct" to guide employees to abide by legal and ethical requirements in business operations
- Launched the "Management System Against Fraudulence," continuously carrying out anti-fraud training and internal promotion, covering 100% operations in corruption risk auditing
- Conducted 3 information security training sessions, internally promoting the eight information security regulations for M&G employee compliance, with approximately 400 employees participating in the training

Sustainable products

- Collaborated with Meituan's "Lush Mountain Plan" to use recycled takeaway boxes to create China's first carbon-neutral stationery series. A 25g takeaway box can produce about 10 carbon-neutral pens, each reducing about 2.3g of carbon emissions from plastic production
- Launched the "Endangered Animals" marine series stationery to guide consumers' attention to biodiversity
- Conducted testing on 8 gel ink (black) products according to the EU's regulation on "Registration, Evaluation, Authorization, and Restriction of Chemicals" (REACH Regulation), and improving the management of chemicals of concern based on test results



Response to climate change

- Annual photovoltaic power generation in the production bases exceeded 8.8 million kWh in 2022
- Launched the "M&G Low-Carbon Office Initiative," advocating for employees to practice low-carbon work methods through themed lectures, sending WeCom promotional images and texts, and posting reminders in office areas
- Improved the recycling and utilization rate of surplus materials during the production process, recycling a total of 7,200 tons of waste plastic for reuse in production in 2022



Sustainable supply chain

- Established an ESG assessment system for suppliers, conducted preliminary ESG audits for nearly 70 suppliers, and formulated 2023–2025 supplier ESG improvement goals and plans
- Held the supply chain conference twice in the year for the 10th consecutive year, engaged in in-depth discussions with supplier partners

on quality, cooperation, and corporate management, and signed the "Transparent Procurement & Integrity Convention" with suppliers

- Promoted safer and more environmentally friendly raw material substitutes: over 60% of pencil surface coatings use safer and more environmentally friendly water-based paints, and correction tapes with blister and other PVC packaging are gradually being replaced with phthalate-free PET packaging

Empowering employees and communities

- In 2022, female employees accounted for 48.3% of the workforce
- Launched "M&G Management Scenario Learning Map," providing middle-level managers with the knowledge and skills required for 11 core management scenarios
- Linked ESG performance to executive compensation, incorporating ESG factors into the annual performance appraisal system for 14 department heads
- Charitable donations totaling 5.33 million RMB, including 10,000 "Golden Seed" stationery gift packages donated domestically
- The Shanghai M&G Charity Foundation carried out educational public welfare initiatives in 19 provinces and 42 cities, benefiting nearly 500,000 students and nearly 2,000 teachers



About the Company

Business Overview

As one of the world's largest stationery manufacturers, Shanghai M&G Stationery Co., Inc. is an integrated stationery supplier and office service provider that integrates the value of creativity and service advantages, advocates a fashionable stationery lifestyle, and provides solutions for study and work. Its core traditional businesses mainly include designing, developing, manufacturing and selling writing instruments, student stationery, office supplies and other products under M&G STATIONERY brands, and also the e-commerce business M&G Technologies; Its new businesses mainly comprise of large retail store business – Jiumu Store and M&G Life, and direct office supplies business – M&G Colipu. In 2022, the Company achieved a revenue of 19.9 billion RMB, a year-on-year growth of 13%.

The Company is headquartered in Shanghai, China, in the 550-mu M&G Stationery Industrial Park. The Company invests over 100 million RMB annually in technology R&D and product innovation and owns over 1,000 patents. The Company has mastered the core technology of the ink delivery system, continuously polished production processes, and undertaken multiple national-level scientific research projects. Since 2010, the Company has been recognized as a national high-tech enterprise, and shares the park with China's Pen Industry Base, China's Pen Production Center, National Industrial Design Center, and China Key Laboratory of Light Industry and Writing Instrument Engineering Technology. In 2019, M&G Stationery Laboratory officially obtained accreditation from China National Accreditation Service for Conformity Assessment (CNAS), with testing capabilities in line with international standards.

Achieving green living through a simple stroke. M&G Stationery has been committed to creating "Quality stationery for everyone" for over 30 years, actively practicing corporate responsibility from the beginning, integrating social responsibility into the Company's development, and being the first listed company in China's stationery industry to release an ESG report. The Company's vision for sustainable development is to "write a sustainable business future," with a strategic positioning of "leading the industry's sustainable development," implementing the core concept of responsible governance, and establishing four strategic pillars of sustainable development: sustainable products, response to climate change, sustainable supply chain, and empowering employees and communities. The Shanghai M&G Charity Foundation upholds the concept of "promoting quality education and empowering community diversity," giving back to society through the promotion of quality education, environmental protection, and humanistic care. As of December 31, 2022, the Shanghai M&G Charity Foundation has launched educational public welfare initiatives in 42 cities across 19 provinces, benefiting nearly 500,000 students and nearly 2,000 teachers.



M&G Cultural Concept System

Core Culture	Mission	Vision	Values
Prioritizing the well-being of others before our own	Make study and work more joyful and effective	World-class M&G	Consumer-centric mindset, openness and inclusiveness, sincerity, focus, and win-win mindset

2022 Business Performance

19.9 billion RMB	5,574	70k	50+
Revenue	Total number of employees	Retail shops nationwide	Products sold to countries and regions

Honors and Awards

Category	Honor	Awarding organization
Sustainable development	APEC "Sustainable China Industrial Development Initiative" 2022 Annual Industry Case	APEC China Business Council
	2022 Yicai The Corporate Social Responsibility Ranking in China Environmental Ecology Contribution Award	China Business Network (Yicai)
	2023 Annual Caijing Evergreen Award	Caijing Magazine
	GoldenKey—Sustainable Development Solutions Winner Award	China Sustainability Tribune Magazine
Employer brand	2022 Best Employer Practice Pioneer Award	WRE(World Retail Elite)
Industry recognition	Top 100 Private Enterprises in Shanghai in 2022 (Ranked 34th)	Shanghai Enterprise Confederation / Shanghai Entrepreneurs Association / Shanghai Federation of Economic Organizations / Jiefang Daily
	Top 100 Manufacturing Enterprises in Shanghai in 2022 (Ranked 26th)	
	Top 100 Private Manufacturing Enterprises in Shanghai in 2022 (Ranked 10th)	
	Top 100 Enterprises in Shanghai in 2022 (Ranked 78th)	
	Top 100 Growing Enterprises in Shanghai in 2022 (Ranked 71st)	
	AAA Accredited Enterprise in Corporate Credit Evaluation	China Pen Production Association / China Social Credit Evaluation Center
Brand recognition	Brand Film "Do You Believe in Light?" on CCTV-1	CCTV Great Nation Brand
	Top 500 Most Valuable Brands in China in 2022	World Brand Lab
	2022 China Brand Annual Award Stationery No. 1	World Brand Lab
Technological innovation	China Light Industry Federation Science and Technological Innovation Award (First Prize)	China National Light Industry Council
	China Light Industry Federation Science and Technological Progress Award (Third Prize)	China National Light Industry Council
	Shanghai High-Tech Achievement Transformation Project (Stable Pigment-type Quick-drying Gel Ink)	Science and Technology Commission of Shanghai Municipality
	High-Tech Enterprise Certificate (2022–2025)	Science and Technology Commission of Shanghai Municipality / Shanghai Municipal Finance Bureau / Shanghai Municipal Tax Service, State Taxation Administration

History of M&G Stationery

1989

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

1997

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.

1999

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.

2002

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.

2005

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.

2008

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.

2022

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.

2021

M&G Stationery held a cloud signing ceremony with the Norwegian schoolbag brand Beckmann.

2020

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

2019

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

2017

M&G Stationery explored new retail in the industry and started the strategic transformation of " taking brand as the core and transforming from stationery to cultural and creative life"; M&G Colipu successfully acquired Office Depot (China).

2015

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

Governance

Sustainable and Steady Operation



Overview

M&G Stationery is committed to building a sound corporate governance system, establishing a standardized and efficient corporate governance structure, implementing and strengthening risk management, and ensuring the Company's stable operation. In 2022, the Company focused on strengthening its business ethics and system construction, continuously promoting information security and privacy protection, and constantly improving its corporate governance. At the same time, we practice the concept of responsible governance, integrate ESG into the Company's development strategy, establish and improve the sustainable development management framework and operation mechanism, and safeguard the implementation of the Company's sustainable development strategy.

Material Topics

- Responsible governance
- Sustainable development management

Performance Highlights

- Established the Sustainability Office and improved the ESG governance system
- Benchmarked high-standard business conduct norms, formulating the "M&G Code of Business Conduct" to guide employees to abide by legal and ethical requirements in business operations
- Launched the "Management System Against Fraudulence," continuously carrying out anti-fraud training and internal promotion, covering 100% of operation points in corruption risk auditing
- Conducted 3 information security training sessions, internally promoting the eight information security regulations for M&G employee compliance, with approximately 400 employees participating in the training

Addressing Sustainable Development Goals (SDGs)



Responsible Governance

M&G Stationery implements corporate governance according to the law, promotes the construction of modern enterprise systems, builds a top-down corporate governance system, continuously improves the governance structure and establishes a long-term compliance operation mechanism.

Governance Structure

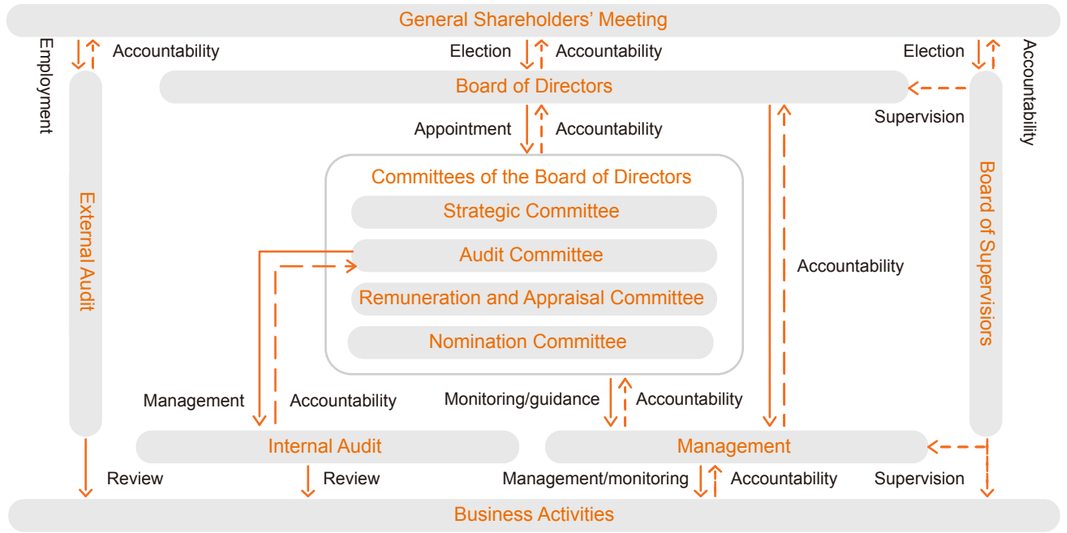
M&G Stationery strictly follows the requirements of the "Company Law of the People's Republic of China," "Securities Law of the People's Republic of China," "Guidelines on the Bylaws of Listed Companies," and "Code of Corporate Governance for Listed Companies," while enhancing the corporate governance structure and internal control systems. The Company actively standardizes operations, clarifies responsibilities in decision-making, execution, and supervision, and establishes a scientifically effective division of responsibilities and checks and balances mechanism to protect the rights and interests of investors and stakeholders.

M&G Stationery fully protects shareholders' rights and interests. The Shareholders' General Meeting 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 Shareholders' General Meeting according to the law, represents the Company externally, and exercises the decision-making power of operations, and is the Company's permanent executive body. The Board of Directors consists of 7 directors, including 3 independent directors, who review significant matters such as the appointment of senior management personnel, related-party transactions, and external investments. The Board of Directors has a Strategy Committee, Audit Committee, Compensation and Assessment Committee, and Nomination Committee. Each professional committee performs its duties independently, working according to the corresponding rules and regulations, fully guaranteeing the rationality of internal resource allocation and the efficiency of operational decision-making. The Board of Supervisors is the Company's permanent supervisory body under the leadership of the Shareholders' General Meeting, exercising supervisory functions. The Board of Supervisors and the Board of Directors operate in parallel, independently exercising supervision rights over the Board of Directors, senior management personnel, and the entire Company management.

M&G Stationery's "Three Meetings" in 2022:

2	8	7
Shareholders' General Meetings	Board of Directors Meetings	Board of Supervisors Meetings

M&G Stationery corporate governance structure



Risk Management

M&G Stationery continuously improves risk control processes and mechanisms, enhances risk management capabilities, and safeguards the Company's stable operations. 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 effectively 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 enterprise.

The Company combines the best practices of internal control domestically and abroad and its own business status to compile the "Internal Control Manual," establishing risk control system standards. For the Company's current operating procedures, the internal control procedures of the Company and 16 major business processes are recorded using flowcharts, process descriptions, and control matrices. Risk identification and risk analysis are conducted dynamically, and control strategies are adjusted accordingly. Multi-dimensional risk control is consolidated, and risk management processes are implemented throughout all aspects of management and operation.

The Company regularly assesses the market environment and company operations and updates risk management policies and systems accordingly. The Company's audit department conducts regular audits of risk management control procedures and reports the audit results to the Board of Directors' Audit Committee. Under the guidance of the Audit Committee, the Audit Department independently carries out audit work, evaluating the effectiveness and efficiency of internal control processes and execution.

In 2022, the Company further optimized and improved its internal control system and risk management system, with no significant defects or anomalies affecting corporate governance, operational management, and development.

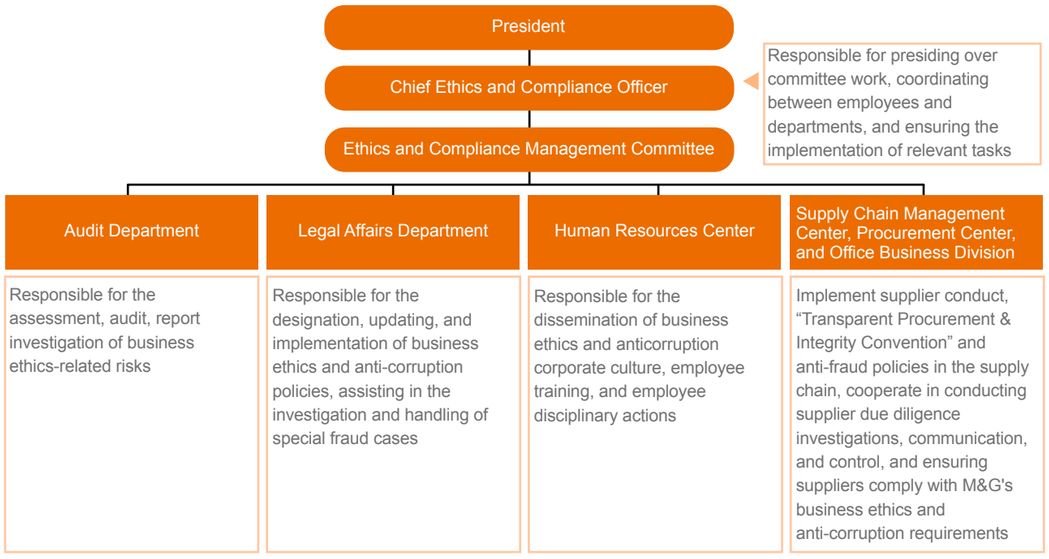
Business Ethics and Anti-corruption

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," "Anti-Unfair Competition Law of the People's Republic of China," and "Interim Provisions on Prohibiting Commercial Bribery," abides by business ethics, and has specialized institutions responsible for the Company's business ethics, integrity, compliance management, and anti-fraud. In 2022, the Company formulated the "M&G Code of Business Conduct," proposing that management personnel should set an example and take the lead in practice, fulfill their management and supervision responsibilities, and ensure that all personnel within their management scope understand and follow business ethics and integrity standards.

Dedicated Institutions

At the beginning of 2023, M&G Stationery established the Ethics and Compliance Management Committee, which is responsible for the Company's business ethics, anti-corruption, and compliance matters. The head of the Company's Legal Affairs Department serves as the director of the Ethics and Compliance Management Committee, presides over the committee's work, coordinates member departments, and reports directly to the Company president on ethics and compliance management. The committee members are composed of the heads of the Audit Department, Legal Affairs Department, Human Resources Center, and Procurement Department, who are responsible for risk assessment, audit, and report investigations related to business ethics, policy designation and implementation related to business ethics and anti-corruption, promotion of business ethics and anti-corruption corporate culture, and implementation of the "Supplier Code of Conduct" in the supply chain, and preventing and controlling supply chain corruption risks, respectively.

M&G Stationery business ethics structure



Compliant Operation

Compliance System Construction

M&G Stationery rigidly maintains compliant operation, upholding the principles of "openness, fairness, and justice" in conducting business and pursuing honest development. The Company strictly adheres to relevant laws and regulations such as the "Anti-Monopoly Law of the People's Republic of China," formulating rules and regulations including the "Guidelines of M&G Stationery's Antitrust Compliance," and prohibiting business practices that violate fair competition and anti-monopoly regulations. In 2022, the Company further improved its compliance management system, formulating regulations and normative documents such as "Employee Conflict of Interest Management System," "Internal Investigation and Handling System for Employee Misconduct," "Personal Information Protection Management System," and "Supplier Code of Conduct" to enhance the level of integrity and compliance management of business operations.

Compliance Training and Promotion

In 2022, M&G Stationery organized 28 compliance training sessions, with 1,732 participants. These sessions included advertising compliance training, product sample book compliance review, and e-commerce operation compliance training. The Company also distributed 19 compliance promotional articles to all employees via the "M&G Legal Department" WeCom application.

Anti-fraud

Management System

M&G Stationery adopts a zero-tolerance attitude towards any form of fraud. To prevent and control fraud and strengthen governance, the Company has formulated the "Management System Against Fraudulence" in accordance with relevant laws, regulations, and standards of regulatory agencies and securities trading markets. This policy clarifies the concept and forms of fraud, responsible parties, fraud prevention and control, and the reporting and handling procedures for fraud cases, aiming to standardize business operations and reduce company risks. The Company regularly conducts internal and external reviews to examine the implementation of anti-corruption and compliance measures at each operating site. In 2022, the Company's corruption risk auditing covered all operating sites with a 100% coverage rate, with no significant corruption cases during the year.

Multidimensional Implementation

For employees, M&G Stationery publishes a "M&G Code of Business Conduct" on its official website, advocating a sincere and honest corporate culture and promising a zero-tolerance attitude towards any form of fraud, bribery, or corruption, forbidding company employees from directly or indirectly asking, accepting, or promising any form of improper benefits from suppliers or partners in any capacity or for any reason. New employees must sign the "Letter of Commitment on Integrity and Self-Discipline" upon joining the Company, and employees promoted to key positions must undergo background checks and complete anti-fraud training.

M&G Stationery signs a "Transparent Procurement & Integrity Convention" framework contract with suppliers covering procurement, services, and engineering contracting, urging both parties to conduct business with integrity. The Company establishes dedicated hotlines, email addresses, and WeCom channels for reporting corruption and assigns personnel to handle reports. It conducts an annual supplier survey to investigate the business ethics of its employees in procurement work, and follows up with relevant suppliers to identify potential fraudulent behavior in a timely manner, and continuously strengthen the supervision and management of integrity.

Internal Promotion

M&G Stationery internally releases the "Management System Against Fraudulence" guidelines and sends monthly newsletter emails to all employees, containing anti-fraud reporting channels. The Company posts "Anti-fraud, Prioritizing Integrity" promotional posters in office buildings, factories, retail stores, warehouses, and other locations, and regularly holds training meetings to create an anti-fraud culture. The Company conducts anti-fraud training for its employees. In 2022, over 300 employees participated in anti-fraud training, including six senior managers, covering departments like Procurement Department, Technical Center, Production Center, and Logistics Center.

Reporting Mechanism

Reporting is an essential aspect of M&G's commitment to upholding business ethics. M&G places great importance on maintaining smooth reporting channels and the confidentiality of information. To ensure the normal operation of the Company's management system and encourage employees to actively report issues during the Company's management process, we standardize, encourage, and support employees and external personnel to report suspected violations and misconduct by company employees.

Fraud Reporting and Investigation

M&G has established dedicated personnel and positions to manage fraud reporting channels such as WeCom, hotline, and email. All reports received are assigned to specialists for fraud investigation. In 2022, the Company received 29 phone reports, 7 email reports, 3 WeCom leads, and 2 internal report complaints, all of which were promptly registered and properly handled.

Protection of Whistleblowers

M&G has formulated the "Whistleblower Protection and Non-retaliation System," which covers information confidentiality requirements, anti-retaliation measures, public assistance contact information, and clear disciplinary provisions. This system protects whistleblowers, investigators, and those who provide information during the investigation process from retaliation. Employees who disclose whistleblower information or retaliate against whistleblowers will be warned, given demerits, or terminated. If their actions break the law, the Company will hand them over to relevant government departments or judicial authorities for further action.

Information Security and Protection of Classified Business Information

Regulatory Compliance

In accordance with laws and regulations such as the "Civil Code of the People's Republic of China," "Cybersecurity Law of the People's Republic of China," "Data Security Law of the People's Republic of China," and "Personal Information Protection Law of the People's Republic of China," M&G formulated the "Personal Information Protection Management System" in 2022. All employees are required to understand and strictly abide by the Company's data usage regulations. When collecting user data and information, employees must clearly inform users of the purpose and confidentiality provisions of the data and information. Unauthorized disclosure, sale, or transfer of employee or customer information is prohibited, except when legally required or permitted. The Company discloses information about its business activities, organizational structure, financial status, and performance in accordance with regulations. All disclosed information is reviewed by the Office of the Board of Directors and other relevant departments to ensure its authenticity, accuracy, and completeness.

Layered Data Security Management

To further standardize the use and management of information data, in 2022, the Company's information security team refined data security management rules, implementing graded and layered management of company data. Clear approval processes were established for data beyond security clearance limits, as well as specific data export time limits. For sensitive data involving confidential business information and personal privacy, each department is required to comb through sensitive data in their business systems and set strict access permissions. Only dedicated personnel are allowed to use the data, or it can only be accessed after approval from senior management, ensuring the secure management of sensitive data.

Promotion of Security

The Company requires all departments and employees to carry out information security protection and to not disclose confidential information or personal information of the Company, customers, or suppliers. In August 2022, the Company organized three information security training sessions for internal employees, covering the eight information security regulations required of M&G employees. The content includes account and password management, phishing email prevention, application software management, and core data protection requirements. By sharing internal and external case studies, the training helps employees better understand and apply these practices to their actual work, enhancing their information security awareness and protection capabilities. Approximately 400 employees participated in the training, covering key departments such as Finance, IT, Human Resources, and Logistics Center.

In November 2022, M&G Stationery participated as one of the corporate representatives in the National Business Secret Protection Roundtable Conference organized by the State Administration for Market Regulation. Along with representatives from 100 other companies, M&G signed the "Protecting Business Secrets to Promote Innovation and Development" initiative, jointly promoting the protection of corporate legal rights and interests.

Sustainable Development Management

Sustainable Development Vision and Strategy

In 2021, M&G Stationery formulated its 2022–2025 sustainable development strategy, combining internal company status, business strategy, and external industry development trends. With a sustainable development vision of "writing a sustainable business future," the Company focuses on four pillars: sustainable products, response to climate change, sustainable supply chain, and empowering employees and communities to lead in the industry's sustainable development.

M&G Stationery sustainable development strategy

Vision

Writing a Sustainable Business Future

Strategic Positioning

Becoming an industry leader of sustainable development,including:

sustainable consumption, green production, responsible procurement, focus on employee growth, and promoting equal education

Four pillars

Sustainable products	Response to climate change	Sustainable supply chain	Empowering employees and communities
■ Producing sustainable products ■ Sustainable design concept ■ Sustainable raw material selection ■ Chemical management system	■ Group-level carbon emission reduction targets ■ Improving energy efficiency, energy conservation, and consumption reduction ■ Optimizing energy consumption structure ■ Green logistics ■ Green office operation	■ Supply chain management system ■ Anti-corruption management of Supplier ■ Supplier capacity building ■ Supply chain traceability	■ Management system of occupational health and safety ■ Employee training and career development system ■ Employee benefits ■ Diverse and inclusive work culture ■ Internal social support mechanism ■ Featured community activities
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 17 PARTNERSHIPS FOR THE GOALS	1 NO POVERTY 3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES

Systematic Foundation

Responsible corporate governance : building a top-down corporate management and governance system

Sustainable Development Goals and Progress

M&G Stationery supports its strategic positioning of "leading the industry's sustainable development" by building four strategic pillars of sustainable development. The Company further established specific strategic goals and implementation paths for sustainable development measures during the 2022–2025 period, ensuring the implementation of its sustainable development strategy. In 2022, the Company began preliminary exploration within the four pillars: defining green design, sustainable raw materials, green product packaging, and concept advocacy as the four essential elements of M&G's sustainable products; strengthening carbon emissions and energy management to practice green operations in response to climate change; conducting ESG audits among suppliers, providing feedback on their ESG performance, and conveying sustainable development values throughout the supply chain; linking ESG performance to executive compensation, including ESG factors in the annual performance evaluation system for 14 department heads, and continuously promoting various public welfare projects to give back to society.

M&G Stationery's strategic goals for sustainable development

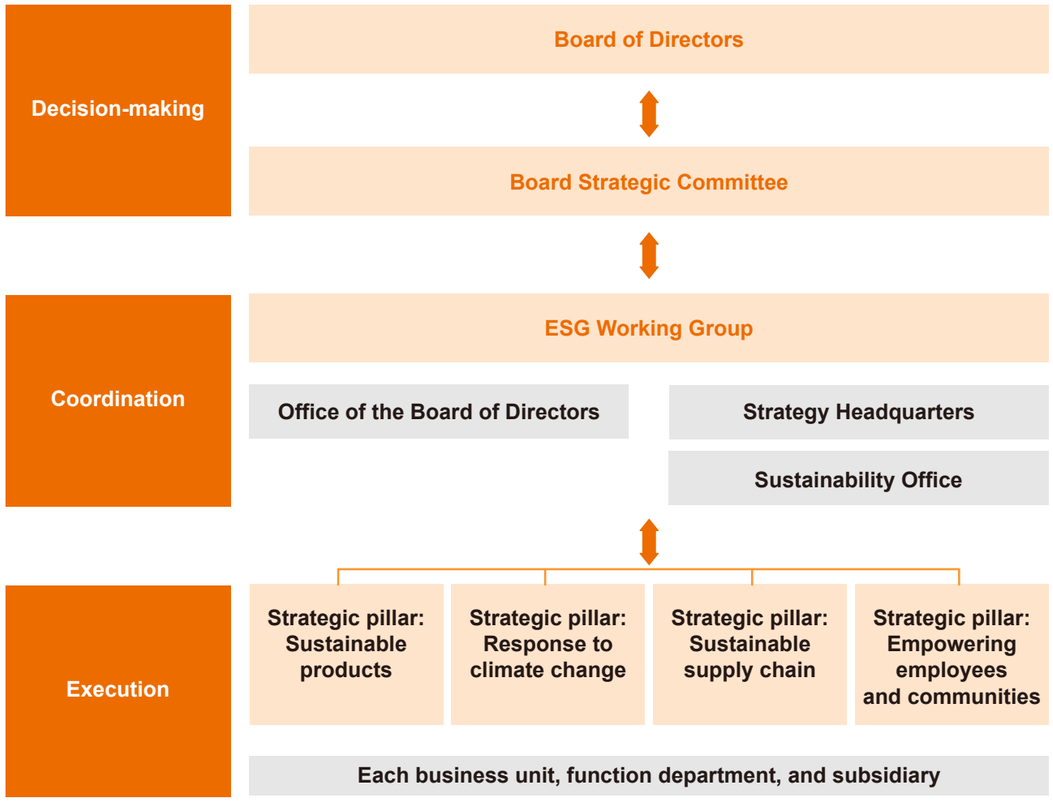
Sustainable products	Response to climate change	Sustainable supply chain	Empowering employees and communities
To achieve sustainable selection of some key raw materials by 2025	To be carbon neutral by 2050	To meet M&G Stationery ESG guidelines by 2025 for 100% key suppliers	To extend the benefits of charity and community investment to 10 million people by 2030

Sustainable Development Governance

M&G Stationery's Board of Directors is the highest decision-making body for the Company's sustainable development-related work. It is responsible for reviewing the Company's sustainable development risks, reviewing and approving sustainable development strategies, goals, and information disclosure, and supervising and self-assessing sustainable development-related policies, management, performance, and target progress.

The Company established an ESG working group, responsible for coordinating environmental, social, and governance plans in business operations, promoting the achievement of sustainable development strategic goals, and communicating and exchanging with internal and external stakeholders on sustainable development practices and progress. Each business unit, functional department, and subsidiary focuses on the four strategic pillars of sustainable development, implementing related projects, and promoting the achievement of sustainable development goals.

M&G Stationery's sustainable development governance framework



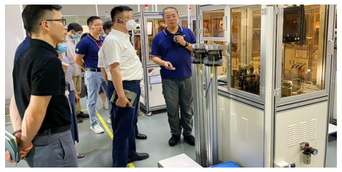
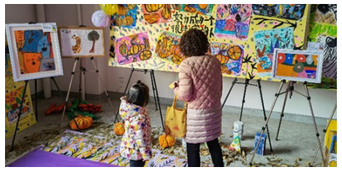
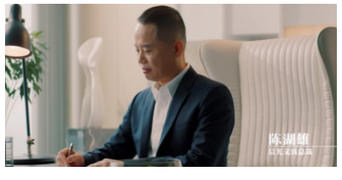
Stakeholder Communication

M&G Stationery values the needs of all stakeholders and maintains sincere and friendly communication. By continuously innovating communication mechanisms and enriching communication forms, the Company listens attentively to voices within all walks of society, ensuring accurate identification, comprehensive understanding, and precise responses to stakeholders' concerns and demands, while continuously improving its management and practices in communication.

M&G Stationery stakeholder communication

Stakeholders	Demands and expectations	Communication mechanisms and methods	Frequency/ Number of times
Government and regulatory departments	• Compliant operation • Corporate sustainability • Carbon emissions and energy management • Green production	• Special reports • Participation in government agency meetings • Supervision and assessment • Field research	• Held on an as-needed basis
Shareholders	• Continuous stable business growth • Product technology innovation • Compliant operation • Protection of shareholder interests • Business ethics and anti-corruption	• Shareholder meetings • Investor meetings • Performance briefings • Information disclosure	• Annual shareholder meeting • Yearly disclosure of annual and ESG report • Daily communication held on an as-needed basis
Consumers	• Information security and privacy protection • High-quality products and services • Product health and safety • Product sustainability	• Product promotion • After-sales service • Consumer surveys • Official website and WeChat official account	• Held on an as-needed basis

Stakeholders	Demands and Expectations	Communication Mechanisms and Methods	Frequency/ Number of Times
Suppliers/ Distributors	• Fair procurement • Long-term stable cooperation • Business ethics and anti-corruption • Packaging materials • Product sustainability • Product safety and quality control	• Bidding • Supply chain conference • Contract signing and execution • Business correspondence	• Biannual supply chain conference • Daily communication held on an as-needed basis
Employees	• Compensation and benefits • Employee/employer relations • Occupational health and safety • Employee training and development • Human rights protection • Diversity and inclusion	• WeCom • Internal email • Training and workshops • Daily work communication • Employee clubs and activities • Annual company meeting	• Held on an as-needed basis
Social organizations	• Community support • Charitable donations • Human rights protection • Carbon emissions and energy management • Packaging materials Waste management	• Cooperation and dialogue • Public welfare projects and activities • Official website and WeChat official account	• Held on an as-needed basis
Media	• Product optimization and innovation • Compliant operation • Human rights protection • Biodiversity • Carbon emissions and energy management • Responsible marketing	• Official website and WeChat official account • Media interviews and cooperation • Forums and seminars • Information disclosure	• Held on an as-needed basis

Stakeholders	Communication and interaction	On-site photos
Government and regulatory authorities	Leaders from Shanghai Institute of Quality Inspection and Technical Research visit M&G Shanghai production base for a "deepening of strategic cooperation" enterprise research activity	
Shareholders	In April 2022, M&G held an online "2021 Annual Performance Presentation" on the Shanghai Stock Exchange Roadshow Platform, communicating with shareholders and answering investor questions	
Consumers	M&G shares stationery knowledge with consumers through its WeChat official account	
Suppliers/ Distributors	In 2022, M&G held a special supply chain quality meeting with the theme of "production empowerment and quality improvement"	
Employees	M&G organizes annual events and activities to enrich employees' lives	
Social organizations	M&G collaborates with the Shanghai Charity Education and Training Center to hold an autistic children's painting exhibition, to promote social awareness of autism	
Media	M&G brand video "Do You Believe in Light?" was broadcasted on CCTV's "The Growing of the Great Brand" column, telling the brand story of M&G's creation of high-quality pens for Chinese people through innovation	

Identification and Analysis of Material Topics

M&G Stationery uses the GRI standards as the basis, referring to relevant domestic regulations and guidelines, and combining the Company's development strategy, industry trends, and national policies to identify and screen material topics related to its sustainable development. The Company conducts extensive questionnaire surveys for various stakeholders and analyzes material topics based on their feedback. Identifying and analyzing these issues can effectively help us focus on significant areas of sustainable development and continuously improve upon its management, thereby better meeting stakeholders' expectations and demands.

Topic Identification

Based on the 2021 material topics matrix, M&G combined national policies, domestic and international ESG evaluation standards, and industry benchmarking to identify 19 sustainable development issues of interest to stakeholders through horizontal benchmarking and vertical analysis.

Topic Investigation

Using questionnaire surveys, a total of 222 valid questionnaires were collected from internal and external stakeholders such as government agencies, shareholders, directors and supervisors, employees, consumers, suppliers, media, and public welfare organizations, to fully understand the focus of stakeholders on sustainable development issues.

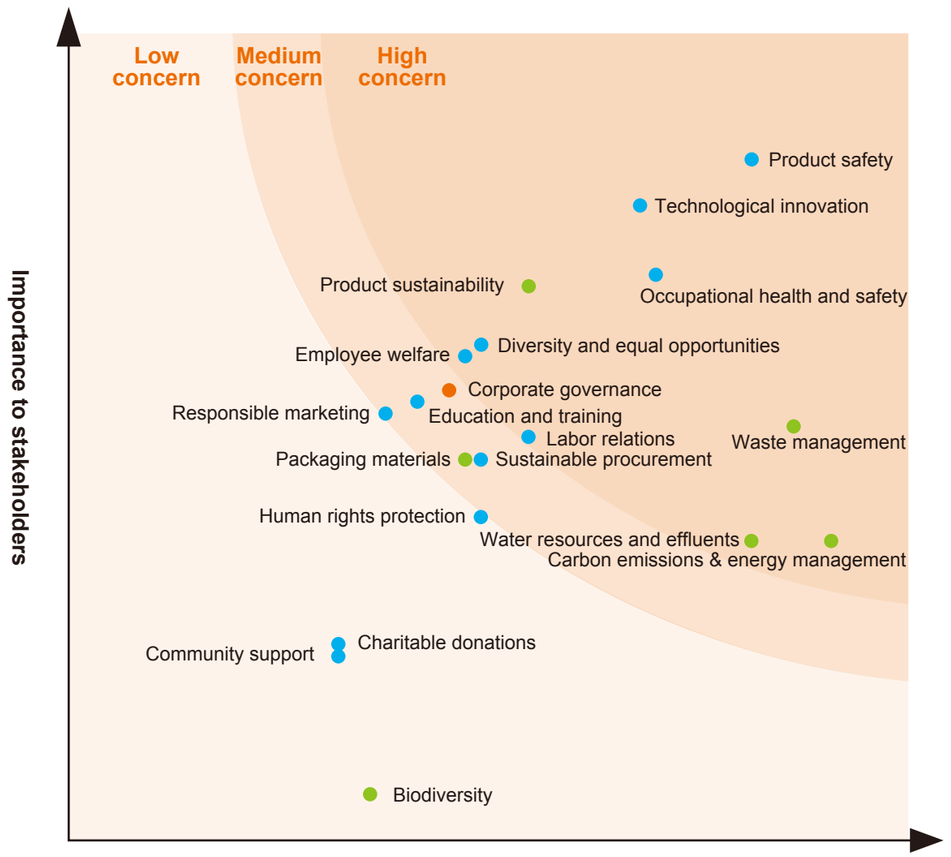
Topic Assessment

M&G draws its sustainable development material topics matrix by constructing a two-dimensional model that ranks the importance of issues based on "importance to corporate development" and "importance to stakeholders."

Review and Confirmation

Based on the evaluation results, M&G selects material topics with higher importance as the areas of focus which is then reviewed and confirmed by the Company's ESG working group. The results of the core issue analysis will become the focus of disclosure of this report and guide M&G's future sustainable development management.

M&G Stationery's 2022 sustainable development material topic matrix



Importance to the economy, environment and society

Governance

- Corporate governance

Environment

- Product sustainability
- Carbon emissions & energy management
- Waste management
- Water resources and effluents
- Packaging materials
- Biodiversity

Society

- Product safety
- Technological innovation
- Occupational health and safety
- Diversity and equal opportunities
- Employee welfare
- Labor relations
- Education and training
- Sustainable procurement
- Responsible marketing
- Human rights protection
- Charitable donations
- Community support

Environmental

Green Sustainable Development

Overview

M&G Stationery is committed to promoting the green and low-carbon transformation of the industrial supply chain. We focus on green design, sustainable raw materials, and product packaging to develop and promote sustainable products. We implement energy-saving and emission reduction measures through increasing the use of renewable energy and improving material recycling rates, supporting the response to climate change. We strengthen water resource management, strictly control effluents and waste emissions, and promote green logistics, reducing environmental impacts in every aspect of production and operation.

Material Topics

- Sustainable Products
- Response to Climate Change
- Practicing Green Operations

Performance Highlights

- Collaborated with Meituan's "Lush Mountain Plan" to use recycled takeaway boxes to create China's first carbon-neutral stationery series. A 25g takeaway box can produce about 10 carbon-neutral pens, each reducing about 2.3g of carbon emissions from plastic production
- Launched the "Endangered Animals" marine series stationery to guide consumers' attention to biodiversity
- Conducted testing on 8 gel ink (black) products according to the EU's regulation on "Registration, Evaluation, Authorization, and Restriction of Chemicals"(REACH Regulation), and improving the management of chemicals of concern based on test results
- Improved the recycling and utilization rate of surplus materials during the production process, recycling a total of 7,200 tons of waste plastic for reuse in production in 2022
- Launched the "M&G Low-Carbon Office Initiative," advocating for employees to practice low-carbon work methods through themed lectures, sending WeCom promotional images and texts, and posting reminders in office areas
- Annual photovoltaic power generation in the production bases exceeded 8.8 million kWh in 2022

Addressing Sustainable Development Goals (SDGs)





Sustainable Products

M&G's sustainable product concept is being gradually integrated into every stage of the product lifecycle. While strictly adhering to mandatory national standards such as "Request in Common Use of Security for Student's Articles," the Company also refers to international standards such as the European Standard "Safety of toys — Part 3: Migration of certain elements" (EN71-3). Focusing on the four major elements of green design, sustainable raw materials, green product packaging, and concept advocacy, the Company has formed its definition of sustainable products and implemented them in various product series designs.

Four key elements of M&G Stationery's sustainable products

Green design
- Improve product universal usability
- Simplify design
- Extend product life

Sustainable raw materials
- Use renewable, recyclable paper, wood, plastic, etc.
- Ensure chemical safety

Green product packaging
- Simplify packaging
- Replace plastic packaging with paper packaging
- Recycle materials

Concept advocacy
- Integrate sustainability concepts into product attributes
- Empower employees and community

Green Design

M&G incorporates sustainable development principles into its product design, striving for simplicity, improving the universal usability and compatibility of accessories, colors, and materials, reducing resource waste, and extending product life by designing large-capacity, reusable, or refillable products. The concept of environmental friendly design is reflected in product packaging, encouraging consumers to practice resource conservation and environmental protection.

CASE

Increasing pen writing length, reducing plastic waste

M&G Stationery innovatively develops pen products with increased writing length by upgrading to larger diameter thin-walled ink tubes, achieving a larger ink volume with the same outer diameter. The product line features specially developed durable pen tips, with writing lengths of over 600 meters, exceeding the 400-meter writing length requirement for 0.5mm gel pens according to the "Gel Ink Ballpoint Pens and Refills" (GB/T 37853-2019) national standard. This improves the pen's writing utilization rate and reduces plastic waste. In 2022, the Company further developed a new product with a writing length of over 1,700 meters, significantly optimizing the lifespan of the gel pen.



Gel pens with writing length over 1,700 meters

M&G Stationery has obtained environmental certifications for some of its products, including the China Environmental Labeling Certification (Ten Ring Certification) and the China Energy Conservation Certification. The Company's environmentally certified products include certain models of photocopy paper, printers, ink toner cartridges, and markers. At the beginning of 2023, the newly launched carbon-neutral series of products took sustainability into account as a key consideration in product design, and assessed the carbon footprint of these products, referring to internationally accepted ISO 14067 "Greenhouse gases — Carbon footprint of products — Requirements and guidelines for quantification" and PAS2050:2011 "Specification for the Assessment of the Life cycle Greenhouse Gas Emissions of Goods and Services". This series of products has completed carbon footprint accounting and carbon offsetting through a third-party carbon accounting organization and obtained carbon-neutral certification. In the future, we will continue to expand our environmentally certified green product series and continue to grow in the field of green product design and development.



The Ten Ring Certificate awarded for M&G Stationery's split ink toner cartridge



The carbon-neutral series of products obtained carbon-neutral certification from third-party organization

Sustainable Raw Materials

To optimize material usage and strengthen product reusability, M&G Stationery uses renewable, degradable, and safer materials where possible, developing more environmentally friendly and healthy products, and reduces waste generation, using a systemic approach to solve sustainability challenges.

Raw Material Selection

Use of environmentally certified raw materials

M&G Stationery aims to improve the environmental attributes of its products from the beginning of their lifecycle by using environmentally certified leather, paper, and plastics in some of its product categories such as leather-bound notebooks and others.

Forest Stewardship Council (FSC) certification

Forest certification, also known as timber certification. Requires that production processes meet environmental, community, and economic viability standards.

Global Recycled Standard (GRS) certification

Requires increasing the use of recycled materials in products, reducing or eliminating hazards in the production process.

China Environmental Labeling Product Certification (Ten Ring Certification)

In addition to product quality, low toxicity, resource conservation, and other environmental benefits are also required.



M&G Stationery has obtained GRS Certification for purchased rPET

Use of safer and harmless materials

M&G Stationery's easy-to-clean watercolor pens, antibacterial super-light clay, and food-grade oil pastels are art and stationery products primarily targeted at young children, which comply with China's mandatory safety standards. Some related products also comply with the European environmental standard "Toy Safety — Part 3: Migration of certain elements" (EN71-3). Some colored pencil products utilize water-based paint to ensure healthier and more environmentally friendly options. Meanwhile, crayons and markers use food-grade materials, expanding the food-grade art painting product portfolio.



New product made from EU standard compliant food-grade materials: Easy-to-clean watercolor pens

Exploring plastic reduction solutions

To reduce the impact of plastic waste on the environment, M&G Stationery actively seeks environmentally friendly plastic reduction solutions.

Plastic category replacement

When an excessive amount of plasticizer is added during the injection molding process, PVC material can become harmful to both the environment and human health. Thus, M&G Stationery is working to replace PVC material in its products with PET material, which does not require the addition of plasticizers, reducing potential risks to human health and the environment.



Nine-drawer grid-style storage box made from PET

Biobased plastics

Biobased plastics are made primarily from natural organic substances and are environmentally friendly. M&G Stationery is actively developing biobased degradable plastics as raw materials. Currently, it uses plant residues such as straw as fillers to synthesize degradable polylactic acid materials, which are applied to the barrels of certain gel pens, recycling the plant residues in the process.

Using recycled plastics

M&G Stationery also strives to use recycled materials in its production. This initiative helps reduce the input of virgin plastics, thereby reducing dependence on their use, reducing environmental pollution caused by non-degradable plastics, and reducing carbon emissions from raw materials. In 2022, M&G took an important step in recycling by cooperating with Meituan's "Lush Mountain Plan" to recycle takeout boxes into recycled plastics, which were then injection-molded into various stationery products. These recycled plastics are mainly used in the carbon-neutral product series, where one 25g takeout box can be recycled to produce about 10 carbon-neutral pens. The first batch of carbon-neutral series products includes gel pens, highlighters, markers, staplers, pen holders, and pencil cases.



M&G Stationery's carbon-neutral series of stationery products

Focus on the sustainability of raw materials

M&G Stationery's subsidiary Axus Stationery uses fast-growing poplar instead of basswood to make pencils. Since 2005, Axus Stationery has been among the first in the industry to use fast-growing poplar on a large scale to manufacture high-end pencils. Currently, more than 80% of the wood used by Axus Stationery for pencil production comes from fast-growing forests. To seek more resources and protect biodiversity, in-depth research on alternative tree species is continuing, and the scope of tree species research will continue to expand.

Chemical Safety

To reduce the impact of chemicals on the natural environment and human health during the product life cycle, M&G Stationery has established the M&G Chemical Management System for controlling and managing the chemicals involved in its products.

Chemical management policy

M&G Stationery closely adheres to domestic and international chemical management standards. In accordance with the "Catalog of Toxic Chemicals Strictly Restricted in China," "Regulations of the People's Republic of China on Administration of Chemicals Subjected to Supervision and Control — Various Monitored Chemicals List," "Request in Common Use of Security for Student's Articles" (GB 21027-2020), and the European Union "Safety of toys — Part 3: Migration of certain elements" (EN71-3), "Registration, Evaluation, Authorization, and Restriction of Chemicals" (REACH Regulation), the Company has formulated and continuously improved its "Chemical Management Policy" and "Product Safety Requirements Checklist." The "Chemical Management Policy" applies to all proprietary and non-proprietary products within the Company, clearly stating the main purpose of its chemical management, the prohibition and elimination of chemicals, safety standards and certification requirements, and the management of chemical suppliers and related parties, etc. The chemical risk assessment and inspection control specified in the policy covers various stages of the product life cycle, such as raw material procurement and warehousing, new product design and production, and product sales. As for the "Product Safety Requirements Checklist," the Company continues to enforce greater limitations on various substances including chemical elements, colorants, preservatives, fillers, and fluorescence brightness for different types of products, strictly ensuring product safety.

M&G Stationery chemical management mechanism

Stages & Control measures

Raw material procurement and warehousing	Product development and production	Product acceptance and sales
Assess and test chemicals, selecting raw materials taking into account international and domestic banned chemical lists, considering factors such as human health, potential environmental impact, and customer preferences	Conduct specialized audits of processes, ensuring production procedures meet chemical inspection standards	Carry out random periodic chemical sampling audits, ensuring products comply with Company control requirements

Scope of Regulated Chemicals and Phase-out List

In 2022, M&G Stationery raised new requirements for the replacement, phase-out, and use of more environmentally friendly and healthier chemicals. The Company strictly implements international and domestic policy requirements for chemical control, restricting and phasing out banned chemicals. Self-inspections are conducted on the use of chemicals in raw materials and proprietary products according to the requirements of China Environmental Labeling Product Certification and REACH Regulation. M&G Stationery optimizes its "Restricted Chemical List," based on self-inspection results, continuously updating restricted chemical categories, and promoting the use of alternatives or redesigning production processes.

At the beginning of 2023, the Company sent 8 gel ink samples (black) for inspection according to Annex XVII to REACH Regulation. The inspection detected the chemicals contained in the ink, with 7 samples passing the test and complying with the REACH Regulation requirements for chemical restrictions. Based on the test results, in 2023 we will further improve the management of chemicals of concern in products, optimize restriction and phase-out plans, ensuring products meet higher safety and environmental standards.



M&G Stationery gel ink (black) REACH test report



M&G Stationery gel ink (black) REACH certification

CASE

Gradual phase-out of chemical components of high concern

To make products safer, more environmentally friendly, and to provide users with greater confidence and peace of mind, M&G Stationery continuously strengthens its chemical management, introducing viable alternative raw materials and substances with lower environmental and human health risks, gradually replacing harmful materials and chemicals used in product production. Taking printing ink as an example, the polycyclic aromatic hydrocarbons (PAHs) contained in traditional ink components not only volatilize and increase air pollution but also cause harm to the human body. The packaging cartons purchased by the Company's Shanghai production base have all replaced petroleum inks with environmentally friendly soy-based inks, reducing the pollution of volatile organic compounds (VOCs) to the environment and the threat to human health.

Track record of M&G Stationery raw material replacement and phase-out in 2022

Product type	Material phase-out and replacement
Wooden Graphite pencil	Over 60% of wooden pencils sold (counted in terms of sales volume) now use environmentally friendly water-based paint for surface coatings instead of nitrocellulose paint.
Cartons, paper boxes	All packaging cartons purchased in the Shanghai production base have switched to environmentally friendly soy-based ink, replacing traditional petroleum ink.
Correction tape blister packaging	All correction tape suppliers are required to use polyester resin (PET) material,replacing polyvinyl chloride (PVC) for blister packaging.
Writing instruments, pen holder, stapler	Some products have been replaced with recycled material (rPC) from polycarbonate (PC) material.

Supply Chain Chemical Management

M&G Stationery is committed to standardized chemical management upstream and downstream, identifying chemicals used in products, packaging, and manufacturing processes. The Company provides chemical usage information to customers, employees, and other stakeholders while legally protecting trade secrets. M&G collaborates with suppliers to research and promote environmentally friendly products, ensuring product safety and compliance. It requires suppliers to demonstrate a track record of introducing viable alternatives to high concern substances, and provide materials, components, and products that meet standard requirements. Products designed and produced by suppliers are inspected according to control standards, and any change made by suppliers must be assessed and verified by the M&G Technical Center before implementation.

Promotion of Chemical Knowledge

M&G Stationery improves consumer awareness on product chemical content through channels that are easy for consumers to access, including WeChat official account and product packaging.

CASE

The stationery science education column on WeChat official account

M&G Stationery uses a science education column on its WeChat official account as a platform, introducing the design and performance of products including ink, correction tape, and schoolbags. The content focuses on product performance design and health and safety, showing consumers the impact of different material compositions on human health and the environment, helping them improve awareness on product chemical contents and understand chemical knowledge and product principles, and thus making more scientifically informed choices for better-performing, high-quality, and safer stationery products.



M&G Stationery's WeChat official account platform posts educational science articles about ink

Green Packaging

M&G Stationery applies the concepts of simplicity and practicality, avoiding excessive packaging in the design of multiple product series. M&G Stationery's subsidiary Axus Stationery established a packaging database, standardizing the structure, size, materials, and printing processes of packaging materials for various categories, to avoid excessive packaging and resource waste. Beckmann, another subsidiary of M&G, removes individual plastic packaging from backpack products to reduce plastic usage. The Company actively develops and promotes the application of degradable packaging materials, such as the replacement of plastic packaging boxes with starch foam packaging and renewable paper pulp packaging.

Adjustment of packaging material properties

Packaging material category	Adjustment of properties and reduction of consumables
Transparent sealing polyester adhesive label	By reducing the thickness of the tape, approximately 40% of PET plastic usage is saved.
Marco sellotape	By reducing the width, approximately 20% of BOPP raw material usage is saved.

Concept Advocacy

In 2022, M&G Stationery launched several new products using recyclable materials or reusable designs, including the Ben Wei stapler, nine-drawer grid-style storage box/HuanBaoJi stapler, HuanBaoJi pen holder/HuanBaoJi double-tipped marker, and refillable whiteboard pen. M&G highlights the eco-friendly features of their products, encouraging consumers to select environmentally conscious stationery options. Simultaneously, we communicate the concept of low-carbon environmental protection to consumers through unique marketing campaigns like "Good Sharing, Good Fun," sparking their enthusiasm for a sustainable, eco-friendly lifestyle.

The Company has launched the "Endangered Animals" marine product line, featuring packaging boxes that serve multiple purposes. Not only do these boxes function as external packaging for stationery items, but they can also be repurposed as pencil cases or storage containers for everyday use by consumers. The inspiration for this stationery series originated from the desire to preserve biodiversity and working collaboratively to write a better future. By applying innovative product packaging design styles like "Realistic Naturalism" and "ACGN-style Vector," the series speaks for endangered marine animals, calling attention to biodiversity issues, and raising environmental awareness.



"Endangered Animals" marine series of stationery products

Response to Climate Change

M&G Stationery proactively addresses climate change risks, reduces GHG emissions, and conserves energy. The Company's production bases have adopted various energy-saving measures, improved production equipment and processes, increased photovoltaic power generation for optimized energy use, and actively promoted green office initiatives, showing commitment to the continuous reduction of its carbon footprint in production operations.

Carbon Emission Management

M&G Stationery supports the Chinese government's commitment to achieving carbon peaking by 2030 and carbon neutrality by 2060. It regards responding to climate change as one of the critical pillars of the Company's sustainable development strategy, setting the corporate goal of achieving carbon neutrality by 2050. In 2022, the Company disclosed its GHG emissions performance in its 2021 ESG report and further expanded the scope of accounting and disclosure in the 2022 report. This included not only the Shanghai production base but also the production, logistics, and office operation sites. At the product level, the Company has developed and launched China's first "carbon-neutral" series of stationery products, which have obtained carbon neutrality certification from third-party verification agency. In 2023, the Company will further improve carbon emission data accounting, strengthen carbon footprint management, and accelerate progress in responding to climate change.

Energy Conservation and Consumption Reduction

M&G Stationery strictly adheres to the relevant national laws and regulations such as the "Law of the People's Republic of China on Energy Conservation" and the "Law of the People's Republic of China on Promotion of Clean Production," actively responds to national energy-saving and emission reduction policies, and has developed an "Energy Management Manual" according to the requirements and guidelines of the ISO 50001:2018 "Energy management systems — Requirements with guidance for use." The Company strives to continuously improve the effectiveness of its energy management system through the implementation of technical and managerial energy conservation measures, as well as the optimization of its energy usage. This not only enhances energy utilization efficiency, but also reduces energy consumption in the production process and subsequently lowers carbon emissions.

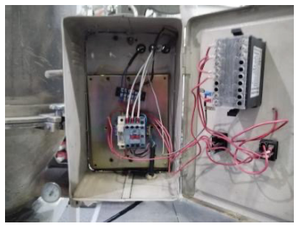


M&G Stationery's energy management system has obtained ISO 50001:2018 certification

The Company places great importance on energy consumption during the production process and identifies key areas for improving the energy management system based on regular energy audits, inspections and research findings. The Company has obtained the international standard ISO 50001:2018 "Energy management systems — Requirements with guidance for use" certification for its energy management system in the production process of products such as ballpoint pens, pen refills, and folders (document pouches).

The Company implements effective measures to enhance energy efficiency, reduce electricity and other energy consumption levels, and lower carbon emissions in the core business production process. These measures include improving equipment operation methods and introducing highly energy-efficient equipment. At the same time, the Company continuously increases the proportion of renewable energy in its overall energy usage. In 2022, the photovoltaic power-generating equipment in the Company's production bases generated over 8.8 million kilowatt-hours of solar energy.

Optimization of M&G Stationery's equipment energy-saving measures

Equipment optimization	Annual electricity savings of approximately 800,000 kilowatt-hours	Intelligent temperature control is used for injection molding drying barrels instead of mechanical temperature control. Temperature sensors are installed, and the blowing rate is intelligently adjusted to reduce energy waste.	
		The compressed air station replaced the single-headed air compressor with a double-headed one to prevent energy consumption due to idling.	
Technology upgrade	Technology upgrade to improve operational efficiency	The shredder intelligently follows the operation instructions of the injection molding machine to improve operational efficiency and reduce idle energy consumption.	
		The hydraulic oil pump drive of the injection molding machine was modified by replacing the hydraulic oil pump drive with a servo drive, which allows for adjusting the power of the equipment depending on the operation, resulting in more efficient energy use.	

Energy and carbon emissions [1]	Unit	2021	2022
Gasoline	ton	123	65
Diesel	ton	103	85
Purchased electricity	kWh	87,376,464	76,400,816
Photovoltaic power generation	kWh	8,757,050	8,854,470
Scope 1 GHG emissions	tCO_2e	698	1,433 [2]
Scope 2 GHG emissions	tCO_2e	68,853	32,389 [3]
Total GHG emissions (Scope 1 and Scope 2)	tCO_2e	69,551	33,822
GHG emissions intensity	tCO_2e/million RMB of revenue	4.0	1.7

1. In 2021, the energy consumption data (electricity, gasoline, and diesel) and GHG emissions data of M&G Stationery were limited to the Shanghai production and logistics base, while in 2022, the data range has expanded to include the Shanghai production and logistics base, South China production and logistics base, the North China logistics base and the Shanghai headquarters office building.
2. In 2021, the Scope 1 GHG emissions were calculated for gasoline and diesel, while in 2022, the scope has expanded to include gasoline, diesel, refrigerants, and methane (septic tank).
3. The emission factor from electricity generation in Shanghai was adjusted from 7.88 tCO_2e/10,000 kWh to 4.20 tCO_2e/10,000 kWh in 2022. Electricity consumption is one of the main sources of GHG emissions for M&G Stationery, so Scope 2 GHG emissions in 2022 decreased significantly compared to 2021.

Green Office Operation

M&G Stationery promotes the concept of green office operation to all employees to enhance their awareness of energy conservation and environmental protection while cultivating green and low-carbon behavior habits. The Company encourages employees to turn off lights and power when leaving and assigns dedicated personnel to inspect the areas to avoid water and electricity consumption in unoccupied areas. During winter, the Company provides hot water bags to employees and operates fresh air machines only during office hours to ensure a comfortable and healthy office environment while minimizing energy waste. In 2022, the Company launched the "M&G Low-Carbon Office Initiative" which includes themed lectures, WeCom promotional articles and images, and reminder signs posted in office areas to encourage employees to practice low-carbon work methods.

Green office signage in the office area:
Energy saving (left) and double-sided printing (right)





Implementing Green Operations

M&G Stationery actively practices the concept of sustainable development in production and operation, optimizes water resource management at production bases, reduces waste generation and properly handles waste through classification, and continuously promotes green logistics to reduce its own environmental footprint.

Water Resources and Effluents

M&G Stationery strictly complies with the "Water Law of the People's Republic of China" and relevant water resource laws and regulations in areas of operation, is committed to improving the ability and efficiency of water resource management, and integrates the concept of sustainable water resource utilization throughout production and operation.

Water Resource Usage

In daily production and operation, M&G Stationery strengthens water management and improves water resource utilization efficiency through measures such as improving equipment water usage efficiency, continuously monitoring and recording water resource usage, scientifically implementing "recycled water reuse," using injection recycled water in factory restrooms, and timely shutting off water in unoccupied factory areas.

Water resource usage	Unit	2021	2022
Tap water consumption	ton	593,000	539,000
Total amount of recycled and reused water	ton	50,000	45,000

Drainage and Effluents Treatment

M&G Stationery strictly follows the "Law of the People's Republic of China on Prevention and Control of Water Pollution," "Shanghai Integrated Wastewater Discharge Standard," and other laws and regulations to strictly regulate effluents discharge and disposal. The Company's wastewater mainly comes from production effluents and domestic wastewater. All effluents are treated at the wastewater treatment facilities to ensure that they are safely treated and discharged into the municipal sewage pipeline, in compliance with the wastewater discharge standards. At the same time, the Company hires a qualified third-party organization to conduct wastewater compliance testing and issue compliance certification every year, ensuring compliant wastewater discharge.

Wastewater discharge	Unit	2021	2022
Wastewater discharged	ton	2,800	2,000 [1]

1. This data is the estimated annual processing amount of effluents produced.

Waste Management

M&G Stationery strictly complies with the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste," and other relevant regulations and standards for the compliant treatment of solid waste. Adhering to the principle that avoidance is better than treatment, the Company reduces solid waste generation by reusing production line leftovers. At the same time, it encourages suppliers to strengthen waste management.

Recycling and Utilization of Surplus Materials

M&G Stationery actively classifies and recycles waste generated during the production process, establishes a quality sorting team, sets up related waste product utilization processes, and improves the material recycling rate. For example, the factory's injection molding workshop recycles, granulates, and reuses the dust generated by the injection molding machine's plastic particles. In 2022, the plastic recycling volume increased significantly, with approximately 7,200 tons of recycled materials used for production lines to produce new products.

Recycled plastic	Unit	2021	2022
Recycled plastic for production (recycled material)	ton	1,021	7,200[1]
Other recycled plastic	ton	279	251
Total recycled plastic	ton	1,300	7,451

1. The amount of plastic recycled for production in 2022 is estimated based on internal statistics.

CASE

Axus Stationery wood chip recycling and utilization

Axus Stationery, subsidiary of M&G Stationery, compresses wood chips generated during the production process through a pellet machine, transforming them into renewable resources for recycling and utilization, reducing waste generation, and saving wood consumption.



Wood chips recycled at Axus Stationery factory

Solid Waste

To reduce industrial solid waste, M&G Stationery regularly inspects production equipment to reduce defective and scrapped products caused by equipment abnormalities. For waste that cannot be reprocessed, it is regularly collected and treated according to national regulations. Domestic waste is handed over to the local sanitation department for centralized treatment. At the same time, to control the risk of solid waste, the Company strictly follows the "National Hazardous Waste Inventory" for hazardous waste identification and entrusts a third-party company with a hazardous waste management license to handle hazardous waste, ensuring the compliance and legality of waste transported from operation sites.

Solid waste	Unit	2021	2022
Hazardous waste	ton	20	28
General solid waste (Non-hazardous waste)	ton	1,000	700
Total solid waste	ton	1,020	728

Green Logistics

M&G Stationery continuously explores green logistics solutions from warehousing to distribution, aiming to achieve green packaging and green transportation and build a more energy-efficient and modern green logistics system.

Logistics Packaging

M&G Stationery insists on using green packaging in storage and circulation, striving to minimize the use of packaging materials without compromising product transportation safety, and exploring the application and promotion of recyclable and degradable packaging materials. The Company's subsidiary Axus Stationery promotes the use of renewable and degradable honeycomb corrugated paper lining boards to replace polystyrene (PS) plastic pallets; Jiumu Store offline goods use turnover boxes for transportation; Beckmann's online store ships with courier bags made of recyclable plastic. In addition, the Company recycles and reuses packaging materials from suppliers, encouraging the use of turnover boxes and recyclable packaging during logistics transportation.

Packaging material	Unit	2021	2022
Logistics packaging paper	ton	1,810	1,800
Recycled packaging paper	ton	160	276
Packaging usage intensity	tons/million RMB of revenue	0.1	0.1

Energy-saving Logistics

To achieve energy conservation, emission reduction, and improve efficiency, M&G Stationery actively implements equipment automation and an online intelligent logistics network. The Company has established three regional distribution centers nationwide, which are responsible for warehousing and logistics services. The optimization and upgrade of the fulfillment system and the addition of warehouse sorting lines have increased the overall operational efficiency by 20%. Fixed assets (pallets), visitor appointments, and electronic release forms are implemented online and visually, without paper, making operations simpler and clearer while reflecting M&G's green and low-carbon mission.

M&G Stationery is committed to improving the efficiency and environmental sustainability of its logistics operations. The Company has increased the proportion of railway transportation and optimized transportation routes to enhance logistics efficiency. In addition, the Company has phased out some National Stage III emission standard trucks with new vehicles that meet the National Stage VI emission standards, resulting in reduced pollutant emissions. M&G Stationery is also promoting a project to replace all fuel forklifts with electric forklifts, thereby reducing GHG emissions in logistics and warehousing.

Social

Sustainable Value Creation



Overview

Since its inception, M&G Stationery has been committed to fulfilling its social responsibility, striving to promote the co-creation of social value while developing its business. We consistently enhance supply chain management, fostering ESG development among suppliers, and collaboratively establishing a sustainable supply chain. We create top-notch platforms for employee growth and excellence, empowering talent in achieving significant development. We remain dedicated to public welfare, advocating educational equity, and providing ongoing community support. We seek innovation and breakthroughs in products and technologies, offering consumers a varied selection and fostering innovative, benevolent business development.

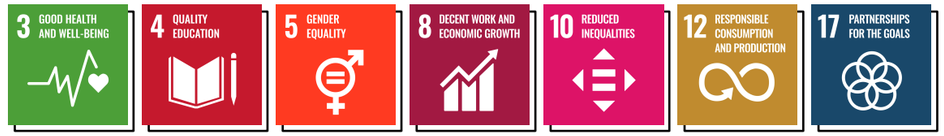
Material Topics

- Sustainable supply chain
- Empowering employees and communities
- Innovative for positive development

Performance Highlights

- Established an ESG assessment system for suppliers, conducted preliminary ESG audits for nearly 70 suppliers, and formulated 2023–2025 supplier ESG improvement goals and plans
- Held the supply chain conference twice in the year for the 10th consecutive year, engaged in in-depth discussions with supplier partners on quality, cooperation, and corporate management, and signed the "Transparent Procurement & Integrity Convention" with suppliers
- Promoted safer and more environmentally friendly raw material substitutes: over 60% of pencil surface coatings use safer and more environmentally friendly water-based paints, and correction tapes with blister and other PVC packaging are gradually being replaced with phthalate-free PET packaging
- In 2022, female employees accounted for 48.3% of the workforce
- Launched "M&G Management Scenario Learning Map," providing middle-level managers with the knowledge and skills required for 11 core management scenarios
- Linked ESG performance to executive compensation, incorporating ESG factors into the annual performance appraisal system for 14 department heads
- Charitable donations totaling 5.33 million RMB, including 10,000 "Golden Seed" stationery gift packages donated domestically
- The Shanghai M&G Charity Foundation carried out educational public welfare initiatives in 19 provinces and 42 cities, benefiting nearly 500,000 students and nearly 2,000 teachers

Addressing Sustainable Development Goals (SDGs)



Sustainable Supply Chain

The sustainable supply chain is one of the four pillars of M&G Stationery's sustainable development strategy. We adhere to the concept of responsible procurement, continuously optimizing the entire supply chain management process, strictly implementing risk control, strengthening communication and cooperation with suppliers, and building a responsible supply chain management system. This allows us to achieve coordinated development across the industrial chain.

Supply Chain Management Policy

Building a complete supply chain management system is the key foundation for constructing a sustainable supply chain and achieving win-win cooperation with our numerous suppliers. M&G Stationery is continuously improving and promoting a series of supplier management documents, including the "Supplier Management Method," "New Supplier Development and Introduction Management Method," "Supplier Evaluation Management Method," and "Logistics Supplier Credit Assessment Measures." These measures strengthen the standardized management of the entire process of introducing new suppliers, graded management, and assessment evaluation, ensuring an effective and responsible supplier management system.

Fair supplier approval process

To introduce new suppliers, a seven-step process is followed, beginning with an application, followed by initial screening and preliminary selection, with at least three qualified preliminary-selected suppliers. The suppliers then undergo a thorough review and approval process by six departments, including Procurement, Legal, Audit, and Quality Assurance, ensuring the fairness and compliance of the supplier introduction approval process.

Comprehensive assessment of suppliers

M&G Stationery conducts a comprehensive assessment of suppliers, evaluating their abilities in various areas, including pricing, management capabilities, technical R&D, sales status, production capacity and equipment, warehouse management, and quality assurance systems. After suppliers are introduced, dynamic evaluations are conducted in six areas, including management, quality, cost, delivery, service, and technology. This ongoing evaluation helps improve the Company's supply chain competitiveness and ensures optimal performance throughout the supply chain.

Supply Chain Risk Management

M&G Stationery is committed to conducting a multi-dimensional assessment and control of supplier market competitiveness, business ethics, and ESG performance to control and reduce procurement and supply chain risks. This helps to improve the supply chain's ability to withstand economic and sustainability risks, and ensures sustainable operations throughout the upstream and downstream processes.

Supplier Business Ethics and Anti-fraud

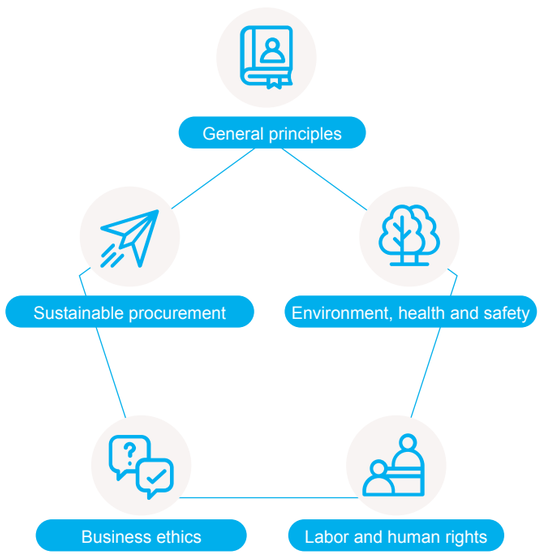
M&G Stationery considers supplier business ethics to be an essential aspect of its corporate governance and supply chain risk control. To ensure that all parties follow the principles of voluntary, equal, fair, and honest business ethics, the Company has established an "Management System Against Fraudulence" in compliance with relevant regulations such as the "Anti-Unfair Competition Law of the People's Republic of China" and "Interim Provisions on the Prohibiting of Commercial Bribery." All suppliers who sign procurement, service, and engineering contract framework agreements are required to sign contracts such as the "Transparent Procurement & Integrity Convention."

The Company provides open and transparent channels for suppliers to report business ethics issues through various channels, including a hotline, email, and WeCom account. Additionally, M&G Stationery conducts annual visits to key suppliers to inquire about potential violations of business ethics, and takes strict action against any employees who engage in activities such as directly or indirectly soliciting, receiving, or promising improper benefits.

Supply Chain ESG Assessment

In 2022, M&G Stationery aimed to enhance its supply chain ESG risk identification and response capabilities. To achieve this, the Company's Procurement Center and ESG Working Group established a preliminary supply chain ESG assessment system. The system conducts systematic ESG audits on key suppliers, evaluating 145 data points in five dimensions: general principles, environment, health and safety, labor and human rights, business ethics, and sustainable procurement. Supplier ESG performance is assessed through self-assessment, M&G review, and on-site audits, effectively promoting suppliers' attention and action on ESG issues. ESG audits were conducted on nearly 70 suppliers in 2022. Based on the assessment results, the Company formulated special ESG improvement targets for suppliers from 2023 to 2025, with the aim of increasing the proportion of suppliers passing the ESG audit and building a sustainable supply chain.

M&G Stationery supply chain ESG assessment dimensions



Enhancing Supply Chain Performance

M&G Stationery places significant emphasis on supplier communication, frequently discussing 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. The Company proactively assigns procurement staff to collaborate and guide suppliers in overcoming practical challenges in production and logistics, monitoring improvements in bottleneck processes, or sharing best practices to identify and rectify gaps and enhance quality management. Beyond daily business interactions, M&G Stationery holds two supply chain conferences annually, facilitating focused and in-depth communication with supplier partners and addressing key issues through special meetings. In 2022, the Company hosted a supply chain quality-focused meeting themed around production empowerment and quality improvement, equipping suppliers with the necessary resources to elevate their product quality comprehensively.



Production planning empowerment conference



Supply chain quality special meeting

In 2022, M&G Stationery initiated supply chain ESG capacity building efforts. Utilizing ESG audit findings, the M&G team offered suppliers recommendations for enhancing management models, energy conservation, and emission reduction. They conducted on-site inspections and guidance for selected suppliers and shared the "Supplier ESG Improvement Method" to standardize factory environment, safety, and governance management, serving as a reference for other suppliers to elevate their ESG performance.

CASE

Encouraging suppliers to adopt circular packaging

Shanghai Yazhen Printing Co., Ltd. (hereinafter referred to as "Yazhen Printing") is an important printing supplier partner of M&G Stationery. After the 2022 ESG audit, M&G Stationery encouraged Yazhen Printing to improve packaging sustainability by changing disposable cartons to reusable turnover boxes. In 2022, more than 10 suppliers responded to M&G Stationery's call, adopting more than 300,000 turnover boxes or other sustainable packaging.

CASE

Optimizing logistics partner cooperation experience

M&G Stationery continuously optimizes the TMS appointment and entry-exit system, improving the logistics supplier partner distribution process while enhancing the driver's supply experience.

- Appointment waiting time: 70 minutes → 0 minutes
- External queuing waiting time: 1.8 hours → 1.0 hour
- Time spent entering the factory: 39 minutes → 13 minutes
- Walking distance inside the factory: 890 meters → 85 meters
- 328 supplier partner satisfaction questionnaires showed a 93% satisfaction rate
- 1,314 delivery driver satisfaction questionnaires showed a satisfaction rate of up to 98%

Sustainable Procurement

M&G Stationery is committed to sustainable procurement principles, which fully consider resource conservation, circular low-carbon solutions, and recycling in procurement. The Company strives to build a more sustainable supply chain through various measures, including expanding localized procurement, encouraging suppliers to improve their processes, and increasing the proportion of suppliers that achieve forest certification (FSC certification).

Localization of Procurement

M&G Stationery values localized procurement, supports local enterprises and economic development, and reduces the environmental footprint caused by raw material transportation through local sourcing. The number of suppliers in Shanghai, where M&G Stationery's headquarters and production bases are located, increased from 189 in 2021 to 323 in 2022.

Improving Production Processes

In 2022, M&G Stationery focused on the replacement of green coatings for wooden pencil surfaces for wooden pencil category suppliers, replacing nitrocellulose paint with more environmentally friendly and healthy water-based paint, and promoting the upgrade and replacement of suppliers' machinery, equipment, and processes. By the end of 2022, the sales proportion of wooden pencils with replaced processes exceeded 60%.

Promoting Environmental Certifications

Among its suppliers, M&G Stationery pays close attention to the sustainability of paper sources and printing. The Company prioritizes the procurement of FSC-certified paper suppliers and avoids purchasing products from endangered tree species or illegal logging. As of the end of 2022, some of the Company's office photocopy paper had been selected from FSC-certified paper, and the proportion of FSC-certified suppliers will continue to be expanded in the future.

Empowering Employees and Communities

M&G Stationery prioritizes a people-oriented approach by implementing measures to promote employee growth and development, improve employee care, and support public welfare and charity initiatives. Through these efforts, the Company strives to achieve a two-way empowerment for both employees and communities, contributing to the growth of employees and the harmony of communities while the enterprise continues to develop.

Talent Cultivation

M&G Stationery prioritizes the construction and management of its talent pool. The Company provides equal job opportunities and a healthy and safe working environment for employees, ensuring quality assurance for their work. Through scientific and reasonable salary and welfare policies, a variety of cultural and entertainment activities, and humanized care initiatives, employees are motivated to grow, create value, and achieve mutual growth for both themselves and the Company.

Protection of Rights

M&G Stationery places great importance on respecting and protecting human rights, adhering to legal and compliant employment practices. Through people-oriented management and supervision, the Company is dedicated to safeguarding the legitimate rights and interests of employees, treating each employee equally, and fostering a sense of happiness among employees through a scientific and reasonable compensation and benefits system.

Compliant Recruitment

Recruitment System

M&G Stationery 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 laws and regulations, establishing a sound recruitment mechanism. By standardizing the recruitment process, the Company promotes the standardization and streamlining of recruitment, ensuring the efficient and high-quality hiring of talent. In 2022, the Company achieved a 100% employee labor contract signing rate.

M&G Stationery organizes campus recruitment twice a year in spring and autumn. Through on-site campus recruitment, school-enterprise cooperation, online recruitment platforms, and group interviews at the Company's headquarters, outstanding fresh graduates are selected to join the Company. In 2022, a total of 50 management trainees were recruited for key training. The Company actively carries out school-enterprise cooperation, signing agreements with Donghua University, Shanghai Lixin University of Accounting and Finance, Shaanxi University of Science and Technology, and other universities, providing internship and employment opportunities, and actively cooperating with vocational schools to provide job positions for vocational college and secondary vocational students.



M&G Stationery and Donghua University sign a school-enterprise cooperation agreement

In addition to public recruitment, M&G Stationery has also implemented an internal recommendation system through the establishment of its "Internal Referral Management Method." In 2022, the Company launched the "Referral Incentive Talent Recruitment Program," encouraging both internal and external individuals to actively recommend exceptional talents to the Company. Bonuses were awarded to those who successfully referred suitable candidates, enhancing the efficiency and quality of talent acquisition.



M&G Stationery's internal recommendation platform "Referral Incentive Talent Recruitment Program"

Equal Employment

M&G Stationery advocates respect, recognition, and fair treatment for every employee and has a zero-tolerance policy for illegal violations of employees' legitimate rights and interests. The Company's "M&G Code of Business Conduct" explicitly prohibits forced labor and the employment of minors, and prohibits discrimination against employees based on their gender, region, nationality, ethnicity, religion, age, pregnancy or marital status, disability, or other characteristics protected by law. Harassment, violence, or bullying are also not tolerated.

The Company is committed to creating an equal and inclusive cultural atmosphere. In 2022, women accounted for 48.3% of the Company's employees.

M&G 2022 male–female employee employment ratio

Gender	Unit	Employment ratio
Male staff	%	51.7
Female staff	%	48.3

Restructuring Safeguards

In response to potential job restructuring and optimization issues, M&G Stationery has developed a humane restructuring program, offering employees the choice of severance compensation or job reassignment. After organizational restructuring, the Company promptly communicates with each affected employee. The Company facilitates job transfers for interested employees through three rounds of job matching and communication, aligning them with desired positions or vacancies. Appropriate job placements are arranged once supply and demand sides align.

For employees opting to terminate their contracts, the Company negotiates severance matters and disburses corresponding compensation. In 2022, amid business integration, the Company engaged in individual discussions with employees, solicited their opinions, offered comprehensive and diverse transfer plans, and ultimately secured fitting transfer positions for those who elected to move. Additionally, the Company effectively negotiated termination matters and compensation payments for employees who chose to depart.

People-oriented Management

Harmonious Relations

M&G Stationery strictly abides by the "Trade Union Law of the People's Republic of China" and is committed to building harmonious labor relations, through the establishment of open and equal consultation channels within the Company. In 2022, the percentage of workforce covered by a trade union was close to 98%. Adhering to the principles of voluntariness and equality, and in compliance with the "Trade Union Law of the People's Republic of China," "Labor Contract Law of the People's Republic of China," and "Shanghai Collective Contract Regulations," the Company signed a "Wage Collective Agreement" with the union.

Feedback Mechanism

M&G Stationery has established an employee complaint system to enable the expression of employee grievances. The Company encourages employees to actively report issues and provide feedback through the Company's reporting email and the public email of the Human Resources Center. Complaints received are promptly investigated, and the Company provides feedback on the handling results to the employees who raise their concerns, promoting harmonious labor relations.

Compensation and Benefits

Based on the "Employee Handbook," M&G Stationery has established a fair, scientific, and reasonable, and performance-based compensation system. The Company dynamically manages the compensation system based on employees' performance, years of service, and work attitude, adjusting job position and salary levels up or down to ensure that the compensation system maintains a competitive edge within the industry and other regional enterprises. At the same time, the Company has developed a performance-based variable compensation system for specific employees: granting equity incentives to middle and senior-level employees, setting sales performance-linked incentives for sales staff, and linking non-sales staff compensation with the Company’s strategic goals and assessing them based on performance.

For expatriate employees, the Company has formulated various policies such as the "Annual Evaluation Method for Overseas Direct Business Teams," "Developer Incentive Bonus Scheme," "Legal Department Investigator Work and Assessment System," "Marketing Finance Team Monthly Performance Assessment Method," and "International Trade Department Staff Incentive Adjustment Plan." These policies establish separate assessment systems and reward mechanisms for special types of employees, such as overseas direct business teams, developers, sales staff, legal department investigators, marketing finance teams, and international trade departments, in order to incentivize employees to continuously achieve breakthroughs in their work. In 2022, the Company started the "2022 Jiumu Store University Back-to-School Initiative” to further improve the morale and enthusiasm of retail store employees.

Linking compensation system with sustainable development

M&G Stationery links ESG performance with executive compensation. In 2022, ESG factors were incorporated into the annual performance evaluation system of 14 department heads. ESG-related performance was included as a bonus item (10 points) in the annual performance assessment of department heads to encourage senior management to advance sustainable development initiatives.

M&G Stationery provides a variety of benefits to enhance employees' sense of belonging and happiness. The Company has established various clubs such as yoga, table tennis, and badminton for employees to participate in, promoting their physical and mental health. The Company also continually enriches employees' leisure time by introducing various cultural and sporting activities, such as art festivals and sports events. Prioritizing employee health and safety, the Company organizes physical examinations, offers medical health services like protective supplies, and procures medical insurance and personal insurance for overseas employees to safeguard their well-being. Moreover, the Company grants meal allowances for production personnel and communication allowances for specialized roles, among other benefits.

Employee Development

M&G Stationery highly values the cultivation of talent and puts comprehensive focus on employees' career development. By expanding talent promotion channels and development paths, building multi-level learning approaches, and shaping versatile talents, the Company enables employees to maximize their potential and achieve their true value.

Promotion Channels

To encourage employees to enhance their skills and retain talent while aligning individual career development with company growth, M&G Stationery has implemented the "Management System of Employee Promotion." This comprehensive framework establishes a clear employee ranking system, delineates career development pathways, and ensures a systematic and logical approach to promotions. The Company offers various promotion mechanisms, such as annual promotion, post-based promotion, management trainee promotion, and leadership development, providing diverse options for employees based on their skillsets and promoting talent-based employment. By enabling self-nominations, we offer opportunities for exceptional employees to transfer and advance, fostering continuous progress.

Performance Evaluation

To support employees' growth more equitably and effectively, M&G Stationery has established the "Performance Management System." This system regulates processes such as performance target setting, coaching communication, assessment and evaluation, and application of results, clarifying evaluation standards and expectations, while encouraging and motivating employees to continually enhance their work performance. In 2022, the Company revised its performance management system, updating assessment mechanisms and corresponding performance coefficients for roles, fortifying the link between evaluation results and rewards, and boosting the effectiveness of performance management.



For three consecutive years, M&G Stationery has awarded the "Golden Sunflower Cup" to recognize outstanding employees who have made significant contributions and to stimulate employee enthusiasm.

Employee Training

M&G Stationery empowers employees through multi-level, diverse, and varied training opportunities, enhancing their overall abilities and skills, fostering value creation, and supporting their growth and success. The Company has instituted a training system for all employees, extending training to part-time and contractor third-party personnel, fostering collective growth and development. M&G offers promotion training programs, such as training for management trainees and manager training, alongside skill and capability training for employees to enhance their work performances. In 2022, the Company introduced online training for employees, broadening their access to training resources.

Participation in employee training at M&G Stationery

Employee training	2021	2022
Number of training participants	2,096	3,578



M&G Stationery 2022 management trainee review for promotion



M&G Stationery's management transition training camp

M&G Stationery promotional training system

Project classification	Management trainee development program
Project description	**Training Subjects** ➤ Campus recruited management trainees, who make up the reserve talent for future management **Training Goals** ➤ Through two years of training, teach management trainee recruits to develop qualifications to become the Company's backbone/management personnel **Training Period** ➤ **Onboarding period:** M&G provides care for management trainees, arranging their food, clothing, housing, and transportation; and helps them become familiar with M&G and the work environment through one week of training ➤ **1 month after joining:** Assist management trainees in quickly becoming familiar with their work and enhancing their professional skills through personalized training approaches ➤ **3 months after joining:** Give attention to and concentrate on high-potential management trainees according to their performance ➤ **1 year after joining:** Assign management trainees specific challenging tasks to develop and evaluate their leadership potential ➤ **2 years after joining:** Present promotion opportunities for exceptional management trainees based on their work performance

Project classification	Management transition training bootcamp
Project description	**Training Subjects** ➤ Newly promoted leaders with unclear understanding of their leadership role **Training Goals** ➤ Help trainees understand how to become excellent leaders through six months of training **Training Content** ➤ Through various learning methods such as online classes and offline workshops, train essential management skills and abilities for leaders, such as time management and forming effective influence, and promote the transformation of learning outcomes into actual management behaviors

M&G Stationery emphasizes employee leadership training and skill development by offering a range of "Leadership Project" courses for all employees. These include "Recruitment and Interview Skills," "Self-Management," "One-Minute Manager," "Life Story Meeting," and more, also encompassing part-time employees and contractor partners. In 2022, the Company introduced the "M&G Management Scenario Learning Map (Mid-level 2022 Version 1.0)," selecting 11 core management scenarios encountered by M&G's mid-level managers. The training presents real situations and challenges managers may face, equipping them with the knowledge and skills to effectively respond through on-the-job training and guidance from superiors.

M&G management scenario learning map

Target Audience	Training Advantages
New Department Managers Newly promoted mid-level managers seeking systematic learning due to limited management scenario experience	In-depth learning experience: Choosing authentic management scenarios that closely resemble diverse work situations
Department Managers Mid-level managers who have encountered some management scenarios and wish to further enhance their management skills	Versatile and logical learning methods: Starting with online learning, bringing questions from self-study to offline discussions and exercises, and enhancing practical application
Directors Senior managers with higher expectations for management methods and tools in specific scenarios	Extensive learner coverage and adaptable learning approaches: Unrestricted by time and location, catering to varying learning needs of students at different times and pace



"Effective Communication," "Crucial Conversations," "Communication and Interview Skills," and other leadership development training series

M&G Stationery actively supports employees in certificate learning, offering financial accounting continuing education, basic accounting certificate, intermediate accounting certificate, certified public accountant (CPA) and other financial professional certificate programs, as well as special operation certificate programs for special equipment operators, providing training and certification funding for employees. The Company also offers "Leadership Growth Management Fund" degree training program, encouraging employees to participate in "Jiaotong University Practical Marketing Management PMP Research Class," "Hundun Academy," and other courses and providing training funds. In 2022, all employees who participated in training completed their courses and graduated.

Health and Safety

M&G Stationery is committed to creating a healthy and safe work environment for employees. We strictly comply with the "Production Safety Law of the People's Republic of China," "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases," " Regulations of the People's Republic of China on Work-Related Injury Insurance," and other relevant laws and regulations. Through the establishment of occupational health and safety management systems such as "Safety Standards and Relevant Cases," "Management Framework of Company Safety," "Eight Disciplines for Safety," "Safety Production Management System," "Safety Production Investment System," and "Management Guidelines for Regular Detection of Occupational Hazard Factors for Employees," we have established a comprehensive occupational health and safety management system. The Company is committed to providing a safe and healthy workplace for employees and adhering to applicable safety standards. We identify potential safety hazards by recognizing hazard sources in advance, analyzing potential risks and occurrence probabilities in the work environment, and reduce accident rates through regular inspections and rectification of unknown hazards. Based on strict and comprehensive system construction and practice, M&G's safety management system meets relevant standards, has obtained occupational health and safety management system certification, and passed enterprise safety production standardization review.

M&G Stationery arranges onboarding physical examination and safety training for new employees, provides labor protection supplies that meet standards, regularly inspects and rectifies safety hazards, reduces safety accidents, and provides a safe production environment for employees. In 2022, the Company invested 2.22 million RMB in labor protection, and there were no cases of death due to work-related injuries or occupational diseases.

Employee Care

M&G Stationery focuses on humanistic care, not only organizing a variety of activities to enrich employees' leisure time but also enhancing employee cohesion and happiness through caring for female employees and assisting employees in need.

Organizing Employee Activities

To help employees balance work and life, M&G Stationery organizes a variety of holiday and special events, including Lantern Festival celebrations, Labor Holiday festivities, Qixi Festival matchmaking events, Mid-Autumn Festival garden parties, as well as birthday parties, annual celebrations, sports events, and happy weekends. These activities enrich employees' cultural life, enliven the working atmosphere, and enhance their sense of happiness. For example, in 2022, the Company held a special Mid-Autumn Festival event for employees, who could wear traditional Chinese costumes and participate in riddle guessing, pot throwing, and other festive activities, promoting Chinese traditional culture while experiencing the Company's diverse culture.



Mid-Autumn Festival special event for employees



Distributing Spring Festival gift packages to employees

Caring for Female Employees

M&G Stationery values the well-being of its female employees. To support new mothers in their return to the workplace, we provide dedicated maternity rooms in our headquarters office building. Additionally, we offer maternity leave and parental leave to provide employees with more time to rest and care for their children.

CASE

Providing parental leave for employees with children

The Company offers parental leave with the aim of protecting employees during early parenthood, allowing employees with children under 3 years old to apply for 5 days of parental leave each year. This option is available to both eligible male and female employees. In 2022, 23 female employees and 7 male employees took advantage of parental leave benefits.

Launching "Parent-Child Mother EQ Course"

To empower female employees to achieve more harmonious and happy family relationships, M&G Stationery provides a "Parent-Child Mother EQ Course" for female employees with children. The course offers knowledge and tools for parent-child communication and creates a space for sharing and discussing child-rearing experiences, providing warmth and care to working mothers.

Assisting Employees in Need

M&G Stationery actively supports and helps employees in need. Since 2019, the Company has carried out the M&G Employee Care Program annually, including initiatives such as Rainbow Book Bar, M&G Volunteer Medical Consultation, M&G Children's Scholarship, and Disease Relief Fund. The Company also organizes donation events to help employees through difficult times. In 2022, a total of 9 employees applied for the M&G Employee Care Program major illness assistance, 2 employees applied for scholarships, and the Company distributed a total of 96,000 RMB in assistance funds.



Caring for employees in need

M&G Stationery's employer brand awards in the past 3 years



Winner of the "2021 Employer Branding Creativity Awards" Best Social Responsibility Award, hosted by the Employer Branding Institute (first and second from the left)
Winner of the 2021 "αi Quality Workplace Plan" Excellence in Value Co-creation Award, hosted by the Shanghai Service Industries Development & Research Foundation (first from the right)



Winner of the "2022 Best Employer Practice Pioneer Award" presented by World Retail Elite (WRE)

Giving Back to Society

Throughout its history, M&G Stationery has demonstrated a strong sense of social responsibility and commitment, donating funds to establish the Shanghai M&G Charity Foundation to promote goodwill within the industry. The foundation has been actively involved in public welfare initiatives in the areas of quality education, environmental protection, and humanitarian care. As of 2022, the foundation has enlisted 467 employee volunteers who participate in the foundation's sorting, packaging, material transportation, and assistance in organizing public welfare activities in schools. In 2022, the volunteers helped conduct 3 offline campus events, provided material packaging support for over 10 activities, and assisted with art public welfare course material preparation. In 2022, M&G Stationery contributed a total of 5.33 million RMB to public welfare donations, including 4.25 million RMB in cash donations and 1.08 million RMB in in-kind donations.

Quality Education

Golden Seed Plan

Launched by M&G Stationery in 2015, the "Golden Seed Plan" is a public welfare initiative that, on one hand, creates customized stationery gift packages tailored to the needs of teachers and students in regional schools, providing material support. On the other hand, it sets up scholarships to offer financial assistance to outstanding students and teachers. In 2022, M&G Stationery donated over 10,000 stationery sets through the "Golden Seed Plan" in 9 provinces and cities in China. Meanwhile, the plan has expanded overseas, donating 10,000 gift packages to the local government in Pakistan during flood reconstruction to help students resume their studies; collaborating with the China Charity Federation to donate 2,500 Golden Seed stationery gift packages to Laos; and partnering with the United Nations Refugee Agency to donate stationery to learning centers in the Kakuma and Dadaab refugee camps in Kenya, benefiting more than 40,000 people.



"Golden Seed Plan" domestic donations



Donating 2,500 Golden Seed stationery gift packages to Laos



Donating stationery to education centers in the Kakuma and Dadaab refugee camps in Kenya

Art Education Plan

The "M&G Art Education Plan" is a collaborative art education project carried out by the Shanghai M&G Charity Foundation, the Jack Ma Foundation, the Hylink Charity Foundation, the Shanghai Charity Education and Training Center, and several other organizations. The project takes advantage of M&G's unique strengths and focuses on art education, conducting a variety of activities. As of the end of 2022, the project has reached 18 provinces and 37 cities, benefiting nearly 300,000 people. Through the public welfare platform established by the project, the Shanghai M&G Charity Foundation has donated painting materials to more than 30,000 children, including supporting the Hylink Charity Foundation's remote art project with 4,000 teaching material packages, donating 2,000 gift packages through China Writing Instrument and the China Charity Federation, and donating 22,000 oil pastel boxes to the One Foundation Warm Package Project to empower children's artistic dreams. In 2022, the Shanghai M&G Charity Foundation and the Hylink Charity Foundation jointly expanded online art courses, enabling more children to access more professional and creative art classes through remote teaching.



Creative classroom project: providing standardized desks, chairs, and other hardware facilities for schools

M&G Stationery is devoted to fostering quality education through the "M&G Art Education Plan," coordinating painting contests and public welfare classes for young people to raise environmental awareness. We have enabled 6,300 children from mountainous regions to participate in the New Energy Solutions Painting Competition, co-organized by the National Committee of the Chinese People's Political Consultative Conference and the China Association for Science and Technology, and provided Golden Seed gift packages to children with exceptional works.

In 2022, we continued our annual "M&G Stationery Cup" Children's Art Creative Painting Collection event, which has grown into one of China's largest children's art competitions since its inception in 2013. The 10th edition of the "M&G Stationery Cup" in 2022 spanned six months, featuring 11 special contests and drawing 272,000 entries from 30 provinces and cities. This event provides children with a platform to showcase their creativity while celebrating each child's unique talents and achievements.



The 10th M&G Stationery Cup children's creative painting contest in 2022

Owing to the Shanghai M&G Charity Foundation's significant contributions in aesthetic education, we received the Sustainable Development Benefit Award at the 5th Caijing Evergreen Award, organized by Caijing magazine in December 2022.

Rural Revitalization

M&G Stationery actively engages in rural revitalization efforts in response to national initiatives, contributing to rural development. Capitalizing on its unique strengths, M&G Stationery concentrates on enhancing aesthetic education in rural areas, offering support for talent development and preserving cultural innovation. In 2022, the Company invested a total of 1.38 million RMB in rural revitalization, benefiting 16,000 students. We have consistently supported Yunnan Province for many years, donating 400,000 RMB worth of stationery in 2022 alone. Since 2020, we have contributed more than 1.5 million RMB worth of stationery to Baoshan City, Chuxiong Yi Autonomous Prefecture, and Honghe Hani and Yi Autonomous Prefecture in Yunnan Province.



In 2022, M&G Stationery received the "GoldenKey—Sustainable Development Solutions Winner" award in the "Quality Education" category at the 2022 "Golden Key—China's Initiative for SDG," hosted by the China Sustainability Tribune Magazine

Training and Education for Special Needs

M&G Stationery supports special needs groups, such as autistic children, through painting training. In 2022, the "Autism Children with M&G" public welfare project continued offering painting training courses for autistic children, with approximately 2,000 autistic children participating. Their exceptional works were transformed into cultural and creative products, with profits from sales being donated back to the project, exemplifying M&G's care for the society in the form of public welfare marketing.

Children's Health

M&G Stationery prioritizes children's health, ensuring their well-being through medical assistance and other means. In 2022, we partnered with the Shanghai Children's Foundation to initiate the "M&G for Brightness" Children's Eye Health Care Plan. This plan provides eye health medical assistance to children aged 3–16 in Shanghai and remote areas of Yunnan, Guizhou, Xinjiang, and Tibet, which are supported by Shanghai. Additionally, it extends support to children with eye diseases who cannot receive timely treatment due to family circumstances, offering specialized care and helping them achieve a brighter future.



"M&G for Brightness" children's eye health care plan launch



Guiding autistic children in painting and handicrafts

Environmental Protection

At the end of 2020, the Shanghai M&G Charity Foundation, Gansu Qingsuo Philanthropy Development Center, and Gansu Red Cross Society entered into a partnership. The M&G Charity Foundation contributed 350,000 RMB to plant a shrubland in the Tengger Desert in Changning Town, Minqin County, Gansu Province, and organized employees to visit and maintain the "M&G Forest." Haloxylon Ammodendron shrubs efficiently stabilize the sand, protect against northwest winds carrying desert soil, reduce the impact of sandstorms on the environment, and enhance the supplementary income of local villagers, thereby promoting ecological poverty alleviation.



Photo of the M&G Shrubland in Minqin County, Gansu Province

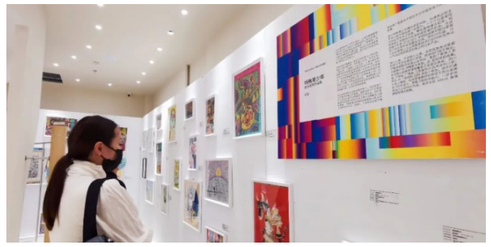
Humanistic Care

Community Public Welfare Support

M&G Stationery actively participates in community activities, sharing development outcomes with the community. By hosting offline public welfare exhibitions and conducting community public welfare initiatives, public welfare becomes integrated within the community. In January 2022, the Shanghai M&G Charity Foundation took part in the CCTV Spring Festival Gala Evening, inviting social workers and migrant workers who stayed in Shanghai to watch the Spring Festival Gala at the cinema and enjoy a New Year's Eve dinner, displaying care for frontline urban construction workers.



Jiuguang Shopping Center—Special Children's Art Exhibition



Changning Da Rong City Art Park—
Special Needs Children's Art Exhibition



Shanghai M&G Charity Foundation participating in the CCTV Spring Festival Gala Evening community event

Innovation for Positive Development

Innovation is the primary driving force for development. M&G Stationery adheres to the spirit of continuous innovation, consistently increasing investment in technological innovation, strengthening the pipeline of innovative talent, accelerating the transformation of innovation achievements, and creating warm, high-quality Chinese stationery centered on consumers to achieve innovative and benevolent development. In 2022, the Company invested 180 million RMB in technology improvements, technological innovation, and R&D.

Technological Innovation

M&G Stationery places great emphasis on product innovation and R&D, undertaking a range of tasks in product R&D, technology talent reserves, intellectual property protection, and external collaboration. It provides institutional guarantees for critical aspects of product innovation and continuously enhances the Company's innovation level.

Product R&D

M&G Stationery extensively gathers feedback and suggestions from the market and consumers, conducts self-assessment and innovation, continuously deepens R&D innovation, and drives product upgrades. Based on the Company's "R&D Department Project Development Process," in 2022, the Company achieved breakthroughs in core technologies such as click pen retraction mechanism structure, metal rolling correction tape applicator, needle-point pen tip development, anti-break ink needle tube pen refill, and oil pastel formula, successfully applying for utility model patents. In 2022, we developed new, sustainable products like wood-free pencils that enhance writing smoothness and correction tape blister packaging that reduce environmental pollution, effectively integrating product quality improvement and sustainable development.

In 2022, the Company continued to increase its technological innovation efforts, with a total of 2,391 patent applications and 2,235 authorized patents.

Number of patent applications and grants owned by M&G Stationery

Patent categories	Unit	2021	2022
Cumulative patent filings	items	2,116	2,391
Cumulative patent grants	items	1,923	2,235

CASE

R&D of metal rolling correction tape guiding spout

In 2022, M&G Stationery successfully developed and launched a metal roller guiding spout for correction tape, which provides a smooth, lightweight, fluid, and neat cutting experience. It is also more durable, bringing consumers a better user experience.



Metal rolling correction tape

M&G has developed brand new super tiny tips for precise writing

By combining the structural and functional advantages of traditional bullet tips and needle tips, M&G has pioneered the "arc surface" cutting processing technology for pen tips. The Company has created the MG001 new needle-point tip, which achieves precise writing and smooth ink flow. Taking into account ink properties, the Company also created a quick-drying, ultra-black gel pen product compatible with the new pen tip, enriching the gel pen product line. The novel pen tip design is currently under application for a utility model patent.



Super tiny tip structure

Technology Talent Cultivation

M&G Stationery prioritizes the development of a technology talent team and focuses on nurturing technology talent. To improve the professional quality and vocational ethics of technical R&D personnel and enhance the level of technology R&D, the Company has established the "Training Management System for Technical R&D Personnel," which standardizes the training process for external training of technical R&D personnel. Based on R&D work requirements, the Company collaborates with qualified external training institutions to provide employee training and offers related training benefits. Additionally, M&G Stationery encourages R&D personnel to independently propose external training needs, and the Company arranges relevant training according to the management system.

To continually infuse fresh talent into the technology team, M&G Stationery has devised the "Management System of Recruitment" to standardize the technology talent recruitment process. The Company attracts and hires essential talents needed through methods such as recruitment, job transfer, part-time work, consulting, scientific research and technological cooperation, and technology equity. The Company also provides excellent benefits for outstanding talent, thereby further optimizing the structure of technology talent resources.

External Cooperation

M&G Stationery actively partners with national, university, and industry association research and development projects. In May 2022, the Company's technical department completed the key special project "Enhancement of Eco-Friendly Materials and Industrialization in Pen Manufacturing," of the National Key R&D Program "Empowering the Economy through Science and Technology 2020," which passed the comprehensive performance evaluation of the expert panel in August 2022. The project results have effectively propelled the pen manufacturing industry's upgrade, generating an additional output value of 83 million RMB and yielding significant economic and social benefits. Moreover, M&G Stationery actively participates in the formulation of industry standards to support the development of the stationery industry.

M&G's participation in and formulation of national/industry standards in the stationery industry in 2022

Standard name	Standard type	Company role
Pencils and Mechanical pencils for exam (GB/T 26698-2022)	National standard	Participated in revision
Ball pens for exam (GB/T 26699-2022)	National standard	Hosted revision
Pencil (GB/T 26704-2022)	National standard	Participated in revision
Globe (CH/T 1053-2022)	Industry standard	Participated in formulation

Protection of Intellectual Property

M&G Stationery diligently enforces the intellectual property protection policy focused on independent innovation and intellectual property protection as its primary competitive advantage. The Company has established over 20 systems, including its "Intellectual Property Manual" and "Intellectual Property Management Method." These systems cover areas such as intellectual property management, rewards and punishments, copyright management, and intellectual property risk, providing comprehensive protection for intellectual property rights.

M&G Stationery has developed the "IP Licensing Product Risk Control System" to standardize the implementation of intellectual property licensing agreements, such as copyright and trademark rights. This system helps reduce the risk of violations in the production and sales processes of licensed products. It stipulates management departments and responsibilities, process control for product development compliance, process control for product sales and promotion compliance, IP licensing agreement expiration control, and penalties for violations. This ensures that product development, promotion, and sales are conducted according to the licensing agreement while opposing breaches and infringements. In 2022, the Company collaborated with law enforcement departments to tackle 122 intellectual property piracy cases across provinces such as Jiangxi, Sichuan, Hebei, Guizhou, Anhui, Henan, and Fujian.

M&G Stationery intellectual property system

- "Intellectual Property Manual"
- "Intellectual Property Management Method"
- "Reward System of Intellectual Property"
- "Patent Management Method"
- "Trademark Management Method"
- "Trade Secrets Management Method"
- "Copyright Management Method"
- "Intellectual Property Risk Management Control"

Intellectual Property Management

M&G Stationery has established a dedicated intellectual property department responsible for leading the full life cycle management of enterprise intellectual property risk prevention and control, rights acquisition, rights protection and application, and innovation empowerment. Each functional department is required to cooperate with the intellectual property department to complete related intellectual property tasks.

Intellectual Property Rewards and Punishments

M&G Stationery encourages employees to innovate, actively apply for patents, and offers inventors bonuses as patent rewards and remuneration. The Company also penalizes behaviors that damage intellectual property rights with varying degrees of penalties and fines.

Intellectual Property Protection

M&G Stationery mandates that employees have an obligation to report intellectual property infringements and requires relevant departments to cooperate. In cases of legal disputes arising from intellectual property, the Company's legal department collaborates with relevant departments and professional intellectual property legal institutions to resolve the issues.

Intellectual Property Risk Management

M&G Stationery focuses on monitoring key areas such as R&D, procurement, production, and sales, formulates management measures, and prevents intellectual property infringement risks.

CASE

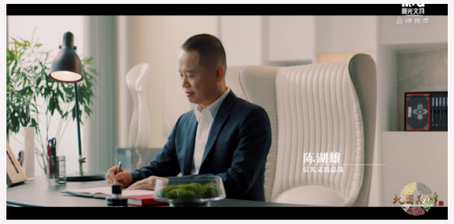
Encircling the counterfeiters and cleaning up the market, combating the "Terminator" with the law

In August 2022, M&G Stationery discovered counterfeit G-5 pen refills and heat-erasable pens under the "Terminator" brand in the market, and immediately launched an investigation into the infringement. The Company promptly filed a complaint with the local market supervision administration, which seized a batch of counterfeit G-5 pen refills, counterfeit heat-erasable pens, and 14 bags of empty packaging in the infringing factory. The Company's precise strike against the infringing factory fully protected the legitimate rights and interests of consumers and channel partners and maintained the Company's positive reputation.

Pursuit of Excellence

M&G Stationery embraces the product concept of "Only with high quality can we achieve sustainability," centers on consumers, insists on high-quality standards, and ensures product safety and quality. To effectively control product safety and quality, the Company has formulated relevant systems, rigorously standardizing product safety control and quality control processes, and regulating the handling of unqualified products, making M&G Stationery products safer and more competitive in quality in the market.

In July 2022, the M&G Stationery brand film "Do You Believe in Light?" was aired on CCTV-1, telling the story of M&G's development from a single pen, mastering core technologies of pen tips and ink, refining production processes, and improving product quality, becoming one of the world's largest stationery manufacturers trusted by consumers. This reflects M&G's commitment and practice of creating high-quality products.



M&G Stationery brand documentary "Do You Believe in Light?"

Product Safety

M&G Stationery firmly believes that product safety and quality management are integral parts of the Company's daily operations and are necessary conditions for ensuring product quality, meeting customer needs, and gaining market share. We ensure product safety and performance by implementing safety control processes and conducting product safety tests to ensure products meet safety standards.

Safety Control

All M&G Stationery products comply with national mandatory safety standards and regulatory requirements. To effectively control product safety, M&G Stationery has formulated the "Management and Control Procedure for Product Safety" to standardize safety control processes for new products, high-risk products, and regular products. Control items include limiting the release of harmful substances such as elements from restricted substance migration, phthalate plasticizers, benzene compounds, free formaldehyde, and allergenic dyes. For office paper products and equipment, M&G Stationery adopts stricter environmental certification standards, requiring products to have advantages such as low toxicity, reduced harm, and resource conservation compared to similar products. For stationery products used by young children and students, the Company adheres to the more stringent European Union safety standards.

Safety Testing

New products developed by M&G Stationery are tested for national mandatory safety standards before being launched. Stationery products are tested according to the "Request in Common Use of Security for Student's Articles" (GB 21027-2020) standard, while educational toys are tested according to the "Requirements for Safety of Toys" (GB 6675-2014) series of standards; products for young children, such as modeling clay and crayons, are tested according to the European standard "Safety of toys — Part 3: Migration of certain elements" (EN71-3). After new products pass the tests and are launched, the Company conducts annual inspections for each category, with products divided by risk categories and subjected to annual/quarterly/monthly audits to ensure that products always meet national safety requirements and are responsible for consumers. In response, the Company has sorted out corresponding process systems and formulated system documents such as the M&G "Product Safety Testing Operational Scheme" and the "M&G Product Audit Sampling Mechanism (Trial)."



Safety standard test reports for modeling clay and gel pens

Product Quality

M&G Stationery consistently enhances its quality control system, paying attention to every detail, implementing comprehensive quality control standards, and continuously improving product quality.

Quality Control

M&G Stationery adheres to the "Product Quality Law of the People's Republic of China" and has developed the "Product Lifecycle Quality Control Scheme" to standardize control methods throughout the product lifecycle process, ensuring the creation of reliable, high-quality products. In 2022, the Company specifically established the "Requirements for the Launch of New Products Involving New Materials, New Structures, and New Processes" to ensure quality risk control for these innovative products.

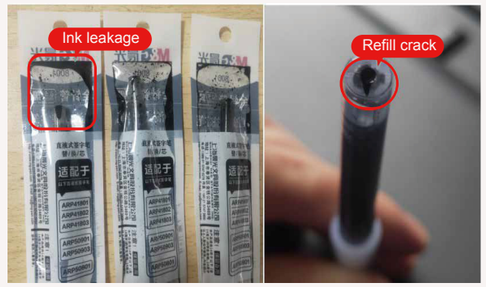
Quality Improvement

M&G Stationery places great importance on product quality improvement. It identifies directions for product quality improvement through regular product testing, collecting customer feedback, and other means. The Company then targets optimization in product materials, structures, and production processes, continuously enhancing product quality.

CASE

Improvement of gel pen ink refill leakage

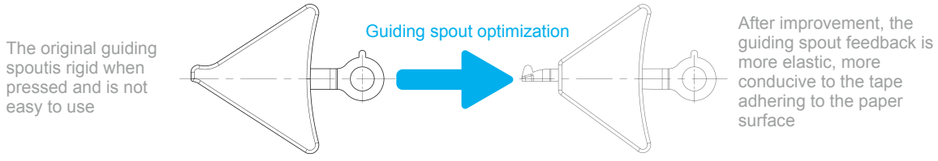
One of M&G Stationery's pen factories discovered ink leakage defects in replacement refills during the final product inspection. After investigating and analyzing the issue, the cause of the problem was identified, and corresponding improvement measures were proposed and verified. Mass production was carried out after ensuring that the new product did not experience tail leakage.



Analysis of the cause of gel pen refill ink leakage

Improvement of correction guiding spout breakage

In response to customer complaints regarding some correction guiding spout breakages, M&G Stationery took the issue seriously and proactively addressed it. Designers swiftly improved product quality through modeling and experimentation. The guiding spout was redesigned with added arcs and chamfers to increase impact resistance, and the material was upgraded to a more robust, impact-resistant material. Since the implementation of the improvement plan, no guiding spout breakage has been reported.



Optimized design of correction tape

Responsible Marketing

M&G Stationery fully embraces the concept of responsible marketing, explicitly requiring that sales information accurately reflects the features of products or services, ensuring that sales information is transparent, precise, and understandable, and promoting fairness and justice in transactions, while strictly prohibiting false advertising.

Clear Product Labeling

From a brand recognition perspective, M&G Stationery has developed the "Brand Visual Identity Guide," which meticulously standardizes the brand logo and brand visual identification. During product design and development, the Company refers to multiple standards, such as "Technical Requirements for Environmental Labeling Products," and is actively formulating M&G's environmentally-related corporate standards.

Responsible Promotion

M&G Stationery requires that product packaging and promotional information be reviewed by the legal department during the project initiation stage. This process ensures the authenticity, legality, and accuracy of advertising while prohibiting any false or misleading content or deception of consumers. Promotional materials can only be used after passing this review. In addition, the Company mandates distributors to implement various sales and marketing policies and forbids any behavior that may damage M&G Stationery's image and reputation during the sales process. In 2022, M&G Stationery has not been penalized for violating marketing-related regulations.

Service Improvement

M&G Stationery consistently adheres to a customer-first philosophy, striving to provide customers with exceptional service and experience, safeguarding consumer rights, and strictly prohibiting any acts that infringe upon the legitimate rights and interests of consumers.

User Privacy Protection

M&G Stationery abides by relevant laws and regulations concerning privacy and personal information protection. The Company collects only the necessary customer personal information for lawful purposes, adhering to business ethics and contractual principles, while properly safeguarding user privacy. When collecting user data and information, the Company explicitly informs users about the purpose of data and information collection and corresponding confidentiality clauses. The Company prohibits the disclosure, sale, or transfer of employee or customer information unless authorized or required by relevant laws and regulations.

Jiumu Store's member system features comprehensive customer privacy protection measures, including encryption of sensitive customer information, anonymization of system query results, and the use of authorized authentication for server login verification. When employees initiate data call requests, they must undergo system verification. If external hackers attempt to simulate API calls, they are blocked by the system and receive error messages. The server deployment employs an isolated deployment scheme to prevent information flow. In 2022, M&G Stationery has not received any complaints related to customer privacy protection.

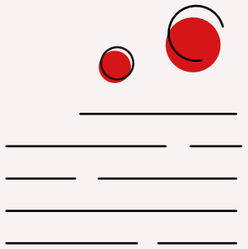
Customer Satisfaction

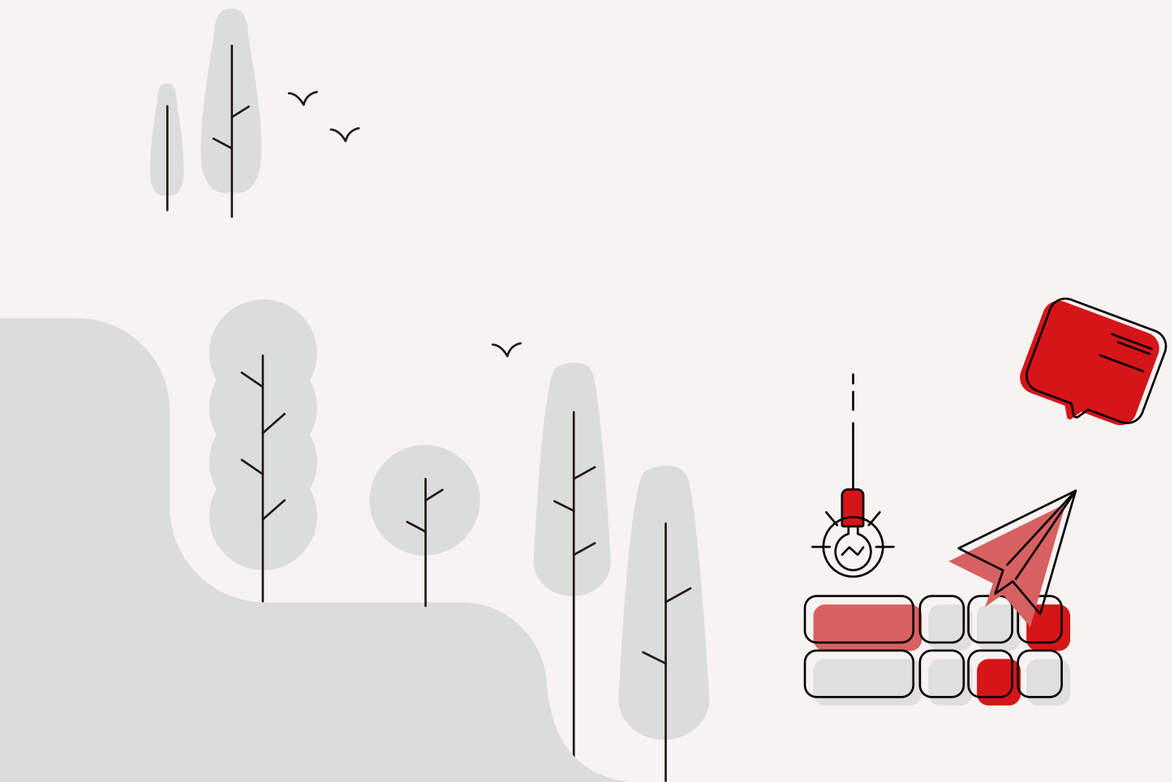
M&G Stationery places a high priority on customer satisfaction and regularly conducts satisfaction surveys. The Company designs customer satisfaction questionnaires covering six dimensions: product quality, timely delivery, new product supply, information communication, service attitude, and sales service. After gathering data through various branches, the Company summarizes the results and continuously improves service quality based on customer feedback. In 2022, the number of customer complaints has decreased compared to 2021.

After-sales Service

M&G Stationery is committed to treating people with sincerity and continually optimizing after-sales service experiences. The Company has established an after-sales complaint mechanism, specifying departments and personnel responsible for handling consumer complaints, actively resolving customer complaints, and continuously improving processing quality. In 2022, the Company resolved 1,771 complaint cases, achieving an after-sales issue implementation completion rate of 95.9%.

Appendix





Sustainable Development-related Policies

M&G Stationery's main policies and systems related to sustainable development

Internal Control Manual	Safety Standards and Relevant Cases
M&G Code of Business Conduct	Management Framework of Company Safety
Guidelines for Anti-trust Compliance of M&G	Eight Disciplines for Safety
Management System Against Fraudulence	Safe Production Management System
Whistleblower Protection and Non-Retaliation System	Safe Production Investment System
Personal Information Protection Management System	Management Guidelines for Regular Detection of Occupational Hazard Factors for Employees
Employee Conflict of Interest Management System	Training Management System for Technical R&D Personnel
Internal Investigation and Handling System for Employee Misconduct	Management System of Recruitment
Chemical Management Policy	Intellectual Property Manual
Energy Management Manual	Intellectual Property Management Method
Supplier Management Method	IP Licensing Product Risk Control System
New Supplier Development and Introduction Management Method	Reward System of Intellectual Property
Supplier Evaluation Management System	Patent Management Method
Supplier ESG Improvement Method	Trademark Management Method
Transparent Procurement & Integrity Convention	Trade Secrets Management Method
Supplier Code of Conduct	Intellectual Property Risk Management Control
Internal Referral Management Method	Management and Control Procedures for Product Safety
Collective Wage Agreement	Product Safety Testing Operational Scheme
Employee Handbook	Product Lifecycle Quality Control Scheme
Management System of Employee Promotion	Brand Visual Identity Guide
Performance Management System	

Sustainable Development Performance

Environmental Data[1]

Indicator	Unit	2021	2022
Energy consumption[2]			
Gasoline	ton	123	65
Diesel fuel	ton	103	85
Purchased electricity	kWh	87,376,464	76,400,816
PV power generation	kWh	8,757,050	8,854,470
Scope 1 GHG emissions	tCO_2e	698	1,433[3]
Scope 2 GHG emissions	tCO_2e	68,853	32,389[4]
Total GHG emissions (Scope 1 + Scope 2)	tCO_2e	69,551	33,822
GHG emission intensity	tCO_2e/million RMB of revenue	4.0	1.7
Material usage			
Plastic	ton	26,710	21,000
Paper	ton	16,030	18,000
Ink	ton	4,778	3,401
Recycled plastic used	ton	1,021	7,451
Total material usage	ton	48,818	42,401[5]
Material usage intensity	tons/million RMB of revenue	2.8	2.1
Packaging materials			
Packaging paper for logistics	ton	1,810	1,800
Recycled packaging paper	ton	160	276
Packaging usage intensity	tons/million RMB of revenue	0.1	0.1
Water			
Tap water consumption	ton	593,000	539,000
Total amount of recycled and reused water	ton	50,000	45,000
Effluents and waste			
Hazardous waste	ton	20	28
General garbage (non-hazardous waste)	ton	1,000	700
Total solid waste	ton	1,020	728
Wastewater discharged	ton	2,800	2,000

1.Unless otherwise specified, the environmental data covers M&G Stationery's Shanghai production base and Shanghai logistics base.
2.In 2021, the energy consumption data (electricity, gasoline, and diesel) and GHG emissions data of M&G Stationery were limited to the Shanghai production and logistics base, while in 2022, the data range has expanded to include the Shanghai production and logistics base, South China production and logistics base, the North China logistics base and the Shanghai headquarters office building.
3.In 2021, the Scope 1 GHG emissions were calculated for gasoline and diesel, while in 2022, the scope has expanded to include gasoline, diesel, refrigerants, and methane (septic tank).
4.The emission factor from electricity generation in Shanghai was adjusted from 7.88 tCO_2e/10,000 kWh to 4.20 tCO_2e/10,000 kWh in 2022. Electricity consumption is one of the main sources of GHG emissions for M&G Stationery, so Scope 2 GHG emissions in 2022 decreased significantly compared to 2021.
5. In 2022, the total material usage is the sum of plastic, paper, and ink quantities.

Social Data[1]

Indicator	Unit	2021	2022
Anti-corruption[2]			
Total number of employees in anti-corruption training	person	70	313
Number of public legal cases regarding corruption brought against the Company or its employees during the reporting period	cases	0	0

1. Unless otherwise specified, the social data includes Shanghai M&G Stationery Co., Ltd. (hereinafter referred to as "M&G Corporation") and all its holding subsidiaries and wholly-owned subsidiaries.
2. The scope of anti-corruption related data involves M&G Corporation, Shanghai M&G Office Stationery Co., Ltd. (hereinafter referred to as "M&G Office Stationery"), Jiumu M&G Store Enterprise Management Co., Ltd. (hereinafter referred to as "Jiumu Store"), and Shanghai Qizhihaowan Culture and Creativity Co., Ltd. (hereinafter referred to as "Qizhihaowan").

Indicator	Unit	2021	2022
Employment [1]			
Total number of employees	person	5,527	5,574
Total number of employees			
University (Junior college) or above	person	3,210	3,401
High school, vocational senior secondary school	person	1,094	997
Other	person	1,223	1,176
Number of employees on parental leave, by gender			
Male	person	/	7
Female	person	/	23
Number of employees who returned to work after parental leave during the reporting period, by gender			
Male	person	/	6
Female	person	/	22
Number of employees who returned to work after parental leave during the reporting period and remained employed for 12 months or more, by gender			
Male	person	/	6
Female	person	/	22
Return-to-work rate and retention rate of employees who took parental leave, by gender			
Male	%	/	86
Female	%	/	96
Percentage of board members and senior management, by age			
Under 30 years old	%	0.0	0.0
30–50 years old	%	41.7	33.3
Over 50 years old	%	58.3	66.7
Percentage of board members and senior management, by gender			
Male	%	66.7	66.7
Female	%	33.3	33.3
Ratio of basic salary and compensation for male employees [2]			
Basic salary	%	/	66.0
Additional compensation	%	/	34.0
Ratio of basic salary and compensation for female employees [2]			
Basic salary	%	/	77.0
Additional compensation	%	/	23.0

1. Employee employment data disclosure only covers regular employees.

2. The scope of basic salary and remuneration ratio data involves M&G Corporation, M&G Office Stationery, Jiumu Store, and Shanghai M&G Stationery & Gift Co., Ltd. (hereinafter referred to as "Gift").

Indicator	Unit	2021	2022
Occupational health and safety [1]			
Number of workers covered by occupational health and safety management system	person	/	818
Number of fatalities caused by work-related injuries	cases	0	0
Total working hours	hours	2,068,524	1,992,995
Rate of fatalities caused by work-related injuries	%	0	0
Number of severe work-related injuries (excluding fatalities)	cases	/	0
Proportion of severe work-related injuries (excluding fatalities)	%	/	0
Number of recordable work-related injuries	cases	13	18
Recordable work-related injury rate (per million working hours)	%	0.063	0.09
Number of work-related injuries			
Male	person	8	14
Female	person	5	4
Total number of safety training hours	hours	18,000	18,000
Total number of employees who received safety training	person-time	200,000	200,000
Number of fatalities caused by work-related diseases divided by employment relationship	person	/	0
Number of recordable cases of work-related diseases	cases	/	0
Investment in labor protection	10,000 RMB	253	222

1. The scope of the number of workers covered by the occupational health management system involves M&G Corporation; the scope of work-related injury data involves M&G Corporation, M&G Office Stationery, Gift, and Jiumu Store; the scope of labor protection investment data involves M&G Corporation, Gift, M&G Office Stationery, and Axus Stationery (Shanghai) Co., Ltd. (hereinafter referred to as "Axus Stationery").

Indicator	Unit	2021	2022
Employee training [1]			
Number by gender			
Male	person-time	1,312	1,953
Female	person-time	784	1,625
Number by level			
Non-management employees	person-time	1,381	2,456
Middle-level management personnel	person-time	625	1,067
Senior management personnel	person-time	103	55
Training hours per capital	hours	5.9	5.0
By gender			
Male	hours	5.6	7.2
Female	hours	6.5	2.8
By level			
Non-management employees	hours	5.4	16.9
Middle-level management personnel	hours	6.7	7.2
Senior management personnel	hours	7.3	3.3
Percentage of employees receiving regular performance assessment	%	90	100
By gender			
Male	%	48.0	47.0
Female	%	52.0	53.0
Consumer health and safety			
Number of health and safety violations related to products and services	cases	0	0
Customer satisfaction by average satisfaction score	score	88	88
Number of customer complaints	cases	1,899	1,846
Number of resolved customer complaints	cases	1,839	1,771
Percentage of after-sales problems solved	%	96.8	95.9
Charitable and philanthropic activities [2]			
Total cash donations	10,000 RMB	611	425
Total in-kind donations	10,000 RMB	249	108

1. The scope of employee training data involves M&G Corporation, M&G Office Stationery, Jiumu Store, and Qizhihaowan.
2. The data source for charity and public welfare statistics is the M&G Charity Foundation.

GRI Index

M&G Stationery has reported the information referenced in this GRI content index for the period from January 1, 2022, to December 31, 2022, in accordance with GRI standards.

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