

## **Shanghai M&G Stationery Inc.**

### **Chemical Management Policy**

Shanghai M&G Stationery Inc. (hereinafter referred to as "the Company") is committed to reducing the impact of chemicals on the environment and human health throughout the product lifecycle. The Chemical Management Policy guides us in specifying materials and chemicals for products, packaging, and manufacturing processes. This policy applies to all employees of the Company and its subsidiaries, as well as suppliers. The policy covers both proprietary and non-proprietary products of the Company.

**The Company's chemical management is based on the following principles:**

#### **1. Primary Purpose of the Policy**

- Comply with the laws and regulations of the countries where we operate, and ensure that raw materials and finished products meet relevant Chinese chemical regulations.
- Commit to applying international chemical management standards to the use of chemicals in products, packaging, and manufacturing processes.
- Support policies, standards, and unified legislation on chemical usage to ensure standardized management of chemicals in the market. These policies, standards, and legislation should be based on sound scientific foundations, including assessments of relevant hazards, exposures and subsequent risks, as well as preferences for low-risk alternatives.
- Commit to incorporating the principles outlined in this policy into business operations. This includes chemical assessments, setting performance goals and metrics, periodically reviewing chemical usage results with senior management, and publicly reporting the Company's continuous improvement in areas covered by this policy.

#### **2. Chemical Prohibition, Phasing Out and Replacement**

- Identify the hazardous characteristics of chemical compositions and formulations in products, packaging, and manufacturing processes. The

Company has established a "Banned Chemical List" in accordance with mandatory Chinese national chemical control regulations, requiring that product materials do not contain prohibited chemicals specified by relevant regulations.

Banned Chemicals	
Perfluorooctanesulfonic acid and its salts	Tetraethyllead
Perfluorooctanesulfonyl fluoride	Polychlorinated terphenyl
Hexabromocyclododecane	Tributyltin compounds
Mercury	Short-chain chlorinated paraffins
Tetramethyllead	

- The Company develops a chemical phase-out list and maintains it according to Chinese legal requirements, EU standards, and REACH Regulation. For example, we updated the chemical phase-out list for gel ink products based on inspection results for gel ink (black), in accordance to REACH Regulation. In the future, we plan to work with suppliers to optimize formulations and improve processes, gradually phasing out substances of high concern to meet higher chemical control standards.

- Commit to reducing chemical hazards by using alternatives to replace high-risk chemicals and redesigning products and production processes to reduce chemical usage. For example, the surface paint of wooden pencil shafts is being replaced by batch with the environmentally friendly material. We choose the water-based lacquers made from water-soluble resin and water-soluble environmentally friendly additives, without the addition of curing agents or plasticizers, to replace traditional solvent-based nitrocellulose lacquers. The proportion of replaced materials will increase gradually until full replacement is achieved.

### 3. Chemical Management Mechanisms

- Conduct chemical risk assessments and inspection controls at various stages of the product lifecycle:
  - During raw material procurement, we evaluate the chemicals in raw materials and select them based on factors such as international and domestic banned chemical lists, potential health and environmental impacts, and customer preferences.
  - At the raw material warehousing receiving stage, we conduct chemical tests on raw materials, including chemical composition analysis and hazardous chemical limits.

- During product development, we carry out preliminary reviews and validations to ensure that the chemical content of product materials complies with legal requirements and domestic and international standards, and to avoid using questionable chemicals in terms of safety and environmental protection.
  - During the production stage, we strictly monitor the production process, conduct special audits of production processes, and ensure that production procedures comply with chemical inspection plans and standards; these requirements also apply to suppliers.
  - At the product acceptance stage, we perform chemical tests on products to minimize the impact on human health and the environment during product use.
  - In the product sales stage, we conduct irregular chemical spot check audits to ensure that the chemical safety of products circulating in the market meets the Company's control requirements.
- Product Auditing and Penalties:
    - Through established procedures such as "Management and Control Procedures for Product Safety" and "M&G Product Audit Sampling Mechanism," we standardize product development to meet corresponding safety requirements, prioritize the use of environmentally friendly materials, and obtain formal third-party testing reports.
    - Implement tiered control based on product types, develop different testing plans, and ensure product consistency, so that both new and old, self-produced or externally procured products meet corresponding safety requirements.
    - Develop disposal and penalty mechanisms for product issues to form a closed-loop system for environmental safety throughout the circulation process.
  - All products comply with Chinese national mandatory safety standards while selected product series meet EU standards, China Environmental Labeling (Type I) certification, and REACH Regulation:
    - Chinese national mandatory safety standards: Mainly applied to student supplies, children and adolescent learning supplies, toys, etc. Controlled items include mechanical and physical properties, specific element migration limits, phthalate plasticizers, benzene compounds, free formaldehyde, sensitizing aromatic amines, etc.
    - EU standards: These standards have stricter requirements for item types and limits than Chinese National Mandatory Safety Standards, such as EN71-3:2019 and RoHS(EU) 2015/863, primarily applied to

stationery products for younger children and students. Controlled items include limits on specific element migration, phthalate plasticizers, benzene compounds, free formaldehyde, sensitizing aromatic amines, polycyclic aromatic hydrocarbons, allergenic dyes, and other harmful substances.

- REACH Regulation: Mainly applied to writing media (inks) in writing tools. Control items include 76 substances listed in the "REACH Restricted Substances List (Annex XVII)", such as polychlorinated biphenyls, chloroform, dimethylformamide, etc.
- China Environmental Labeling (Type I): Item types and limits are stricter than national mandatory safety standards, mainly applied to office paper products and equipment. This standard requires products to meet more stringent environmental protection criteria during production, use, and disposal processes, ensuring they exhibit low toxicity, reduced harm, and resource-saving advantages compared to similar products on the market.

#### **4. Suppliers and Stakeholders**

- Commit to promoting standardized chemical management throughout the supply chain, requiring suppliers to have appropriate management systems to inventory chemicals, eliminate or manage chemicals of concern, provide materials, components, and products that meet standard requirements, and provide appropriate personal protective equipment and training for workers.
- Collaborate with suppliers to promote the development and adoption of environmentally friendly alternatives.
- Identify chemicals used in products, packaging, and manufacturing processes and provide information on chemical usage to customers, workers, communities, and other stakeholders under conditions where trade secrets are legally protected.
- Actively promote environmental concepts among industry partners and sales partners, and join hands with the stationery industry through our corporate influence to collectively move towards an environmentally friendly and safe future.

The Company is committed to incorporating the principles outlined in this policy into business operations. This includes chemical assessments, setting performance goals and metrics, periodically reviewing chemical usage results with senior management, and publicly reporting the Company's continuous improvement in areas covered by this policy.