LEO SUSTAINABILITY EXPRESS

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ABOUT LEO SUSTAINABILITY EXPRESS

THROUGH OUR SUSTAINABILITY EXPRESS, WE AIM TO SHARE OUR SUSTAINABILITY INITIATIVES WITH OUR CLIENTS AND PARTNERS, AND WORK HAND IN HAND TO CREATE A GREENER, MORE SUSTAINABLE FUTURE TOGETHER.

Go Green

Corporate Sustainability Reporting Directive (CSRD)

On February 26 of this year European Commission published the "Simplification Omnibus package" to refine CSRD and CSDDD. This action could drastically reduce administrative, regulatory and reporting burdens, facilitating the competitiveness and resilience of companies implementing the regulations.

The Commission propose delaying the application of the CSRD for companies that have not yet commenced reporting. This delay provides these companies with an additional two years (original schedule: report in 2026 for the second wave and report in 2027 for the third wave) to prepare for compliance.

Moreover, the Omnibus proposal suggests raising the applicability threshold, releasing EU large undertakings from the requirements. The threshold would increase from 500 employees (Wave 1) and 250 employees (Wave 2) to 1,000 employees and would apply to companies that have either a net turnover exceeding €50 million (previously €40 million) or a balance sheet total in excess of €25 million (previously €20 million). For non-EU companies, the criteria includes an annual net turnover exceeding €450 million and either being defined as a large EU subsidiary under EU criteria or operating as a branch in the EU with an annual net turnover exceeding €50 million.

The European Union claims this change would exempt approximately 80% of current in-scope companies.

On the other side, the first set of European Sustainability Reporting Standards ("ESRS") will be revised and simplified to substantially reduce amount of data and information. EFRAG (the body responsible for drafting the ESRS) has committed to participating in a simplification process and expects to publish a revised draft ESRS in due course. The CSRD also requires the Commission to adopt sector-specific reporting standards, with a first set of such standards to be adopted by June 2026. The CSRD allows listed SMEs to report using a separate and lighter, proportionate set of standards instead of the full set of ESRS.

Companies with fewer than 1,000 employees, which are out of CSRD scope, can choose to voluntarily report according to simplified voluntary standards adopted by the committee, which are based on the voluntary standards for small and medium-sized enterprises (VSME) established by EFRAG.

Our annual sustainability report has been published for 16 years, starting in 2009. We are proud to disclose our performance targets and actions taken in the areas of environmental, social, and governance (ESG) in a transparent and traceable manner. The topics we select are based on a material assessment, which encompasses carbon reduction, pollution prevention, biodiversity, resource usage, worker care, occupational health and safety, business ethics, and more. In our 2024 ESG report, we are breaking new ground by incorporating the IFRS S2 climate-related disclosure standards, positioning ourselves as a leader in the printing industry.

Understanding the Corporate Sustainability Due Diligence Directive (CSDDD)

The CSDDD is expected to have far-reaching effects on businesses and their stakeholders. Companies will be required to conduct thorough due diligence processes, which include risk assessments, stakeholder engagement, and the establishment of grievance mechanisms. This will not only enhance transparency but also build trust with consumers, investors, and communities.

The Omnibus package covered CSDDD that revised several aspects, and the highlights are:

1. The transposition deadline for Member States will be postponed by one year to 26 July 2027 with application for the first phase of companies postponed by one year to 26 July 2028.

2. The minimum cap for penalties which is 5% of turnover will be deleted. The specific EU-wide civil liability regime will also be removed.

3. The requirement to ‘put into effect’ the climate transition plan will be deleted. Instead, the plan will include implementation actions planned and taken, aligning with CSRD reporting requirements.

4. The focus of due diligence would shift from the entire value chain to direct business partners. However, companies would still be required to address issues involving stakeholders beyond Tier 1 business partners whenever they have plausible information.

5. The required frequency of periodic monitoring of the adequacy and effectiveness of due diligence measures will be reduced from annual to once every five years.

6. The obligation to terminate business relationships as a last resort will be removed, although the obligation to suspend such relationships will remain.

7. The review clause regarding the potential extension of the scope to downstream financial services activities is removed.

8. The specific EU-wide civil liability regime is removed, leaving companies subject to liability under Member State laws.

Environmental protection and code of conduct are core values of Leo. We have a robust code of conduct, such as: SMETA 4P, ESCP, BSCI, Disney and others. We adopt sustainable practices that mitigate ecological footprint and promote ethical labor practices. This framework not only aids in complying with regulatory standards but also fosters a culture of transparency and accountability, ultimately contributing to a more sustainable future which is aligned with CSDDD.

To know more about Renewable Energy Certificate (REC) and Green Energy Certificate (GEC)

The Renewable Energy Certificate (REC) was a voluntary system for international trade that was created by RECS International (now is called RECS Energy Certificate Association) to stimulate the international development of renewable energy.

One REC energy certificate was issued for every 1 megawatt-hour (MWh) of renewable energy produced by an electricity generation facility that was registered with the relevant national RECS issuing body. This provides a methodology that enables renewable energy trade, enabling the creation of a market for renewable energy and promoting the development of new renewable energy capacity.

Types of Renewable Energy Certificate in the Market

International Renewable Energy Certificate (iREC):
Common examples include the TIGR from the United States and I-REC from the Netherlands. Different countries and regions have different names and specific regulations.

Advantages: They are highly recognized internationally, have a broad application scope, and can help enterprises meet international clean electricity demand and ESG compliance requirements.

Limitations: Compliance requirements vary greatly between different countries and regions, and the trading processes and costs are relatively high.

In China, I-REC issuance for previously registered devices will be allowed until 31 March 2025, only for power generated until 31 December 2024.

Green Electricity Certificate (GEC)

GECs issued for electricity generated since January 1, 2023, are valid for two years. It is managed by China National Energy Administration and is the only official certification of the environmental attributes of renewable energy electricity issued based on data from grid enterprises and electricity trading organizations. Since August 2023, all renewable energy projects centralized or distributed, wind solar power, biomass, and others have been included in this scope.

China's renewable energy electricity can only apply for and issue domestic renewable energy certificate, which means the certificates are for domestic use.

Advantages: They have authority and credibility, effectively proving the production and consumption of renewable energy electricity and promoting the development of the renewable electricity consumption in China.

Limitations: The current market acceptance and trading liquidity need to be enhanced. The mutual recognition with iREC is still in progress.

Future Development:
Improve Trading Mechanisms: Enhance voluntary subscription trading rules to improve trading efficiency.

Strengthen International Competitiveness: Enhance certification supervision and international mutual recognition.

Promote the Integration of GEC and Green Finance: The trading market for GEC is increasingly integrated with financial instruments such as green bonds and green funds, injecting new vitality into the green certificate trading market.

Low-Carbon Green Supply Chain Summit

Leo Paper Group successfully hosted the third Green Supply Chain Seminar on March 19, 2025, at the Heshan Astros Cultural and Performing Arts Center.

This summit marked Leo's third green supply chain-themed seminar, following the Green Supply Chain Seminar on June 28, 2023, and the Green Low-Carbon Seminar on September 27, 2023. With the theme "Driving a Low-Carbon Green Supply Chain for a Sustainable Future," the event aimed to foster cross-industry collaboration in achieving green and low-carbon transformation. The summit brought together Leo's clients, leaders from the banking, logistics, and manufacturing sectors for in-depth cross-industry exchanges, attracting over 250 representatives from more than 180 supplier and industry leaders. This demonstrated Leo's leadership in ESG and its unwavering commitment to driving green transformation in the industry.

The summit commenced with an opening speech by Mr. Samuel Leung, the Group's Chairman. Our guest speakers consisted of our clients, banking industry, logistics and paper manufacturers shared their green initiatives and experience.

In the Q&A session, participants engaged in in-depth discussions on the challenges and opportunities within the green supply chain, followed by a supplier appreciation session, in which Leo recognized outstanding suppliers for their contributions to green low-carbon supply chains, thanking them for their efforts and encouraging more industry partners to participate.

The summit concluded with closing remarks by Mr. King Lai, CFO and Group Director of Leo Paper Group. He expressed gratitude to all attendee for their support. Mr. Lai mentioned that "Since setting our four 2025 environmental and social responsibility goals in 2021, we have recognized that achieving these goals relies on the support of every partner. Driving supplier green transformation has become a core mission for Leo. Striving to be an industry leader, Leo is committed to advancing green economy and sustainable development, working hand-in-hand with our partners to create a green and low-carbon future."