# LEO SUSTAINABILITY EXPRESS

LEO PAPER GROUP


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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

# The Packaging Revolution: Navigating the New Era Under PPWR

## PPWR Overview and Business Relevance


Regulation (EU) 2025/40, represents a major shift in the EU packaging regulatory framework. It replaces the previous Packaging and Packaging Waste Directive and aims to reduce unnecessary packaging waste, lower the use of primary raw materials, improve recyclability, increase the safe use of recycled plastics, and support the transition to a circular, sustainable and competitive economy. The PPWR started effective 11 February 2025, with its general date of application 18 months later, on 12 August 2026. For companies placing packaging or packaged products on the EU market, the regulation requires a more structured approach to packaging design, material selection, labelling, documentation and conformity assessment.

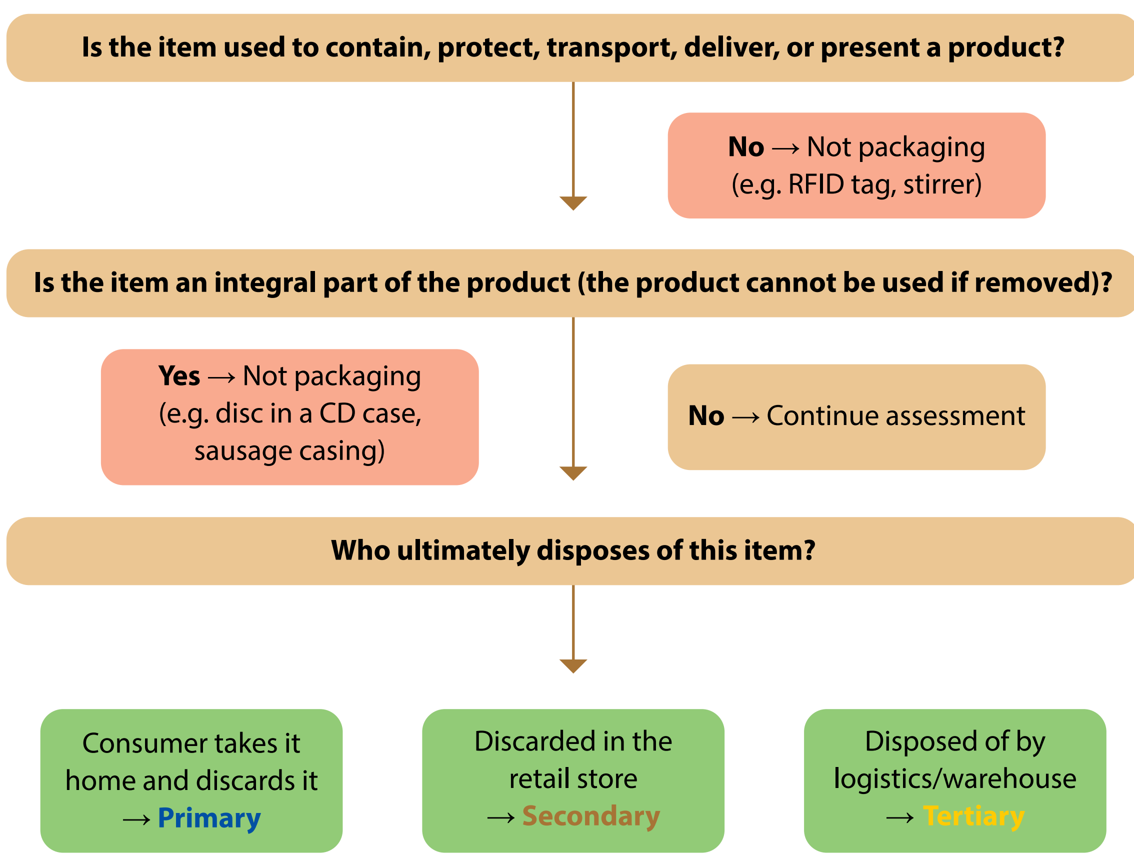
### Definition of Packaging

"Packaging" is defined as an item, irrespective of the materials from which it is made, that is intended to be used for the containment, protection, handling, delivery or presentation of products.

### Types of Packaging

Over 10 packaging types defined in PPWR. Sales Packaging, Grouped Packaging and Transport Packaging.

| PPWR Term | Definition | Disposal Party | Related articles |
|---|---|---|---|
| Sales packaging | Packaging that constitutes a sales unit, reaching the end user together with the product at the point of sale | Consumer (disposed of after taking home) | 3,6,7,10, 29,30 |
| Grouped packaging | Packaging that groups together a number of sales units, removable from the product without affecting its characteristics | Retailer (disposed of in-store) | 3,6,7,10, 24,25 |
| Transport packaging | Packaging that facilitates handling and transport, preventing damage to products during transport (excluding containers) | Logistics / Warehouse | 3,6,7,10,24, 25,29,30 |



Sales packaging includes poly bags, Grouped packaging includes cartons, Transport packaging includes carton-sealing tape and pallets.

At MTS (Leo's in-house accredited laboratory), a specialized team is responsible for testing, including heavy metal tests and providing reports. In addition, we have classified about 130 packaging items and implemented a standardized technical documentation system.

## PPWR implementation timeline

**PPWR Article Timeline**

**12 Aug 2026**

**Article 5**
Requirement for substances in packaging

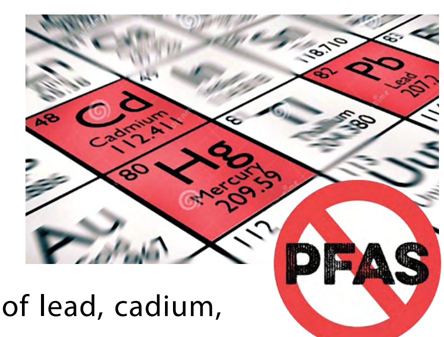
**12 Aug 2028**

**Article 12**
Harmonised packaging labelling

**1 Jan 2030**

**Articles effective from 1 Jan 2030**
**Article 6** Recyclable packaging
**Article 7** Minimum recycled content in plastic packaging
**Article 10** Packaging minimisation
**Article 24** Obligation related to excessive packaging
**Article 25** Restrictions on use of certain packaging formats
**Article 29** Re-use targets

## Article 5 – Requirements for substances in packaging – Effective from 12 August 2026




From 12 August 2026, Article 5 becomes one of the first PPWR requirements that companies should adhere to. Article 5 requires packaging to be designed and manufactured so that the presence and concentration of substances of concern are minimized throughout the packaging life cycle. A key KPI is that the combined concentration of total of lead, cadium, mercury and hexavalent chromium must not exceed 100mg/kg in packaging or packaging components. Leo already adheres to this requirement. For food-contact packaging, PFAS restrictions also apply, with limits of 25–250 ppb for targeted PFAS or total fluorine not exceeding 50 mg/kg, which we have also achieved. For an environmental compliance team, this means establishing material screening, supplier declarations, annual testing plans, controls, and documentation to demonstrate that packaging materials meet substance requirements before being placed on the EU market.

All the material including paper and ink used in the packaging products manufactured in Leo comply with the limit of sum of lead, cadmium, mercury, hexavalent chromium, and total fluorine requirement. All the manufacturing processes are under strict control to prevent any contamination.
To be continued

# Leo Paper - Your Trusted Partner in Publishing Excellence under EmpCo

EmpCo refers to the Empowering Consumers for the Green Transition Directive, formally known as Directive (EU) 2024/825. It is part of the European Union's wider effort to protect consumers from misleading environmental claims and to support more transparent, reliable sustainability communication. The directive amends existing EU consumer protection rules, including the Unfair Commercial Practices Directive and the Consumer Rights Directive, with a particular focus on tackling greenwashing.

## What Is the EmpCo Regulation?


EmpCo sets stricter expectations for how companies communicate environmental and sustainability-related information. Claims such as "green", "eco-friendly", "environmentally friendly", "sustainable", "biodegradable" or "climate neutral" must be clear, specific and supported by credible evidence. EU Member States are required to transpose the directive into national law, and the new rules will apply from 27 September 2026.

What's more, EmpCo is mainly focused on B2C commercial practices. Pure B2B communication is generally outside its scope, but sustainability information used in advertising, packaging or other consumer-facing marketing may still fall within the EmpCo framework. Sustainability reports are generally not the main target of EmpCo when they are mandatory or investor focused. However, if information from a sustainability report is voluntarily used in consumer-facing marketing or advertising, the communication should comply with EmpCo requirements.

## Environmental Claims Become Stringent

For publishers, distributors, retailers and brand owners, sustainability communication is becoming a compliance issue rather than just a marketing message. Consumers increasingly expect environmental claims to be trustworthy, while regulators are paying closer attention to vague or exaggerated statements. Companies selling into the EU must ensure any environmental claim is supported by data, certification, traceability records or other reliable evidence.

### How FSC™ Certification align with EmpCo


FSC™ is revising its trademark standard to align its trademarks and labelling with EmpCo. The aligned trademarks are already being provided to certificate holders. Major changes introduced in "Use of the FSC® Trademarks by Certificate Holders Standard" (FSC-STD-50-001) V3 for Empowering Consumers Directive (EmpCo) alignment.

- Phase out of the FFAF (Forests For All Forever) mark for all FSC license holders, for both product and promotional use. The FFAF mark on products or in any kind of communication (digital or print) on the EU market to be removed by September 2026. We had informed our clients of this information.

- Changes to the FSC on-product label including fsc.org website and product type is mandatory.

- Changes to promotional use of FSC trademarks: fsc.org website is mandatory together with the promotional statement.

- New QR Code Label: A new FSC QR label is introduced to enhance transparency and digital traceability under the new standard

To be continued

## Sustainability Report 2025

The Sustainability Report 2025 of Leo Paper Group has been released. It marks our 17th environmental and social responsibility report, highlighting our sustainability initiatives from the past year. The full report is available on the Environment and Society page of our website.
https://www.leo.com.hk/uploads/docs/editor/Sustainability-Report_2025-Update.pdf

The highlight of our environmental performance covered in 2025:

## Carbon Emission Target

### Carbon Emissions Performance 2025

| Scope 1 Emissions | Scope 2 Emissions | Total Emissions |
|---|---|---|
| **2,781** | **30,089** | **32,870** |
| Tons $CO_2e$ | Tons $CO_2e$ | Tons $CO_2e$ |
| Direct Emissions | Indirect Emissions | Total |

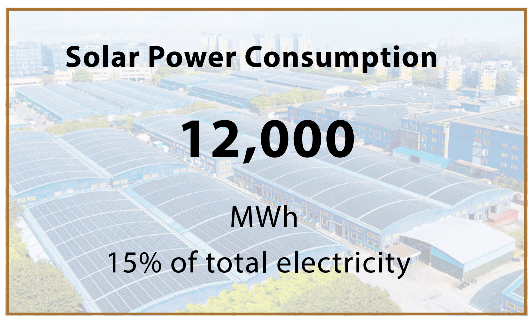
**Emission Intensity Reduction**
**25% 2025 vs 2019 baseline**

**Target Status**
**Achieved**

Note: This covers Leo's largest production base, Heshan Astros Factory, only.

## To achieve this target:

**(1) Renewable Energy Utilization**
"In 2025, while prioritizing the use of self-generated solar power to meet its own electricity needs, Leo will feed surplus electricity into the local power grid, enabling efficient energy utilization and sharing."




**(2) Energy Management**
"In 2025, Leo continued to drive down energy consumption through a series of impactful measures"

Together with the solar power consumption and energy saving projects, we saved 14,630MWh which is equivalent to about 6,400MT of carbon.

| Central Air Conditioning Water Pump Renovation | Air Compressor Optimization |
|---|---|
| **450 MWh** | **1,330 MWh** |
| Electricity Reduction | Electricity Reduction |
| Replaced 13 outdated, inefficient central air conditioning water pumps with energy-saving models. | Replaced 30 old single-stage compression screw air compressors with 8 high-efficiency, high-power two-stage compression models. |

| UV Lamp Renovation | LED Tube Replacement |
|---|---|
| **300 MWh** | **550 MWh** |
| Electricity Reduction | Electricity Reduction |
| Upgraded traditional lamps to LED-UV lamps for UV varnishing machines. | Switched conventional LED tubes to new energy-efficient and high-performance LED tubes. |

## Green Procurement and R&D

"We actively engage in the research, development, and application of green materials. For example, by replacing plastic components with paper-based alternatives or integrating renewable ingredients into products. These efforts significantly reduce the environmental footprint associated with plastic usage"

**Key Initiatives 2025**

| | | |
|---|---|---|
| Recycled Paper and Paper from Certified Well-managed Forests | | **97.08%**<br>Certified and recycled paper |
| Use of Natural Fibre Ribbons | | **Over 6.8 million**<br>Conventional satin ribbons replaced by cellulose-based alternatives |
| Green Label Materials | **Plastic-free base labels** → | Replace the intermediate PE lamination layer |
| | **Cellulose film labels** → | Replace traditional PET plastic labels |

## Water Conservation

2025 Water Management Measures:

- Cooling system upgrade: tap water spray central air conditioning system (zero consumption).
- Leak repairs: 31 leak points repaired.
- Reclaimed water: Extended to container spray system

| 2025 Achievements | |
|---|---|
| Fresh Water | -27% ▼ |
| Reclaimed Water | +13% ▲ |

# Management Award for the Net-Zero Contribution 2026


We are honored to receive the "Management Award for the Net-Zero Contribution" at the Hong Kong Green and Sustainable Contribution Awards hosted by the Hong Kong Quality Assurance Agency. Leo is also the first printing company to receive this award.

Following our recognition as a "Pioneering Organisation in Net-Zero Contribution - Commitment to Net-Zero" in 2022, Leo has continued to strengthen its carbon reduction strategy through targeted initiatives. These include installing 50,000 sq.m of solar panels, which have generated over 32,000 MWh of clean energy since 2023, and completing 15 energy-saving programs, saving more than 6,000 MWh of electricity. Compared with 2019, Leo reduced carbon emissions by over 25% in 2025 and continues working toward carbon neutrality by 2050 through emission reduction, waste minimization, and sustainable development.

Leo will continue expanding renewable energy use, improving energy efficiency, reducing operational emissions and waste, and embedding carbon management practices across its business to support long-term sustainable growth.