Integrated Sustainability Strategy Report 2020-2021

Accelerating the world's smoke-free future

Category-Leader Focused on Innovation and Pioneering Advocacies in the Vaping Industry

WARNING: This product contains nicotine. Nicotine is an addictive chemical.

Bidi Vapor stands firm against minors having access to the BIDI[®] Stick and other electronic nicotine delivery systems (ENDS).

California Proposition 65 Warning: This product can expose you to chemicals, including formaldehyde, which is known to the State of California to cause cancer, and nicotine, which is known to the State of California to cause birth defects or other reproductive harms.

You may find more crucial warning information about the BIDI® Stick here:



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= About Bidi Vapor



Founded in 2013, Bidi Vapor has been in the business of manufacturing, distributing, and retailing vapor products under a different name and branding. Officially called Bidi Vapor in 2019, its founders built the company on a solid foundation of integrity, compliance, responsibility, and trust. It is in our DNA to extend our core values out to all our processes and strategies.

As a leading innovator in the e-cigarette industry, Bidi Vapor aims to provide quality products and services for adult consumers through continuous innovation, research, and development — actively pursuing the company's vision of a smoke-free world for future generations.

As of January 31, 2021, Bidi Vapor partnered with over 475 direct retailers and wholesalers with 5,169 orders amounting to a total of 16,868,264 units sold.



In line with our efforts and commitment to transparency and disclosure, we are pleased to share our Integrated Sustainability Strategy Report.

Our Principal Focus

The focus of Bidi Vapor's Integrated Sustainability Strategy Report is to reduce the potential of any adverse-health impact stemming from our business. To accomplish this, we follow FDA regulations within our manufacturing facility and produce products of the highest quality. All materials used in the manufacture of products undergo a rigorous inspection and screening process. We also conduct quality assurance checks as part of our standard practices.

This report provides information on context, relevance, topic connectivity, management approach, targets, and performance.

Bidi Vapor's Board of Directors and members of Bidi Vapor's Company Management have evaluated and approved this report.

Our Priority

Our clear commitment to offering premium products to our consumers is at the heart of our company's vision and mission, and our purpose is built around it. Prioritizing sustainability in our business has also helped with the company's growth and success. With this, we aim to leave a lasting, positive impression on the vaping industry.

At our company, we prioritize keeping ENDS products out of the hands of underage youth. Increased precautions add levels of protection that not only help prevent our products from reaching minors but also protect adult consumers from potentially dangerous and hazardous counterfeit products.

As partners, Bidi Vapor and Kaival Brands spare no expense to go above and beyond the stringent requirement of federal, state and local regulators. However, with the current state of limited enforcement, it does make being one of the few companies playing by the rules challenging.

But our commitment to compliance is nonnegotiable. We have a robust process to ensure compliance with all PACT Act, licensing, tax, and regulatory matters. With this, we hope to build a positive legacy for future generations.

"

We will continue to hold ourselves to the highest standards of compliance and maintain our leadership role in the ENDS industry. Not because regulators tell us to, but because it is the right thing to do.

"

Niraj Patel, CEO of Bidi Vapor



Compliance

We have a robust process to ensure compliance with all PACT Act, licensing, tax, and regulatory matters. As part of our commitment to responsible compliance efforts, Bidi Vapor follows the U.S. Food and Drug Administration's guidelines in promoting and manufacturing tobacco and nicotine products.

We are committed to our responsibility in the vaping industry through the BIDI® Youth Access Prevention Measures. By complying with all state laws associated with the distribution of ENDS products, we are able to add levels of protection to help prevent minors from obtaining Bidi Vapor products while ensuring that BIDI® Stick is marketed responsibly only to adult consumers.



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We are committed to complying with all federal and state laws associated with the distribution of ENDS products and ensuring that the BIDI® Stick is marketed responsibly only to adult consumers.





CEO of Bidi Vapor

Sustainability Agenda

It is the principal focus of our sustainability agenda to improve the way we do business, as well as place a greater emphasis on the importance of addressing climate change and environmental management.

I hope that, with this publication, it will give you a better insight into the challenges we face and the progress we've made to attain our sustainability efforts. I firmly believe that with sustainability in our core values, we can commit to delivering a positive social impact and ensuring robust corporate governance.

Bidi Vapor's Statement of Purpose



Bidi Vapor is a company known in the vaping industry for upholding our company's vision, mission, and core values.

We attribute our successes to our commitment to adhere to our core values and advocacies. We take on challenges by formulating proactive and innovative solutions through research and development. Bidi Vapor's main purpose has always been to provide adult consumers a premium vape experience while taking a stand on relevant issues in the industry and in society.

With our efforts to remain compliant with regulations, we ensure that we are a brand that consumers can trust.

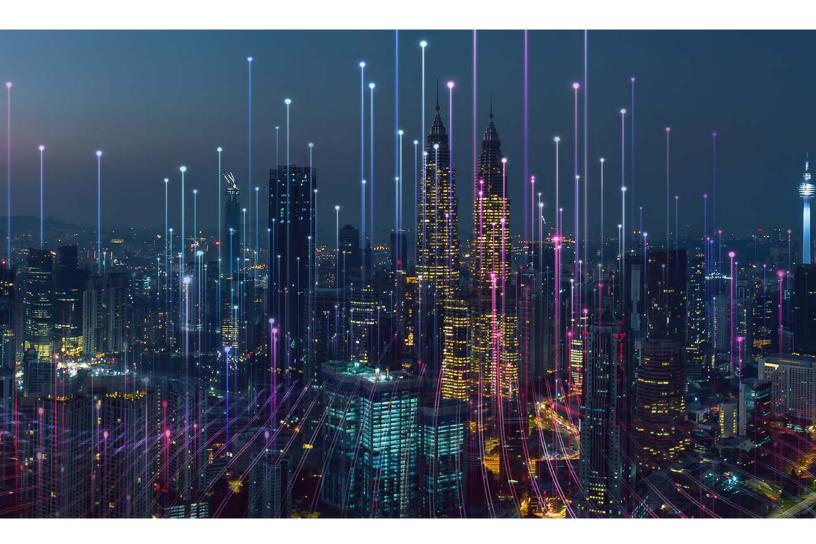
With our responsible efforts to fulfill our purpose, we aim to achieve our goal to become the leading vape manufacturer in the global vape industry an exemplary model of responsible practices for other brands to emulate.

Bidi Vapor's Long Term Goals

Bidi Vapor's Vision

In the future, Bidi Vapor would like to create and pioneer a rising tide among our partners for corporate responsibility and ethical investing. Working with government agencies through policy-setting, regulations, and public-awareness programs, our organization sees a future of improved, social cohesion and its citizens living in a stable, protected environment.

Such moves can protect the economy and especially its people from the impact of climate change and global economic challenges. This vision is the most powerful driving force of Bidi Vapor's ISSR goals for the business, its people, and the environment.



= Sustainable Development

Bidi Vapor believes that small contributions from brands like ours can help make the world a much better place. The need to implement and practice Integrated Sustainability Strategy Report (ISSR) principles at the very heart of our brand has never been more essential.

As our commitment to provide quality products through our research development, technologies, products, and science, we continue to build responsible and eco-conscious business practices.

Our small contribution in helping the industry can promote sustainable growth with the environment, society, and economy at its core.

Technology

Technological innovation is the foundation of Bidi Vapor. With the long-term investment and accumulation of basic research and product technology, we have the confidence and ability to build quality and reliable products and services, winning customers' trust.

No matter how changeable the external environment is, Bidi Vapor's core values enable us to continue to move forward steadily in the face of external pressure.

Strategy

Bidi Vapor's annual Integrated Sustainability Strategy Report (ISSR) Report provides details of the group's evolved efforts in practicing sustainability and ecoconscious policies in the organization. As we continue to promote corporate responsibility, the brand continues to reduce the environmental impact of our business through our BIDI® Cares initiative.

Bidi Vapor advocates for proper electronic nicotine vape disposal through the BIDI® Cares Program. The initiative allows the company to do its part to reduce its carbon footprint.

We always believe that our company and our partners are a community of mutual interests. Only when all participants in the industrial chain create benefits can we achieve sustainable development together. At the same time, we have also adopted the sustainable development strategy as our company's key work goal.

We hope that through our efforts, we can achieve sustainable development and set an example for this fledgling industry.

Environmental Sustainability Reporting Topics

Climate Change

The production workshop of our company is an enclosed space. A gas collection device is set up at the waste gas generation station and after an effective collection, the waste gas excess is treated with waste gas purification filter. This configuration includes a filter, UV photodegradation purifier, and an activated carbon-adsorption device. Then the waste is sent to an induced draft pipe which then discharges it into the air.

The emission of gas meets the second-period standard limit of Guangdong local standard "emission limits of air pollutants" (DB44 / 27-2001), and an organized emission concentration monitoring limit.

We have a professional team, focusing on the carbon-emission trading system, which helps in facilitating the carbon-emission trading system at home and abroad, assisting customers in carbon inventory, carbon asset valuation, carbon trusteeship, and low-carbon project database management. They also establish internal control of the carbon-emission trading system. This can make enterprises more effective in coping with climate change policies.

Water Resources Protection

Production wastewater: Tap water is needed in our cleaning process, which we use in producing cleaning wastewater (W1). The project is equipped with two ultrasonic cleaning machines. The volume used for the cleaning tank is at 0.5m * 0.5m * 0.5m (the effective depth is 0.2m). The water tank is replaced four (4) times a day which consumes water for about 0.4t/d and 120t /a. During the washing process, it causes an evaporation loss of 10%. As a result, the wastewater amounts (W1) is 0.36t/d, 108t /a after washing.

Domestic sewage: The fixed number of construction projects employ 2,000 people. The project does not provide for employee accommodations or food for the employee canteen. According to Guangdong Province (2014) rules government institutions (office buildings) without a canteen or bathroom, have a water limit of 40 L / person. The annual water production is within 300 days. The drainage coefficient is 0.9, and for domestic water consumption, it is 24000t / a (80t / D). The main pollution factors of domestic sewage in the project are cod, BOD5, SS and NH3-N, and the production concentrations are 400mg / L, 200mg / L, 220mg / L and 40mg / L respectively.

The facility is located in the sewage receiving area of Shajing water purification plant. The municipal sewage pipe network around the area has been improved. After being pretreated by septic tanks in the industrial zone, the domestic sewage is connected to the main sewage pipe of Songgang Avenue. After being treated by the municipal pipe network, it is discharged to follow standard procedure.

The total treatment capacity of the Shajing water purification plant in the first and second phases is 400000 m3/D. It includes 150000 m3/D in the first phase and 250000 m3/D in the second phase. At present, the actual capacity of the Shajing water purification plant in the second phase is 100000 m3/D, and the remaining treatment capacity is at 150000 m3/D. The sewage discharge of the project is about 72t / D, accounting for 0.048% of the remaining treatment capacity of the Shajing water purification plant.

According to the engineering analysis, the discharge concentrations COD, BOD5, SS, and NH3-N of the domestic sewage pollution factors meet a three-level standard. The second period of Guangdong Provincial-Local Standard for "discharge limits of water pollutants" (db4426-2001) has a three-level standard. With the standards met, it means that there is no adverse impact on the treatment load of the Shajing water purification plant.

Sustainable Land Use

The rental area of our company's factory is 19658.58m2, less than 2hm2, and there are no ecologically sensitive points in the area.

A third-grade environmental impact assessment project takes place in an industrial area. There is no land occupation, vegetation damage, and other environmental effects to the area during the construction period. The primary pollutants of the project operation are domestic sewage, waste, gas, noise, solid waste, and other contaminants. After taking relevant measures, there is no noticeable impact on the ecological environment.



Sustainability at Bidi Vapor

As a company, we are aware of the importance of reducing our carbon footprint and the production of electronic waste. To prevent worst-case scenarios, we at Bidi Vapor embrace sustainability and incorporate it into our business operations.

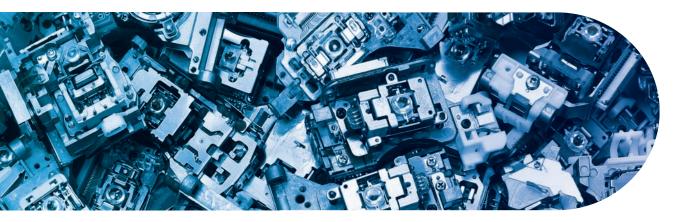
Product innovation is at the heart of our business strategy and it is the main reason why we are making every effort to offer premium products to our consumers. Aside from this, we add unique features to our products to make it sustainable. We invest in advanced technologies to ensure that we do not contribute to the increasing amount of electronic waste.

We prioritize sustainability by making the premium BIDI[®] Stick eco-friendly and sustainable. We are also encouraging our consumers to practice proper disposal by participating in our recycling program.

As a trailblazer in the industry, we are hopeful that other brands would also value sustainability. With our united efforts, we could create a more environmentally friendly world.

Sustainable Development Goals

BIDI® CARES AND THE GLOBAL E-WASTE CRISIS



Every year, over 6.92 million tons of electronic waste or "e-waste" is generated in the United States. E-waste, including electronic cigarettes, contain dangerous toxic chemicals that can potentially affect our health and the environment.

Disposable vape products are considered e-waste, and the improper disposal of these products may cause harm to the environment. Vape products may contain chemicals and raw materials that could leak over time and contaminate the soil, air, and water.

Most vape manufacturers and brands do not offer or try to find a solution to this problem. Consumers should have a convenient and easy way to participate in protecting the environment. It is Bidi Vapor's goal to lead the industry in responsible practices by incorporating recycling efforts and sustainability drives that involve its adult consumers.

With the current fragile state of our environment caused by the improper disposal of vape devices, Bidi Vapor initiated the BIDI® Cares recycling program. The program aims to address improper vape disposal, as well as educate, and encourage adults to recycle. While the BIDI[®] Stick is a disposable pen, parts of the device contain recyclable components that can be recovered and reused to manufacture a new product. BIDI[®] Stick contains a lithium ion battery, the recyclable component of our device. For example, elements of the battery that are recyclable include parts of the anode (22%) including graphite, copper (17%), electrolyte solution (15%), separator plastics (3%) and carbon black and binder (4%), aluminum (8%) and active cathode material (31%) including the lithium cobalt oxide, lithium nickel and cobalt aluminum oxide.

Adult consumers can send in their used BIDI® Sticks back to our facilities for recycling.

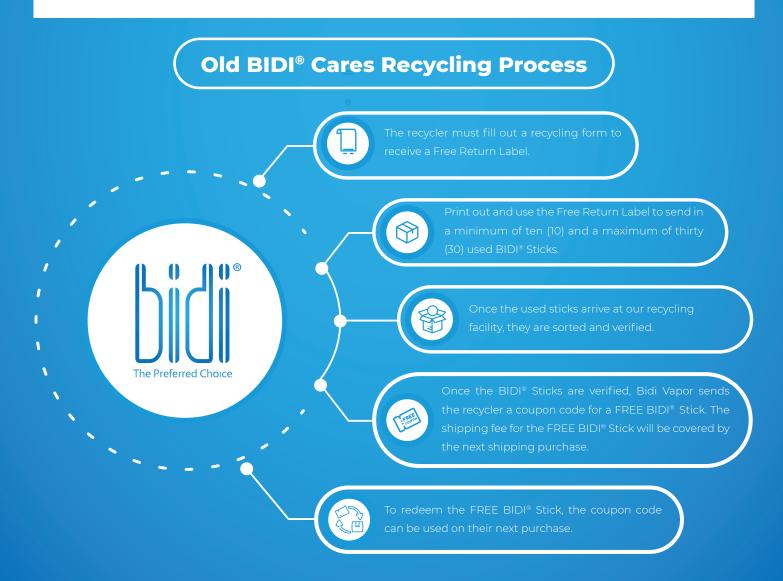
Once the used and empty devices have been accumulated at the recycling facility, we utilize the recyclable components that can be recovered to manufacture a new BIDI[®] Stick product.

The BIDI® Cares Story

At the onset of the project, consumers did not participate as much as the company would like. Believing in the project, the team formulated strategies to gain exposure and to get the program up and running to its maximum potential.

Bidi Vapor and its team of creative people came up with a reward system for recyclers. As soon as this was implemented, the company saw a rise in the number of recyclers that participated. Although there was an improvement, it wasn't still quite enough.

When Bidi Vapor started offering free return labels for adult consumers that wanted to send in their used BIDI® Sticks for recycling, the program saw a dramatic rise in its participants. This demonstrates Bidi Vapor's dedication and persistence in making a project or program work, especially for a project that hits close to the core values of the company: sustainability.



Sustainable Development Goals

We continuously improve our BIDI® Cares recycling program by encouraging our consumers to participate in our recycling agenda. We started by offering a FREE return label that consumers can use to send in 10 BIDI® Sticks for recycling purposes, and in return, they receive a coupon code that can be redeemed for a FREE BIDI® Stick. We added these measures to make it easier for the consumers to recycle their empty or used BIDI® Sticks.

With the implementation of the Prevent All Cigarette Trafficking (PACT) Act, we initiated a campaign to save our program from the vape mail ban. Kaival Brands formally sought an exclusive partnership with FedEx to ship and deliver its products responsibly. However, no partnership occurred. The company estimated that it would spend \$4 to \$6 million in shipping costs if FedEx would grant an exception to its ENDS products shipping policy.



BIDI[®] Cares

After a short hiatus due to preemptive regulatory compliances, on July 28, 2021, the BIDI® Cares recycling program has been reactivated with a new and improved process. Following an amendment to the PACT Act that imposes on the USPS to ban ENDS products for shipping, the BIDI® Cares recycling program had to be put on hold.

The amendment was to make further restrictions to help in the fight against underage access to vape products. Although Kaival Brands agrees and will always remain compliant to regulations, especially for youth prevention, the company had no choice but to put on hold the recycling program.

New BIDI[®] Cares Recycling Process



Fill out the Recycling Form at www.bidivapor.com/bidi-recycle to receive a return label.



Print out and use the return label to send in your 10 used BIDI® Sticks. The used BIDI® Sticks will be checked and verified at our recycling facility.



Once we verify your BIDI® Sticks, we will send a confirmation email.

But following a recent announcement by the USPS, exempting disposable ENDS products from the Vape Mail Ban, the program is now back on, albeit with a new process and no-direct-to-consumer approach. Bidi Vapor is glad to be able to offer this program once again as this is considered one of the company's top priorities.

Bidi Vapor's Sustainable Vision of the Future

Bidi Vapor's vision has always been to provide a better future for the next generation. In line with this, the company is determined to do whatever it can to contribute and not be part of any practices that will be detrimental to our environment.

The company remains hopeful that this future is attainable and that Bidi Vapor will serve as an example for the entire vape industry when it comes to sustainability efforts and responsible practices.

SUSTAINABLE DEVELOPMENT

Recyclability of the BIDI® Stick Components

Each BIDI® Stick contains the following parts that can be recycled:

INTERNAL FIXATION BASE

It holds the heating coil assembly in place and acts as a sealer to prevent leakage of the e-liquid to the battery and controller in the device.



Recyclability:

The device is made of food-grade silica gel and recyclable to more than 80%. The waste silicone can be converted into a rubber compound used for processing and vulcanization through a cracking reaction. The silica can also be cracked into silane monomers and reused to prepare raw rubber. Additionally, the waste silica gel can be directly broken into micro powders that can be used as a modified filler for silicone rubber and plastics.

FIBERGLASS TUBE A

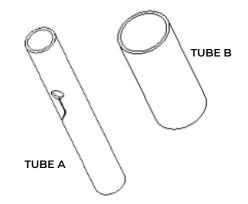
It is a hollow tube with both ends open and has a cut and small opening, which acts as a pocket for the heating coil. The top end of the open tube facilitates air supply to the heating coil during vaping, while the bottom end of the tube is attached to the internal fixation base.

FIBERGLASS TUBE B

It provides additional strength to Fiberglass Tube A by covering its open area. It also separates the e-liquid and airflow channels.

Recyclability:

Fiberglass Tube A and Tube B are characterized by high-temperature resistance, corrosion resistance, and aging resistance. Their MSDS report shows that both Fiberglass Tube A and Tube B meet the requirements of RoHS and REACH. After the glass fiber tube is discarded, it needs to be recycled and specially scrapped to avoid environmental pollution.



The Mouthpiece cover can be recycled to more than 90%.

OIL STORAGE COTTON

SUSTAINABLE DEVELOPMENT

It acts as a storage tank for the e-liquid.

Recyclability:

This PP+PE composite cotton is a food-grade material with waterproof, acid, and alkali resistance. It also does not react with smoke oil. PP+PE composite cotton can be recycled, re-granulated, and made into finished products again. It can also be used as a renewable energy source for thermal power generation. The product recycling rate is more than 85%.

HEATING COIL

The heating coil is made up of a coil gauge that is nickel-chromium alloy sparkles and organic cotton. It vaporizes the e-liquid into vapor during use.

Recyclability:

Its organic cotton rope is hypoallergenic, biodegradable, and has no chemical pollutants. Its nickel-chromium heating wire is of high strength. Moreover, the heating coil stays intact under long-term, high temperatures. It has strong corrosion resistance and long service life. It has a recycling utilization rate of more than 90%.

HEAT SHRINKABLE TUBE

The shrinkable heat tube is an insulating bushing that seals and insulates. It is also waterproof and dust-proof to prevent short circuits.

Recyclability:

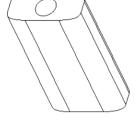
This EVA heat shrinkable tube has water and chemical resistance characteristics that have good electrical insulation. The shrinkable heat tube can be recycled and used as renewable energy for thermal power generation and other purposes. The heat shrinkable pipe recycling utilization rate reaches 60%.

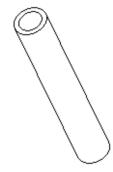
MOUTHPIECE COVER

It seals the aluminum tube from the top and acts as a mouthpiece for the device. This mouthpiece cover also ensures a secured seal between the lips and the device.

Recyclability:

It is made from ABS, which is characterized by strong impact resistance, moisture resistance, corrosion resistance, and solid electrical insulation performance. It is non-toxic, and odorless. It can be crushed, then re-pumped, and re-injected into plastic products. The mouthpiece cover can also be thermally cracked to produce combustion oil and combustion gas. Additionally, it can also be recycled for regeneration energy used for thermal power generation, etc.







MOUTHPIECE SEAL PAD

It acts as a sealer to prevent leakage of e-liquid from going into the mouth.

Recyclability:

Made from food-grade silica gel, the seal pad is resistant to both cold and high temperature, non-toxic, odorless, degradable, stable in chemical properties, and does not react with any acid-base salts except caustic alkali and hydrofluoric acid under normal conditions. The waste silica gel can be converted into a rubber compound, cracked into silane monomers, and reused to prepare raw rubber. The mouthpiece seal pad can be directly broken down and used as a filler for silicone rubber and plastics.

The silica gel can be recycled to more than 80%.

CONTROLLER CASE

It is the protective body for the controller and ensures that the controller works properly.

Recyclability:

The waste silica gel can be converted into a rubber compound, cracked into silane monomers, and reused to prepare raw rubber. The mouthpiece seal pad can be directly broken down and uses as a filler for silicone rubber and plastics.

The silica gel can be recycled to more than 80%.

CONTROLLER

It drives the battery and controls the stable output of the battery voltage.

Recyclability:

This small microphone has high airflow sensitivity and stable electronic performance. After the microphone is recycled, it can be decomposed, and the copper, aluminum, tin, and other metals can be extracted for recycling. The product cycle utilization rate reached 75%.

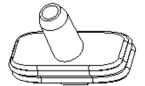
ALUMINUM TUBE

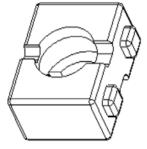
It serves as the main body of the BIDI® Stick, where all components are attached.

Recyclability:

This aluminum-magnesium alloy 6063 is characterized by high strength, good plasticity, and strong corrosion resistance after anodic oxidation. When melted, aluminum pipes can be recycled countless times to form recycled aluminum ingots, which can be used to manufacture mechanical industrial parts and civilian products.

Recycled aluminum can save 95% of the resources needed for new aluminum production.











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OIL ABSORPTION COTTON

This oil absorption cotton absorbs the condensation droplets to prevent them from being inhaled into the mouth.

Recyclability:

High-density cotton is a food-grade material resistant to acid and alkali and does not react with e-liquid. After high-density cotton is discarded, it can be degraded naturally, and it can also be recycled and used as a renewable energy source for thermal power generation. The product recycling rate exceeds 95%.

BOTTOM CAP

This seals the aluminium tube to prevent internal structure from falling off. There is an intake hole at the bottom that takes air in.

Recyclability:

This PC is characterized with strong optical performance, high strength, toughness, heat aging, and stable electrical-insulation performance. Waste PC materials can be crushed, then re-pumped and re-injected into plastic products. It can be thermally cracked to produce combustion oil and combustion gas.

The recycling rate of PC material is more than 90%.

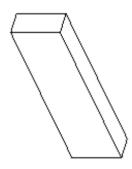
BOTTOM CASE

This seals the bottom cap to prevent any leakage during transportation and keeps the bottom case clean and dust-free.

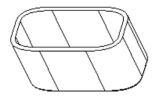
Recyclability:

The waste silicone can be converted into a rubber compound used for processing and vulcanization through a cracking reaction. The silica can also be cracked into silane monomers and reused to prepare raw rubber. Additionally, the waste silica gel can be directly broken into micro powders that can be used as a modified filler for silicone rubber and plastics.

The silica gel can be recycled to more than 80%.







= Environmental Management

In 2019, Bidi Vapor introduced intelligent energy consumption solutions to start and manage digital transformation.

Relying on thoughtful analysis of smart big data platform, Bidi Vapor formulated a dynamic energy consumption control strategy for the company's industrial park and saving more than 15% of energy.

In addition, we continue to promote the use of clean and renewable energy.

Bidi Vapor focuses on creating ecological products and solutions through continuous technological innovation. Our scientific procedures and technological innovation can bring convenience to people while minimizing the impact on our natural environment.



Clean Production & Pollution Control

Bidi Vapor makes sure that in manufacturing our products, our process is uncontaminated and clean—this principle is our standard practice.

We prioritize environmental management and have always held to the principle of combining prevention, control, and comprehensive treatment.

Being an Environmental Role Model

As recycling pioneers in the industry, our CEO—and everyone in the company—has a unified goal when it comes to the environment.

Everyone is equipped and knowledgeable about ecological protection and all processes we go through follows standard operating procedures.



How We Practice Environmental Protection

Inspection and evaluation are done during production and operational activities.

A monthly environmental report is done during the production meetings.

Formulate and issue an annual Environmental Monitoring Plan.

Publish content that educates environmental awareness and taking part in World Earth Day and World Environment Day.

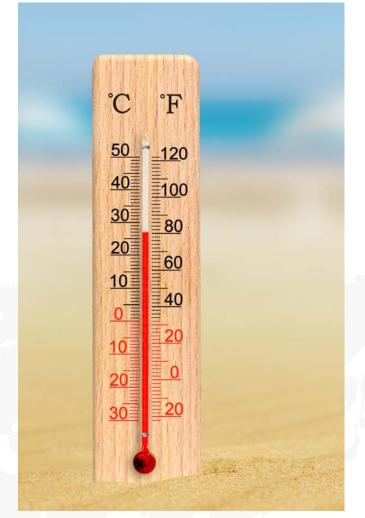
CLIMATE CHANGE

The climate change crisis is one of the most pressing issues of our time. As its impact becomes increasingly visible, the United Nations and the governments are considering various regulatory and market-based mechanisms to lower carbon-emissions. Many of those are directed at businesses, encouraging them to reduce greenhouse gas emissions and improve energy efficiency.

How We Are Responding

Climate protection is a clear priority for Bidi Vapor. We support the Paris Agreement and are aligning our targets with the recommendations of the Intergovernmental Panel on Climate Change (IPCC), aimed at stabilizing global temperature rise below the internationally agreed 1.5 degrees Celsius. We have also committed to achieving carbon neutrality in our direct operations (scope 1+2) by 2030 and across our value chain (scope 1+2-3) by 2050.

In 2021, we aim to improve our existing approach to internal carbon pricing to better internalize external costs and efficiently achieve our carbon targets.



CORPORATE GOALS

Decent Work and Economic Growth



In 15 months, Bidi Vapor's team grew from a few employees to more than 100 employees from different parts of the globe. As our team continuously evolves, we continue to provide full, sustainable, and productive employment, with decent work for all - regardless of age, gender, and race.

Partnerships Made to Achieve Goals

Working with like-minded partners is the key to Bidi Vapor's sustainable growth. As of January 31, 2021, Bidi Vapor has partnered with over 475 direct retailers and distributors and continuously builds its network to continue providing employment and contributing to the nation's economy.



Consumer & Products



We control our products by following strict standards. Therefore, we have increased investment in R&D, technology, production, and management. We hope that through high-quality products and services, adult smokers worldwide will become our loyal customers and build Bidi Vapor into a trustworthy world-class brand.



Product Quality Control

Our company operates and follows FDA regulations within our facility for packaging and manufacturing our products. We conduct quality assurance and control practices through rigorous inspections and screening of all materials used for the manufacturing process.

Product Quality Standards

Our electronic vape devices are produced in our laboratories in China. These manufacturing facilities have protocols that follow policies stated by FDA regulations, while following GMP and ISO 9001 certification rules.

Safe Handling and Preventative Measures

To ensure product quality, precautionary and preventive measures are conducted. The sanitization and disinfection processes in the facility are all in accordance with GMP and ISO 9001 certifications in consumable handling are all in place and followed.

Bidi Vapor's EFFORTS IN MAKING PRODUCTS UNATTRACTIVE TO MINORS

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Plain and simple, non-characterizing, one-word flavor names.

Professional-looking, plain, and tamper-resistant packaging.

Properly labeled products and marketing materials with nicotine and underage-sale warnings.

We do not display images, caricatures, or words that may attract young people.

We do not hire influencers or actors to promote our product.

We use social media as a tool to educate our consumers about our product.

We discontinued online direct-to-consumer sales to address the concerns regarding youth access to ENDS products.



Bidi Vapor complies with all current laws and regulation and promotes products responsibly. We aim to be an ideal brand and a good actor in the vaping industry.

= BIDI[®] Stick Quality = Management System



We have an excellent team with exceptional academic credentials and practical experience. Currently, the entire quality center has a manpower of 200, which includes 80 QE senior engineers and 120 QC personnel. More than 80% have bachelor's and postgraduate degrees and have more than 6 years of experience in quality control in the electronic cigarette and medical equipment-related industries. During the company's production and environmental processes, the Quality Center follows principles outlined in ISO9001:2015, cGMP QSR820, ISO14001:2015, ISO13485:2016, HACCP, and other quality and environmental system guidelines for guality control, and systematically manages product guality in accordance with the American Food and Drug Quality Management Code.

A robust quality system addresses the FDA's goal of protecting the public to ensure that manufacturers provide consistently high-quality products to consumers.

Our engineers start with product design and review and monitor products and materials. We constantly evaluate our suppliers. This way, they can provide materials, processes, and services that meet the specified requirements, and control product quality from the source. The Quality group is responsible for managing the Supplier/Contract Manufacturer Qualification Program. This includes, but is not limited to the following:

 Maintaining documentation to demonstrate the initial Supplier/Contract Manufacturer Qualification.

2) Creating a Quality agreement to document the roles and responsibilities of Bidi Vapor as the brand owner and SMISS as the contract manufacture with respect to GMP and regulatory compliance.

3) Reviewing of on-site facility audits.

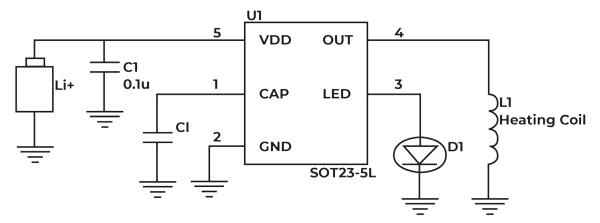
4) Ensuring that required re-qualifications are performed as dictated herein. Suppliers/Contract Manufacturers will be evaluated and qualified through a combination of questionnaires, risk assessment, audits, and Certificate of Analysis (COA) confirmation testing.

For production, we set up the inspection of each node of IQC-IPQC-LQC-FQC, and we conduct appearance and performance inspections on the incoming materials. Material Review (MR) is the evaluation of a material (or product) that has been impacted by a specification failure or unexpected occurrence. This process determines whether the quality of the material has been compromised in terms of its identity, purity, strength, composition, or lack of potential contaminants to carry on the scientific and reasonable processing to the material. To fully test the products, we have established a laboratory that fully meets the requirements of CANS and introduces the industry's top testing equipment, including GC, GCMS, ICP-MS, Microwave Digestion System, High Temperature Testing Systems, high humidity meter, spectrometer, and other high-end equipment. The electrical performance of the structure is fully tested and verified to ensure the quality of the product design. Thus, our products have passed multiple tests and certifications, and have been recognized by many countries in the meantime, such as FCC, UL8139, UL1642,62133, FCM, HPHC tests, CE, ROHS, TPD, and REACH certification in Europe.

The goal is to provide premium-quality products and comply with tobacco regulations: TCA (tobacco control act), FDCA (Food, Drug, Cosmetics Act), GMP (Good Manufacturing Practices) and quality management practices. Bidi Vapor has therefore established an unprecedented 1,000-level e-liquid production workshop, one of the finest in the entire industry. At present, the e-liquid production workshop is based on a 1,000-level cleanliness level, which far exceeds the cleanliness level of many pharmaceutical production workshops. This also complies with the food production license specifications. We will perform infrared sterilization of the raw materials and regular ozone sterilization and conduct microbiological testing from time to time to comprehensively control the production.

= Science Behind BIDI

Microchip Drive Heating Technology



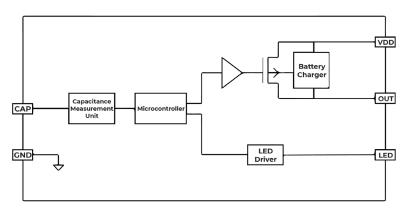
In the picture, the C1 microchip airflow sensor changes the capacitance value of the microchip airflow sensor when smoking. When the capacitance value reaches the IC sensing value, the U1 chip works with the LED indicator, and the heating wire turns red and produces smoke.

1. The chip adopts the ASIC design, which means it is unable to reset due to its lower the critical voltage. The chip's working state is stable and it has the function of short-circuit protection of the heating wire. At the same time, the chip has a visual LED work indicator function according to different applications and distinguishable LED indications for chip startup, smoking time, voltage direction, and short circuit protection.

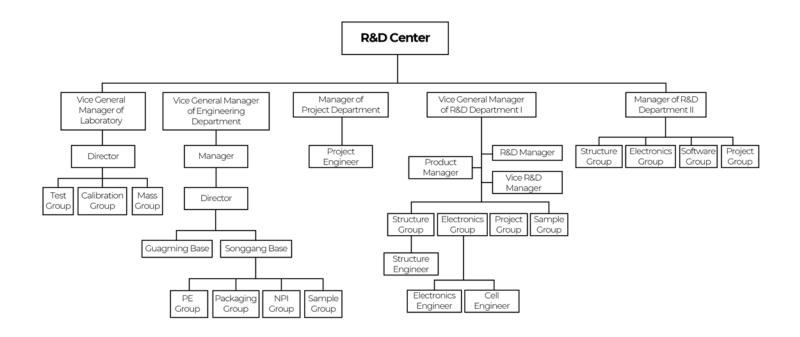
2. The functional module of the circuit is composed of reference source BG, bias current I_BIAS, oscillator OSC, low voltage detection circuit, digital logic control circuit, LED indicator drive circuit, built-in power tube drive, and charging module. 3. The chip has two working modes in system work: normal working mode and power-saving mode. The chip enters the power-saving mode directly after power-on, and the circuit remains in the power-saving mode when it is not used. Only when utilized, the chip resumes to the normal working mode from power-saving.

4. The chip integrates a clock control signal with a center oscillation frequency of 33KHz, which provides the required clock frequency for the internal circuit of the system. It will ensure the normal operations of the chip and its correct indicated function.

5. Chip internal diagram:



Report on Development & Technology Introduction



STAFFING OF R&D DEPARTMENT 1:

Post Title	Vice General Manager	Manager	Vice Manager	Director	Engineer	Technician	in Total
Staff Size	3	5	1	6	97	8	120

Budget of main R&D Costs and Expenses

2021 Expense Budget Table				
ltem	Budget Amount			
Research and Design	\$10.8 million			
Salary and Employee Benefits	\$7 million			
Business Entertainment and Travel	\$139,000			
Office expenses	\$46,000			
Others	\$154,000			
In Total	\$18 million			

Total 9 R&D Patents

No	Туре	Patent Number	Name	Application Date	Authorization Date	Legal Status	Right holder after transfer
1	Design patent	202030052391.8	electronic cigarette	16-Feb-20	16-Jun-20	GRANTED	Bidi Vapor
2	EU design patent	008113781	electronic cigarette	14-Aug-20	14-Aug-20	GRANTED	Bidi Vapor
3	AU design patent	202014483	electronic cigarette	17-Aug-20	15-Oct-20	GRANTED	Bidi Vapor
4	NZ design patent	427903	electronic cigarette	17-Aug-20	15-Oct-20	GRANTED	Bidi Vapor
5	Utility patent	202020067263.5	mouthpiece component and e-cigarette	14-Jan-20	30-Oct-20	GRANTED	Bidi Vapor
6	US Design Patent	10932491	Vaporization Device with Nozzle Cap	6-August-20	2-Mar-21	GRANTED	Bidi Vapor
7	US Design Patent	11013261	Vaporization Device (picture claims)	6-August-20	25-May-21	GRANTED	Bidi Vapor
8	US Design Patent	11064735	Vaporization Device with Bottom Cap	6-August-20	20-July-21	GRANTED	Bidi Vapor
9	US Design Patent	11064736	Vaporization Device with Heating Component	6-August-20	20-July-21	GRANTED	Bidi Vapor

Main Advantages of the BIDI® Stick

Patented mouthpiece technology

BIDI[®] Stick is equipped with a unique technology that can protect consumers from directly consuming the liquid nicotine content from its container. While vaping, it prevents the liquid nicotine content from getting to the user's mouth.

Sensitivity control system

Bidi Vapor has developed a unique sensitivity control system incorporated in each BIDI[®] Stick. This microchip sensitivity control system guarantees that consumers will experience consistent premium nicotine quality in every puff.

Consistent nicotine delivery system

Each BIDI® Stick offers no burnt taste in every puff because of its heating system. The heating coil vaporizes the nicotine liquid content needed in every use, which means it prevents overheating that may result in a burnt taste.

Development and Technology

At the beginning of product design and development, we conducted early market research. We considered the product's appearance to be straightforward.

The mouthpiece design align with the lips and conforms to human bionics. The unique frontlighting design and the edge arc of the device were pioneering features in the market.

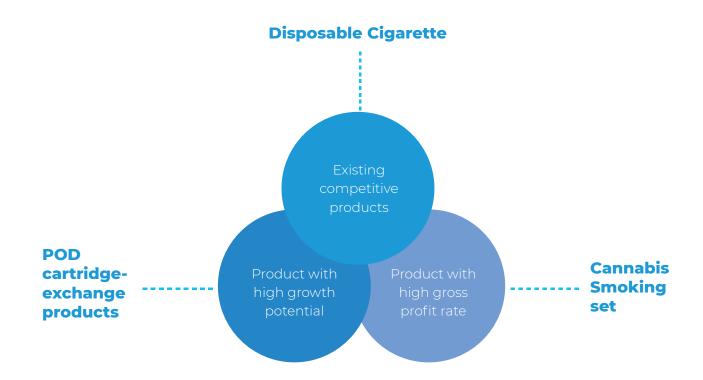
BIDI® Stick uses an aluminum alloy shell, which is light and does not lose strength and texture.

The surface uses sandblasting + oxidation + rubber oil technology, which is comfortable to the touch and durable. The mouthpiece is made of food-grade ABS material, which is environment-friendly.

In terms of structural design, the product's airway is well-manufactured. It features a reduced-noise mouthpiece, designed with double-outlet holes to prevent condensation from being drawn.

AIRFLOW DRAWING

Product & Technology Classification



Technology Partners

Bidi Vapor has a perfect supply chain system and core suppliers and strategic suppliers in key raw materials, so it is able to provide products with better quality for customers with more competitive cost and cycle.



Huachengda Joint R&D of the atomizing core



Research Institute of Harbin Institute of Technology Supporting technology and its application



Research Institute of Tsinghua University

New materials and new technologies



Huachengda (Heating coil, cotton and ceramic supplier) - specializes in atomization module development. With more than 10 years of development, it became one of the largest suppliers of atomization modules in the industry. The current atomizing cores shipped account for more than 50% of its total for electronic cigarette cores worldwide.

Timeyaa (PCBA supplier) - a core supplier of Bidi Vapor and the head enterprise of PCBA in the electronic cigarette industry. The company has a modern production base covering 5,000m2, with six new SMT automatic production lines, seven new DIP production lines, which form an intelligent, information-based, standardized, and high-end manufacturing platform that is UL- ZPVI2 certified.

JeePrecision (Hardware supplier) - Huizhou JEEPrecision TechnologyCo., Ltd., a core supplier of Bidi Vapor, is ranked among the top 50 mobile phone precision parts manufacturers in the Pearl River Delta, with excellent hardware facilities, professional teams, and rich corporate resources. Jee Precision is currently preparing for its IPO while expecting to achieve its goal within the next 5 years.

Shouju Group Co., Ltd. (Plastic supplier) - Shouju Precision mold (Shenzhen) Co., Ltd. (hereinafter referred to as "Shouju Group"), a core supplier of Bidi Vapor, was established in 1987 in Hong Kong. Its business covers the medical packaging, liquid silicone rubber, and precision injection mold from the auto precision mold production in its early stage. With more than 30 years of experience and improvement, it has developed into a mold manufacturing group integrating R&D, production, and after-sales support, with seven branches and several overseas technical and service bases.

Current status of Technology & Its Development Stage

The atomized electronic cigarette is currently in the former medium period of the second stage - the growth period. The main resources of product R&D are most valuable when they are spent on improving the satisfaction of the core user experience.

The status of the head brand is precarious, with insufficient, leading technology. It is an excellent opportunity to develop atomization technology to improve users' core experience to achieve rapid development. Seizing the technological high point is the main trend.

The head brands may gain an edge in the short term early on. It will carry out the cost and diversified competition of non-core experience in excess, but will limit the industry scale cap in the long term.



The number of traditional smokers has declined. The electronic cigarette market is also close to saturation. In the leading brand monopoly, the core experience of innovation has decreased. The core of brand competition turns to brand influence, channel resources, capital ability, and supply chain integration ability. Product competition is mainly reflected in appearance design, micro-innovation of technology, and cost competition.



Growth Period

The industry constraints are forming. The user satisfaction gradually increases, but it is not enough. The product core experience continues to increase. The head smoking set brand spares no effort to reach the technology cap in flavor reduction degree, nicotine resolution, and airflow. The continuing decline of oil leakage, core sticking, plate, burning, and other defects leaves the top brands in a vulnerable position.



A mature industry has constraints. With the standardization of smoking sets, the influence of e-liquid and the smoking set on the consumer experience is no longer mutual. Standardized smoking sets ensure the industry provides consumers with a stable experience of better taste reduction and nicotine resolution.



An extensive amount of development will surround the product's consumer experience. In that timeframe, consumer satisfaction should be paramount. An electronic cigarette will be marketable as long as it can produce smoke while eliminating oil leakage, core sticking, plate burning, and other defects.

ADVANTAGES OF

Heating Coil Technology



At present, the heating coil is the main heating method of electronic cigarettes. The heating coil materials are nickel-chromium alloy, iron-chromium-aluminum, stainless steel, titanium alloy, etc. The BIDI® Stick product uses a nickel-chromium alloy crosswise with the organic cotton heating element. Nickel-chromium alloys have high strength and corrosion resistance. The alloy is composed of iron and nickel, which are commonly known as stainless steel materials.

Nickel-chromium alloys have a longer life and a more stable overall performance.

Organic cotton is pollution-free in its production and spinning process. It also has the characteristics of ecology, green and environmental protection. The fabric woven from organic cotton has a bright luster, soft feel, excellent resilience, and abrasion resistance which has unique characteristics of antibacterial and deodorant properties. Through the transverse winding of the heating wire, the two are effectively combined.

With the linear heating wire structure, the heating speed is faster. At the same time, the energy consumption is lower, and the heat distribution during atomization is more uniform under the condition of the same power and the same resistance value. In addition, it lessens the carbonization problem for oil-conducting cotton and its production of harmful substances caused by local overheating of its surface and dry burning. And ultimately, it makes the taste purer.

Technical Advantage

Five professional perfumers, two 1000- level perfumery rooms, and three levels of automatic filling equipment will provide you with the solution of the E-liquid.

E-liquid solution

- Formulation and product development Customized deployment
- Marketing and branding assistance
- E-liquid modulation
- Taste optimization and improvement





Specifications and tests

Complies with FDA requirements Product testing services Chemical analysis and testing

Professional filling

Oil temperature control Humidity control of oil reservoir Temperature control of oil reservoir Automatic filling equipment



Facilities



In addition to our current facilities, here are the additional buildings that are being utilized to produce, pack, and store Bidi Vapor products.

2nd Building

4F with area of 1,200 square meters, 12 assembly lines, and daily capacity of 80K/day. 3F with area of 1,200 square meters, 10 assembly lines and daily capacity of 57K/day. 2F with area of 1,200 square meters, and storage area. 1F with area of 1,200 square meters, and storage area.

3rd Building

3F with area of 3,400 square meters, 40 assembly lines and packaging daily capacity of 250K/day. 2F with area of 3,400 square meters, 37 assembly lines and packaging daily capacity of 250K/day. 1F with area of 3,400 square meters, 27 assembly lines and filling and packaging daily capacity of 80K/day.

Office Building

1 - 4F with area of 1,600 square meters (staff activity center + comprehensive office).

Canteen/Dormitory for Employees

1F employee restaurant with area of 1,800 square meters

2 - 5F employee dormitory with area of 7,200 square meters.

Disposable Cigarette Automation



Advantages Feature

The electronic cigarette parts can be automatically assembled (including visual correction, filling, rubber plug installation, resistance detection, cigarette holder installation, suction detection, etc.) by using the equipment, and the compatibility of related products can be realized through the adjustment or replacement of relevant parts and software settings. The feeding of similar products can be realized by flexible mode.

Equipment UPH: >2000PCS/H, OEE≥90%.

Japan Epson manipulator and Germany Siemens servo motor are imported to manufacture the equipment.



Automated Assembly of Cartomizer

Advantages Feature

The electronic cigarette parts can be automatically assembled (including visual correction, filling, rubber plug installation, resistance detection, cigarette holder installation, suction detection, etc.) by using the equipment, and the compatibility of related products can be realized through the adjustment or replacement of relevant parts and software settings. The feeding of similar products can be realized by flexible mode.



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Equipment UPH: >2000PCS/H, OEE≥90%.

Japan Epson manipulator and Germany Siemens servo motor are imported to manufacture the equipment.

Automatic Cotton Press Machine

Advantages Feature

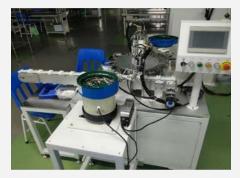
The heating coil and oil absorption cotton are placed manually, which is completed by mechanical structure. The cotton is automatically wrapped and assembled into the fixed seat after cutting.



Equipment UPH: 900PCS/H; OEE≥90%.



Ceramic Cotton Press Equipment



Regular Cotton Press Equipment

Process Automation Equipment

















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Three-year Target and Plan for R&D/Technology Department

Within one year, replaceable ammunition products come with a technical advantage: They can be established with superior resources. Moreover, in three years, patent barriers in the field of the cotton core will run ahead of the competitors in technology for at least one year.

Within one year, technical advantages of replaceable ammunition products can be established with concentrated superior resources, and within three, years, patent barriers will be established in the field of cotton core to run ahead of the competitors in technology for at least one year.

The Research Center of New Atomization Technology and Materials has been established in cooperation with the Research Institute of Tsinghua University in Shenzhen. The Research Center of Basic Atomization Technology and Application has been set up in partnership with Research Institute of Harbin Institute of Technology in Shenzhen. The company has made breakthroughs in new materials and technologies of electronic cigarettes and established patent moat and technical barriers to strengthen itself.

Atomization Research Center of Ceramic and Cotton Core has been set up with Huachengda to provide strong atomization services for Bidi Vapor.

The Research Institute is responsible for the basic research of atomization and product quality. They are also responsible for the transformation of new technologies and the realization of mass production feasibility. The group will set up and strengthen the company's technical barriers through researching of new materials and technologies with Tsinghua University, Harbin Institute of Technology, and Huachengda Atomization Research Center.

Strengthen the current core technical advantages in CBD and HNB technology side, highlight the current HNB air heating technology advantages, and increase technology market transformation.

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BREAKTHROUGH IN ATOMIZING CORE TECHNOLOGY

UNDERTAKING OF BASIC RESEARCH INSTITUTE

CBD & HNB TECHNOLOGY ENHANCEMENT

Establishment & Maintaining Of Technical Barriers & Protection

Maintain Technical Barriers



Strategic cooperation with Huachengda, the world's largest atomizing core solution provider, and synchronous R&D of new atomization technology.



Cooperation with Research Institute of Tsinghua University in Shenzhen in the research of new materials and technologies.



Cooperation with Harbin Institute of Technology in Shenzhen in the research of new materials and technologies.



Technical Protection



Confidentiality

V Incentive measures: Special award, project award and commission award



🗸 Non-competition Agreement

Company culture construction: Team building and humanistic care activities

Basic Technology

Joint laboratory with Tsinghua University and Harbin Institute of Technology.

Ceramic Technology

Joint development of ceramic chip with Huachengda, the world's largest ceramic core enterprise in terms of shipments.

Cotton Core Technology

For 20 years, the shipment of cotton core products ranked first in the world, and the unique Skynet cotton technology led the world.

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= Bidi AI and Robotics



Our company mainly uses the UFIDA U8 system named **U8 All-in-One**, which provides comprehensive information solutions (integrating marketing, service, design, manufacturing, supply, human power, office, and finance) for growing enterprises to help them respond to market changes quickly. Our company aims to build the best marketing platform and enhance brand influence based on a multi-channel marketing platform and both online and offline markets.

As for customer relationship management, we adopted a customer-centered marketing management to accurately identify customer needs, create customer value, and improve customer service levels. The all-new interactive experience, user-friendly interface interaction, considerate service navigation, and real-time business collaboration make user operation much easier and more convenient. Moreover, the mobile application enables customers to realize customer management, marketing services, timely business collaboration, and approval anytime and anywhere to control and manage business dynamics easily and everywhere. Integrating hardware and software IT solutions makes deployment more convenient, accurate management, and efficient operation. U8 supports multi-channel marketing platforms such as online e-commerce sales, mobile sales, and offline retail, and with new U1 experience and mobile experience, improves the efficiency of application interaction. In addition, through the hardware-software integration, the industrial chain synergy strategy helps enterprises obtain application supports in technology innovation, business innovation, and channel innovation. Eight categories of solutions are provided for this purpose.

Integration of operation and management from design to manufacturing and sales service

This is mainly for project-based manufacturing enterprises and enterprises that manufacture multiple kinds of products in small batches and focus on manufacturing and after-sales services, such as special equipment and mechanical processing enterprises. This mode can help enterprises integrate product R&D and design process, realize unified management of product data, optimize production and manufacturing process, improve after-sales service quality, and thus enhance customer satisfaction.

Customer-centered integration of operation and management

This is mainly for companies with high customer value, high order repetition, and focusing on services such as special equipment manufacturing enterprises. This mode can help enterprises obtain comprehensive information of customers in an all-around way. It helps them explore and improve customer value, refine the marketing and sales process, improve service level, and realize the advanced customer-centered management mode characterized by department coordination, resource sharing, and high efficiency.

Whole life cycle management based on product innovation

This is mainly for project-based manufacturing enterprises and those with rapid product upgrading or focusing on product R&D and design, such as sizeable special equipment and medical equipment enterprises. This mode can realize the synchronous product development of the upstream and downstream enterprises of the industrial chain and maximize the product innovation ability of the enterprises and their partners.

Integration of operation and management based on commodity circulation control

This is mainly for enterprises that focus on channels, has multi-level distribution agencies, and adopts distribution-based marketing mode, such as food and brand clothing enterprises. This mode can help enterprises realize the centralized and unified management and control of the distribution system in cross-region, multi-organization, and multi-level, and achieve the centralized and realtime management of the internal multi-level sales system of corporate headquarters business.

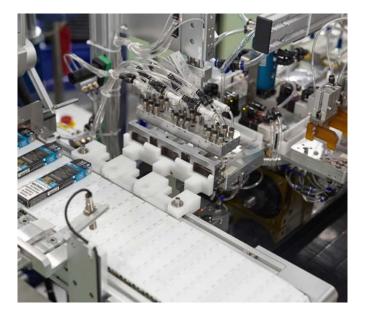


E-commerce-centered integration of operation and management.

This is mainly for industrial clusters with highly coordinated supply chains, such as automobile OEMs and suppliers. This mode can help enterprises improve coordination efficiency and reduce the operation cost of the supply chain.

Integration of operation and management based on fine cost management and performance.

This is mainly for enterprises facing high pressure of cost competition and paying attention to fine cost management, such as electronics and machinery enterprises. This mode can help enterprises achieve a cost management system with fine cost management as the core, budget management as the means, and business intelligence tools. Meanwhile, the platform is used to realize detailed classification, accurate calculation of visible and controllable costs, and ultimately improve enterprise performance.



HR resources-centered integration of operation and management.

It is mainly for enterprises facing high pressure of cost competition and management. These include electronics and machinery enterprises that create a cost management system with cost management as the core, budget management as the means, and business intelligence tools. Moreover, the platform is used to realize detailed classification, calculate visible and controllable costs accurately, and ultimately improve enterprise performance.

Integration of operation and management based on collaborative office.

This is mainly for the enterprises that focus on administrative office management and those requiring the organic combination of administrative office and business management, such as production, manufacturing, service, and publishing enterprises. This mode can help enterprises achieve standardized management of office procedures, efficient administrative business examination and approval, automatic document management, unified sharing of documents and knowledge, comprehensive industrial chain collaboration, and integration of administration and business. The U8 also functions in three major areas--mainly designed for financial management, supply chain, production, and manufacturing, in line with the "utility, risk, and cost" customer value standards.

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= Creating Value



Bidi Vapor is a company built on a solid foundation of integrity, compliance, responsibility, and trust. We value the importance of the quality for our consumers by ensuring that our products remain compliant with the government regulations in manufacturing and marketing vaping products.

As a company that values the importance of being a good actor in the vaping industry, we go above and beyond to comply with the regulatory requirements. Using an authentication system to ensure supply chain security and prevent counterfeit products from getting in the hands of our consumers.

Creating a recycling initiative to promote proper electronic waste disposal.

Not using social media to market to consumers but only maintaining age-gated accounts on certain platforms for informational purposes.

Requiring business partners to sign the Wholesaler & Direct Retailer Agreement to comply with all applicable regulations and abide by Bidi Vapor's comprehensive ageverification procedures.

No online direct-to-consumer sales of the BIDI® Stick (all flavors) through its agerestricted website (www.bidivapor.com) to help address underage vape use.

Following proper warning and labeling requirements with a non-youth appealing packaging design per product.

Voluntarily adopting single-word, noncharacterizing terms to identify BIDI® Stick to further avoid any potential youth marketing appeal of products.

= Youth Protection

Our products are intended for the use of adults aged 21 and above. As a company committed to protecting the youth against underage vaping, we adhere to the FDA's manufacturing and marketing regulations. By advocating against underage vape use, we established the BIDI® Youth Access Prevention to help curb the current underage vaping problem. We also implemented security measures to restrict youth from accessing our products.

Here's how our **BIDI®** Youth Prevention works:

Responsible marketing of our products.

- We installed an age-gate pop-up on our website that requires the visitor to input their complete date of birth before entering the site.
- We share our responsibilities in protecting the youth with our Direct Retailers and Wholesalers through the Direct Retailer and Wholesaler Agreement.
 - We have a strict age-verification process in purchasing our products.

Bidi Vapor is committed to fully complying with all applicable laws and regulations. We have gone above and beyond regulatory requirements to implement strict marketing restrictions and youth access prevention measures. A few of the measures Bidi Vapor and Kaival Brands have implemented to protect minors include the following:



In the Fall 2020, Bidi Vapor prioritized compliance over business objectives by halting production of the BIDI[®] Stick for two months in order to revise its packaging and labeling to incorporate new product names to better align with the FDA's Enforcement Priorities Guidance.

Bidi Vapor complies with FDA packaging and labeling requirements, including 21 C.F.R. § 1143.3 compliant nicotine addictiveness warnings placed in a prominent location on all labeling, packaging, and advertisements. The BIDI® Stick also features tamper-resistant packaging and several adult-use only (21+) and underage sale prohibited warnings.

In February 2021, Bidi Vapor discontinued its online direct-to-consumer ("DTC") sales of the BIDI[®] Stick (all flavors) through its age-restricted website (www.bidivapor.com).

Youth Access Prevention Measures

Bidi Vapor's founding mission is to provide recreational, non-combusted cigarette alternatives to adult smokers. Bidi Vapor is opposed to all illegal underage tobacco use, including ENDS use, by minors (under 21). We have taken various measures to ensure its products are not marketed toward or sold to minors.

Bidi's youth access preventative measures include the following:

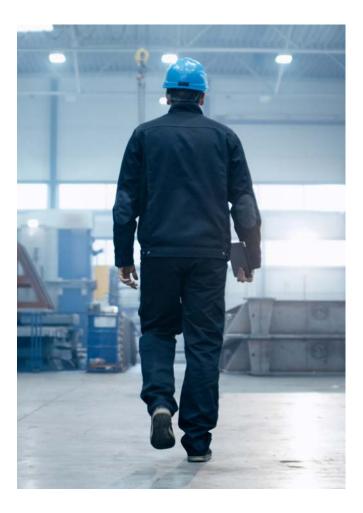
- Bidi Vapor took the initiative of adopting single-word, non-characterizing terms to identify its BIDI® Stick products (e.g., Tropic, Marigold, Solar, Winter, Dawn, Classic, Gold, Zest, Regal, Summer, and Arctic) to better align with the FDA's Enforcement Priorities Guidance and further distinguish BIDI® Sticks from kid-friendly foods, drinks, and other non-ENDS products that are often marketed and/or appealing to youth.
- The BIDI® Stick features tamper-resistant packaging and warnings that they are for adult use only (21+) and those underage sales are prohibited.
- Bidi Vapor discontinued its online direct-to-consumer (DTC) sales of the BIDI® Stick (all flavors) through its age-restricted website (www.bidivapor.com) to help address the larger concerns regarding youth access to ENDS.
- Online sales to adult consumers are now available only through GoPuff, which uses face-to-face ID verification and requires an adult signature on delivery.
- Wholesalers and retailers are required to comply with the Bidi Vapor Direct Retailer and Wholesaler Agreement. Brick-and-mortar retailers must also sign a Retailer Pledge that commits them to comply with, among other things, age-verification requirements and adult-focused marketing. Retailers must also participate in the Company's mystery shopper program, which is another technique to double-check that retailers comply with prohibitions against sales to minors.
- We do not (1) use social media to market to consumers (but only maintain age-gated accounts on certain platforms such as LinkedIn, Instagram, Facebook, and YouTube for informational purposes); (2) use social media influencers, brand ambassadors, models, or actors; (3) engage in any television or radio advertising; or (4) sponsor sporting or entertainment events.

We will continue to evaluate and implement additional strategies to continue to serve our adult consumers while restricting sales to underage users.

User Communication & Engagement

We continue to strengthen our communications with our customers by committing to our responsibility. We ensure the quality of our innovative products with our customers and the environment in mind. We have established various programs that advocate against underage vape use, protect users from anti-counterfeit products, and encourage vape users to participate in recycling their used or empty BIDI® Sticks.

= Social Responsibility Topics



Labor Standards

Our company strictly abides by the labor law of the people's Republic of China. This includes the labor contract law of the people's Republic of China, the Employment Promotion Law of the people's Republic of China, the trade union law of the people's Republic of China, the social insurance law of the people's Republic of China, the regulations for the implementation of the labor contract law of the people's Republic of China, the Ministry of labor and social security, all China Federation of Trade unions Notice on establishing harmonious labor relations enterprises and industrial parks issued by China Enterprise Federation / China Entrepreneur Association (LSBF [2006] No. 25), and implementation opinions of Guangzhou municipal Party committee and government on implementing the guiding opinions on strengthening humanistic care and improving employment environment (SUI Zi [2011] No. 4). According to the relevant requirements of the notice on "Forwarding the plan of establishing harmonious labor relations between enterprises

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and industrial parks" issued by the Municipal Labor and Social Security Bureau, the enterprise fully abides by the labor laws and regulations, signs labor contracts with employees, pay wages in full and on time, handles employment registration for employees and participates in social insurance under the law. The enterprise involves employees' labor remuneration, rest, and vacation. The contents of rules and regulations such as work safety and occupational hazards, labor discipline and labor contract management, and the procedures of formulation and publicity are legal to realize the adequate protection of work safety and occupational hazards.

The enterprise has established a trade union organization, signed a collective contract through equal consultation, and the labor relations have achieved law-abiding harmony.

Domestic and Global Human Rights

Our company fully respects human rights and forms the management culture of the enterprise. We respect the value of the personal freedom of every employee. We give our employees tremendous trust while meeting their requirements of employees. We also create an overall atmosphere of unity, harmony, optimism, and progress.

The management of our company is open, transparent, and normalized. All rules and regulations, major initiatives, important activities, etc. are highly transparent inside the company. The company believes that every employee has the right to get fair treatment and fair development opportunities. Transparency makes it possible to implement the principle of fairness and also makes employees feel that the company respects them.

Moreover, our company establishes smooth information feedback and communication channels and institutionalizes them. The general enterprise management level is often a one-way process of "general manager-manager directoremployee." Modern enterprises usually add the link of "staff, general manager." We have set up a "speak freely" mailbox and forum. The company's "speak freely" mailbox is a confidential and effective way of two-way communication. The general manager's forum is usually a once-a-month face-to-face communication between the employees and the general manager, during which no management personnel participates.



Employee Relations

Offer opportunities for salary increase and promotion

We set up a promotion and salary increase platform to ensure that everyone is in the same competitive environment and knows how to obtain a salary increase qualification.

Better communication

Through communication, we can better understand employees' ideas, especially with project decision-making.

We can also let the employees participate, which can establish the employees' sense of responsibility and make them get along with the enterprise more harmoniously.

Conflict area management

For the conflict areas, we fully understand the local political forms and cultural differences. With the combination of our situation and our project's progress, we formulate countermeasures to ensure that the company's and employee's interests are aligned.

As a global company, we adhere to the "local, for the local" and uphold the "positive, diverse, open" talent concept to train and develop talents for the local. In 2019, Bidi Vapor recruited more than 100 local employees worldwide to create employment opportunities for its location.

We firmly believe that talent is of value to the enterprise. Therefore, to attract, cultivate and retain talent, we established a diversified office environment. We fully respect their respective national culture and living habits, strictly abide by local laws and regulations, and ensure that all employees can work in an equal and harmonious working environment to give full play to their respective advantages. At the same time, we also constantly improve our management system and strictly implement it to ensure the welfare of employees. hidi



= Diversity & Inclusion

We are deeply aware that diversity and inclusiveness play an important role in the sustainable development of a multinational enterprise.



To support our diversity and inclusiveness mission, we fund a number of employee engagement activities, business resource groups, community and business partnerships, etc. At the same time, we develop programs for an inclusive culture and provide training for employees to work effectively with colleagues with diverse backgrounds.

Respect For Human Rights

Human rights matter.

From the perspective of society, respecting human rights is beneficial and a factor for a community to prosper. In the corporate world, businesses must respect human rights.

At Bidi Vapor, we protect our stakeholders' human rights, and we demand the same behavior from our business partners, including our suppliers. Aside from doing the right thing, it also benefits our business by managing operational risks better, developing trust, and maintaining our operating license. We want to improve our procedures in recognizing risks and consequences to "rights holders" across our operations and supply chain.

We aim to promote the significance of human rights, and the scope of our work serves as an opportunity to address human rights issues. As we prioritize this right, our company is progressing towards our vision which is to become a leader in the vaping industry.

Respect for human rights entails protecting the rights and dignity of all individuals affected by our activities, as well as adhering to international standards and Bidi Vapor's internal regulations.

= **Purpose of Business**

Our statement of purpose reaffirms our commitment to providing a premium experience to our adult consumers. It also reiterates our focus on preventing youth access to vaping products and environmental issues. We also highlight our purpose of reducing our carbon footprint with our recycling program, BIDI® Cares.

We hope to achieve our goals by upholding our company's vision, mission, and core values.





Supply Chain & Distribution Management

Bidi Vapor's Core Value

We promote our joint development with our partners in the value chain. Based on international standards, we monitor and manage our supply chain and distribution channels to create sustainable value for our company and partners.

Since our supply chain is responsible for a large portion of our social and environmental footprint, we adhere to the customer-centric and demand driven. We focus on our core business, which means establishing efficiencies in workflow, physical processes, information processes, and capital processes. We use information systems to optimize the supply chain operations, shorten product completion time, and make production as close to the real-time demand as possible.





Eco-friendly Business Environment

We encourage suppliers to utilize and explore more sustainable materials in the procurement process. In the process of supplier evaluation and selection, we have taken measures to establish suppliers in terms of integrity, law and compliance, environmental protection, product quality, and business ethics.

After selecting the suitable suppliers, we will continue to evaluate our suppliers, promote performance improvement through continuous monitoring and supervision, and share risks and benefits through close cooperation with enterprises. hidi

Regulatory Compliance

Bidi Vapor is committed to fully complying with all applicable laws and regulations governing the sales and marketing of ENDS products in the United States, and ensuring that the BIDI® Stick is marketed responsibly only to adult (21+) consumers.

Bidi Vapor complies with the U.S. Food and Drug Administration requirements for ENDS, including premarket authorization and labeling requirements prescribed by the Food, Drug, and Cosmetic Act as amended by the Family Smoking Prevention and Tobacco Control Act. Bidi Vapor also complies with California Proposition 65 warning requirements. In addition, Kaival Brands has a process in place to promote compliance with all Prevent All Cigarette Trafficking Act, licensing, tax, and regulatory matters.



PACT ACT

Compliance with PACT Act and other State and Local Laws

Kaival Brands prides itself as having a robust compliance process in accordance to the PACT Act, licensing, tax and regulatory matters. The company exclusively distributes Bidi Vapor products to companies that provide documentation compliance with PACT Act and shall not do business with anyone who do not have sufficient processes in place to ensure compliance with all laws, including youth access prevention measures.

Anti-Counterfeit Measures

To address the problem of fake products and noncompliance, Bidi Vapor is working hard to raise awareness and seek enforcement against counterfeit and noncompliant ENDS products by engaging with members of the U.S. Congress, Attorneys General ("AGs"), and federal agencies, including the FDA; the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), the Federal Trade Commission (FTC), and U.S. Customs and Border Patrol (CBP).

In order to protect the public health, the company believes it is critical that all of these enforcement entities understand the dangers of counterfeit, mislabeled, and noncompliant ENDS products that erode public confidence in the benefit of properly regulated ENDS products for adult smokers and tobacco users.

Additionally, we have adopted the following compliance measures:

- We retained a team of legal, tax, and accounting experts to advise on state and local tax, licensing, and regulatory matters associated with the distribution of the BIDI® Stick.
- We are appropriately licensed or registered in every state which requires it.
- We calculate and remit excise taxes where required.
- We have registered with the ATF and the states into which it ships.
- We have made a substantial investment in excise tax reporting and compliance software to ensure that all applicable taxes are properly calculated and remitted to the appropriate taxing authorities. The software is now completely integrated with Bidi-Kaival's systems.
 - We have implemented processes to ensure timely filing of all required reporting.

The company commits to comply with all federal and state laws associated with the distribution of ENDS products and ensures that Bidi Vapor products are marketed responsibly to adult users.

Additionally, Bidi Vapor submitted timely comprehensive PMTAs to the FDA for all eleven (11) varieties of the BIDI[®] Stick, which are now undergoing FDA scientific review. We have also engaged with several well-known third-party analytical laboratories to test the nicotine content of several disposable brands on the market and have reported the results to the FDA, along with detailed summaries of potential FDCA violations.

We believe we are one of the only manufacturers and distributors of disposable ENDS that have complied fully with the Tobacco Control Act and Deeming Rule, including the premarket authorization requirement. As we strive to grow our brand locally and internationally, Bidi Vapor shall continue to commit to our mission to raise awareness while complying with entities enforcing rules and regulations in the vaping industry.

Community Compliance & Contributions



We always believe that the community is an important part of our enterprise. At the same time, we also make clear the responsibility and mission of the enterprise itself in the community.

We give back to society through various charitable activities and cooperate with famous nongovernmental organizations and community organizations to launch fund-raising activities to help solve various environmental and social problems. To prevent young people from accessing our products, we restrict minors from gaining access to our website. Adult consumers can only buy our products through our official retailers and wholesalers.

During the COVID-19 epidemic, we actively participated in efforts to lessen the impact of the pandemic on different communities, providing financial support for communities and organizations in need.

Bidi Vapor's

Response To COVID-19

Adapting To The New Landscape

The notion of a sustainable business agenda has evolved in many ways. One of the most significant shifts has been setting a greater focus on solutions, not only understanding what issues matter and why they matter but also how the private sector can expedite positive change and assist the communities in need.

The pandemic has forced Bidi Vapor to adapt to new projects, and it has also pressed us to make sure sustainability is truly connected to delivering value to all of our stakeholders. Sustainability will redefine itself in the COVID-19 era, as times of extraordinary change require urgent adaptation.





Outreach Projects & Company Policy

Bidi Vapor has been actively working against this pandemic since its outbreak, with ongoing and planned initiatives. These initiatives involve monetary and in-kind donations and volunteer work by teams to support local efforts to combat the virus and help those most affected by it.

Our dedication to our employees is an important aspect of the company's overall reaction to the global COVID-19 situation. Bidi Vapor will continue to contribute to the global response to this pandemic in every way we can. First and foremost, we will continue to support our employees and their families in prioritizing their safety and health. hidi



Direct Retailer & Wholesaler Pledge

No Direct-to-Consumer Sales

to uphold the same high integrity as Bidi Vapor by signing our Wholesaler and Direct Retailer Pledge. Furthermore, this agreement ensures our stakeholders comply with all regulations and abide by our stringent age verification measures.

Our wholesale and direct retail partners are required In February 2021, Bidi Vapor discontinued its online direct-to-consumer sales of the BIDI® Stick through its age-restricted website. While the company believes its online age verification program for DTC sales was one of the most stringent programs in the industry, Bidi Vapor hopes that its decision will set an example for the industry.



= Stakeholder Engagement



Bidi Vapor proactively engages with our stakeholders to measure ISSR issues that are not aligned with their priorities and expectations. We religiously collect feedback through several modes of communication channels to identify stakeholder expectations. We have created a summary of these critical expectations and communication channels. Our ISSR focus areas aim to reflect sustainability in starting from our major investors and partners down to our people, customers, distributors, and the communities we help. We focus mainly on the areas of Ethical Business Compliance, User Experience, and Equal Opportunities. These areas give us a clear path to continue our practices to impact society while managing the effects of our business positively, socially, and environmentally.

Stakeholder Engagement

Key Stakeholders	Key Expectations	Major Communication Channels
Investors & Partners	Continuous Growth Compliance Quality Products & Services	Trade Shows Newsletters & Announcements
Users	Data & Privacy Engagement Product Quality & Youth Protection	Official website & social media Customer service hotline User Surveys
Government Regulators	Compliance Data & Privacy Protection Youth Protection	Information disclosure Regular reports & communication
Employees	Protection of Interests & Rights Health & Wellbeing	Employee engagement Internal meetings
Suppliers & Distributors	Mutual benefit Empowering suppliers & distributors	Regular requests for proposals Communication and assessment Contracts and agreements
Communities	Charity projects Volunteer activities	Official website & partner brands website Interaction with charities & communities

GOVERNANCE

SMISS Manufacturing Department

HR & Administration Department

Logistics, Operations, & Transport Department

Overseas Customer Service

Employee Diversity

Diversity is one of Bidi Vapor's leadership elements considered crucial for an inclusive and productive workplace. Our operations are divided into our manufacturing, logistic, and administration departments.

There are a total of 1,594 working under Bidi Vapor. There are 1,577 members working under the SMISS Manufacturing Department and nine under the HR and Administration Department located at the SMISS Manufacturing Plant. Seven individuals serve under the Amanda Shipping Agent, functioning under the Logistics, Operations, and Transportation Department. An overseas customer service representative supervises the smooth operation flow between the company's logistics and manufacturing departments.

We expect our team members to conduct themselves with integrity, creating longterm value for our partners, stakeholders, employees, and customers.

Network Security Measures

Our company set up a special security department and hired experienced network security engineers at home and abroad. They take care of enterprise information security and other aspects. Each level has specific preventive measures such as a physical computer system monitoring room, access control system, and so on.

The network has border intrusion detection, protection, anti-virus, WAF, and others. The host has a unified identity authentication system, host intrusion detection system, security reinforcement, and so on. The application mainly emphasizes the security from identity authentication, access control and communication security, and the application system itself. Data mainly includes data leakage prevention, and a data transmission security VPN.

Data Privacy and Security

Various U.S. and international laws, regulations, and industry standards impact how Bidi collects, uses, and protects personal data. However, for Bidi Vapor, safeguarding the privacy and security of personal data that Bidi collects from consumers, business customers, and employees is more than a legal requirement. Bidi Vapor believes that data security and protection is a foundational element of building trust between the company and the user, and therefore a core priority. Bidi Vapor strives to maintain commercially reasonable administrative, physical, and technical security measures to protect the personal data Bidi collects. Bidi is working to adopt internal policies and procedures and public-facing privacy policies that describe Bidi Vapor's practices. While no company can guarantee absolute data security, Bidi's practices are designed to respect individuals' privacy rights, and the choices individuals make concerning the use of their data.

At Bidi Vapor, data privacy and security receive support, oversight, and resources from senior management in the United States and European Union. In addition, Bidi Vapor has appointed a Data Protection Officer in the European Union to oversee Bidi Vapor's data processing operations that are governed by the EU General Data Protection Regulation (GDPR). For more information regarding Bidi Vapor's privacy and security practices, you may contact Bidi Vapor at privacy@bidivapor.com.

= OUR TEAM



Niraj Patel CEO, CFO, President, Treasurer, and Director

Mr. Niraj Patel attended AISSMS College of Pharmacy in Pune, India, and received a Bachelor of Science Degree in Pharmacy in 2004, after moving to the United States in 2005.

Niraj has a Master's in Chemistry from Florida Institute of Technology and holds a Six Sigma Black Belt Certification.



Eric Mosser COO, Secretary, and Director

Mr. Eric Mosser attended Arizona State University and studied Business Management and then graduated from Rio Salado College with an Associate's Degree in Applied Science in Computer Technology in 2004.



Russell Quick Chief Executive Officer of QuikfillRx & QRx Digital, a subsidiary of QuikfillRx

Russell Quick attended Iowa State University and earned a Bachelor of Science in Nuclear Engineering. He is an expert in consumer marketing, analyzing market basket data to predict consumers' purchase patterns, and increasing brand position and sales within the target market.

He worked as Senior Vice President for Marketing at GPM Investments and as Food Service Category Director and Senior Category Manager for 7-Eleven. Through his expertise and strategic approaches, Russ was able to partner with thousands of retail stores in less than a year.

And with his passion for being in the service of others, he started a nonprofit organization called The Quick Mission in honor of his late mother.

= OUR THIRD-PARTY ADVISORS



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