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SUSTAINABILITY STRATEGY

Established December 2022

OUR STRATEGY (2023-2025)

What started with selling smoking cessation products out of a garage on Newton Road in Auckland has rapidly grown into New Zealand's largest independent vaping company. VAPO has experienced rapid growth in a very new and, at times, controversial industry that historically had been dominated by Big Tobacco. While we are extremely proud of our achievements to date, we acknowledge that increased responsibility comes with our growth and size.

A core element of this responsibility is finding and maintaining the right balance between supporting smokers to quit through providing access to what is undoubtedly the best smoking cessation tool available and ensuring we are not encouraging non-smokers to vape. All the while operating in a free and open market economy. This, our first sustainability strategy, is our blueprint for delivering that balance and our wider business responsibilities.

We worked with sustainability experts who helped us identify our impacts and the control and influence we have over those impacts. We then developed our strategy to target those areas we felt had the most positive and beneficial impacts on the health and well-being of people and our shared environment.

We have set ourselves high-level and ambitious goals for each impact over the next three years and then multiple targets or milestones to map out our pathway to achieve those goals. We have also highlighted the United Nations Sustainable Development Goals (SDGs) we believe we can best support by achieving these goals and/or targets.

Through the development of this strategy, one thing became very apparent - this journey wouldn't be easy. However, we believe we are up for the challenge. But we can't achieve all our goals alone, so we welcome any feedback, questions, ideas or offers of support.

Ben, Jono and the whole VAPO family

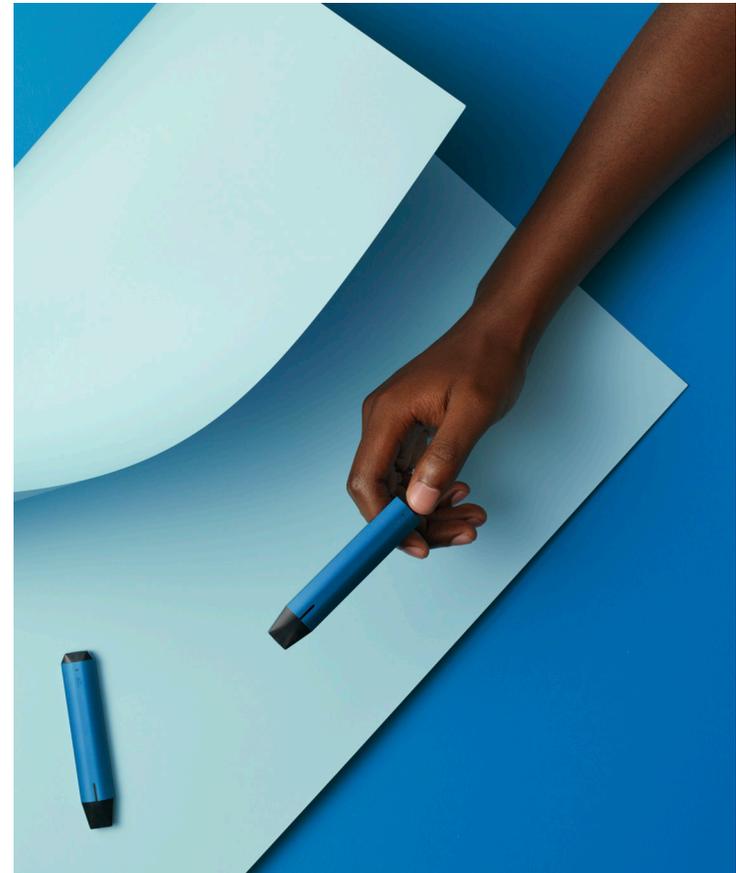


HOW WE WILL ACTION THIS STRATEGY

We've set ambitious goals over the next 3 years to ensure we are pushing ourselves for maximum positive impact. To succeed, we'll eat the elephant one piece at a time. We are dividing the tasks amongst ourselves, having regular check-ins and creating internal sustainability champions to drive the tactics forward.



1. Strategy reviewed and approved by management and made publicly available.
2. Sustainability Focus Group (SFG) formed and tasked with implementing the strategy and delivering the targets.
3. Action plan created for each year, including allocating required inputs and funding.
4. Regular work-in-progress meetings are set up to monitor progress and maintain communication.
5. Quarterly reviews by management of progress and learnings to date .
6. End of year report on progress made and shared publicly with strategy reviewed and revised accordingly.



UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The SDG's were "adopted by all United Nations Member States in 2015, to provide a shared blueprint for peace and prosperity for people and the planet, now and into the future. The 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership, recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests." - <https://sdgs.un.org/goals>

We have reviewed and recognised the SDG's as a benchmark for sustainable business practices across the globe, and we are aligning our strategy to these goals.



CURRENT COMMITMENTS



TerraCycle partnership
for product recycling
through VapeCycle



Rainbow Tick
accredited



DEI onboarding and adopted
vernacular throughout
the business



Pink Shirt anti-bullying
day supporter



Smoking cessation advocate
working alongside the
Ministry of Health and provider
of 0% and low nicotine % products



Westpac Helicopter
Appeal Gold supporter

SUSTAINABILITY VISION

Although we already have several sustainability commitments in place, we believe we have a responsibility as industry leaders to do more.

We want to work in a business that prioritises people and the planet over profit.

Our vision is to provide effective and helpful products sourced from ethical and top-quality suppliers and sold responsibly through our high-calibre, compassionate retail channels.

Outlined below are our high-level goals for the next 2 years. For each impact we identified as material and the corresponding annual targets.

We have organised them under three pillars:

People (3), Planet (2), and Product (3).



OUR GOALS

PEOPLE³



Diversity, Equality and Inclusion;
Staff Health and Wellbeing;
Community and Charitable Giving;

PLANET²



Plastics and other Contaminants;
Greenhouse Gas Emissions and Energy;

PRODUCT³



Our Brand and Ethics;
Our Business and Governance;
Our Products;

PEOPLE¹

Diversity, Equality & Inclusion (DEI)

OUR GOAL

To be recognised as a leader in creating a just, diverse, equal and inclusive business.

WHY IS THIS IMPORTANT TO US

Our business success is built on our diverse and talented workforce. We want to continue ensuring we have a thriving, diverse and inclusive workforce as this is good for our people and business.

OUR CHALLENGES

- As a rapidly growing business, we know that we can sometimes be vulnerable to blindspots around DEI.
- Our staff have differing views on what great DEI outcomes look like and how these should be achieved.
- Challenging to maintain momentum and enthusiasm around DEI.

BY DEC 2023

- Continue to be endorsed and certified by organisations that champion DEI.
- Formalise an internal DEI working group comprised of a cross-section of staff and allocate a budget for initiatives.
- Ensure our staff engagement surveys capture information about our DEI initiatives and, to the extent permissible and consented, track diversity within our own staff (including race, ethnicity, gender, education, and age).
- Roll out DEI, cultural competency and unconscious bias training for all staff, then set targets for 2024 and 2025.
- Review our facilities to ensure they align with our DEI goals.

BY DEC 2024

- Review the composition, success and budget of the DEI working group.
- Analyse our staff diversity stats and strategise to address any weaknesses.
- Review the number of women in management positions and set targets for 2025.
- Engage our staff on, and review our maternity leave, breastfeeding mothers, childcare and secondary caregiver policies.
- Conduct a gender pay gap and pay parity analysis across our entire business and develop a strategy to address any issues.

PEOPLE²

Staff Health and Wellbeing

OUR GOAL

To have a thriving workforce that is healthy, happy and proud of the company they work for.

WHY IS THIS IMPORTANT TO US

We believe that each employee directly contributes to our success and growth, so we want our people to best develop their skills in an environment that allows them to bring all their ideas, leadership and energy to the table.

OUR CHALLENGES

- We have a large workforce at many locations around Aotearoa, Australia and the UK.
- Staff have varying demands and expectations regarding health and well-being within our workforce.
- Our business requires many different skill sets, and a large number of part-time and/or casual staff, making it difficult to engage all our people consistently.

BY DEC 2023

- Review the cadence and content of our staff surveys to ensure we accurately capture staff health and wellbeing data, then set targets for 2024.
- Review our staff benefits package, seek feedback from our people on what support we should offer and investigate how this can be improved/implemented. This includes reviewing our short-term incentive structures across business units.
- Continue to measure our staff retention rates and set targets for 2024.
- Establish a regular review schedule of our workplace policies to ensure we continue to foster a culture of mental and physical well-being.
- Review our current learning and development programmes and budgets, and set L&D targets for 2024.

BY DEC 2024

- Achieve our 2024 staff health and wellbeing targets, and set targets for 2025.
- Update our staff benefits package in line with approved/agreed staff feedback. And review the benefits offered to non-full-time staff.
- Achieve our 2024 staff retention targets and set 2025 targets.
- Achieve our 2024 L&D targets and set 2025 targets.
- Investigate developing a graduate programme.

PEOPLE³

Community and Charitable Giving

OUR GOAL

To be a valued member of Aotearoa's society and materially contribute to the communities we touch.

WHY IS THIS IMPORTANT TO US

We are committed to our customers and being part of the fabric of our communities. To do this, we must give back to our communities.

OUR CHALLENGES

- There are many great causes we would like to align with. However, some charities do not want to associate with us; they don't understand our values.
- Because of our product, it can be complicated to provide community or charity support for regulatory and other social reasons.
- We need to be conscious of not appearing to be purchasing a social licence to operate through our charitable engagements.

BY DEC 2023

- Collect data on all of our community and charity engagements and their impacts to date.
- Develop a VAPO charities policy that aligns with our purpose, mission and values.
- Set targets for our charitable and community engagement for 2024.
- Implement organised paid volunteering /community outreach participation for all full-time staff.

BY DEC 2024

- Share impact data and stories of our charitable and community impacts internally.
- Achieve our 2024 charity and community engagement targets, then set targets for 2025.
- Achieve our 2024 staff volunteering targets, then set targets for 2025.
- Investigate opportunities that could benefit our local businesses /communities.

PLANET!

Plastics and Other Contaminants

OUR GOAL

To produce products within a circular business model, which are never sent to landfill.

WHY IS THIS IMPORTANT TO US

We think plastic pollution is the largest, most visible negative impact our business can have on the environment. We want to do everything we can to ensure that we have a positive, regenerative impact on our environment and be part of the transition to a circular economy. We know we are ultimately responsible for the products we create.

OUR CHALLENGES

- We rely on our manufacturing and logistics suppliers for our packaging.
- Our product is made of small, difficult-to-recycle components, and consumers often prefer the convenience of single-use vaping products (and there are no local recycling facilities for our products' components).
- We have little control over how our consumers dispose of our product, there are limited options globally to recycle lithium batteries.

BY DEC 2023

- Undertake an audit of our packaging and investigate opportunities to remove unnecessary packaging within our supply chain.
- Ensure 100% of our product packaging contains accurate information on end-of-life pathways.
- Formally review our existing TerraCycle program and set a strategic direction and goals for recycling VAPO products. Including offering our customers an incentive for recycling, accepting other vape brands' products and increasing the number of depositories where products can be collected for recycling.
- Research and deeply understand lithium battery recycling opportunities and challenges.
- Undertake a circular design session to ensure we have in-depth knowledge of circular economy product design.

BY DEC 2024

- Eliminate any unnecessary packaging identified in our audit.
- Work with our 3PL to reduce the amount of plastic used in their processes and set targets for 2025.
- Achieve our 2024 used product recycling target and review the 2025 target.
- Establish a program for our retail partners to be drop-off/collection points for used vaping products and engage with local authorities to increase used product collection facilities in key areas.
- Ensure we provide lithium battery recycling in all markets we operate in.

PLANET²

Greenhouse Gas Emissions and Energy

OUR GOAL

Accurately measure and then reduce our emissions in line with global targets.

WHY IS THIS IMPORTANT TO US

We are in a climate crisis, and we know we need to play our part in keeping on track to limit global warming to 1.5°C.

OUR CHALLENGES

- Our supply and distribution channels rely heavily on fossil fuels, and we have limited control over our Scope 3 emissions (i.e. those from suppliers and manufacturers).
- We work with suppliers based offshore who must ship our product and with whom we require face-to-face annual meetings.
- We operate many retail sites that have limited space for end-of-trip facilities. It can also be challenging to map our emissions to a product level.

BY DEC 2023

- Map our operational emissions and energy footprint, develop a robust emissions reduction plan, and set targets for 2024 and 2025.
- Ensure 100% of our staff are aware of our carbon reduction plan and how it is influenced by their role. This includes engaging our staff on how they can reduce their personal emissions.
- Investigate 3rd party accreditation schemes for our carbon footprint and investigate offsetting opportunities that align with our purpose, mission and values.
- Align our energy, shipping and logistics with low-carbon providers and ensure we prioritize sea freight over other types of shipping.
- Develop a robust travel policy to make our corporate travel more efficient.

BY DEC 2024

- Achieve our 2024 emissions reduction target. Extend our emissions mapping to include all product-related emissions to the extent reasonably possible.
- Investigate offsetting / insetting 100% of our emissions and develop an action plan.
- Ensure our procurement policy prioritizes suppliers with robust emissions reduction strategies.
- Review our policy around company vehicles, ensure this prioritizes EVs, then set targets for 2025.
- Investigate implementing a dashboard to enable staff to track their personal emissions.

PRODUCT¹

Our Brand and Ethics

OUR GOAL

Have a clear, strong reputation in every market we operate in, built on trust and how we live our values.

WHY IS THIS IMPORTANT TO US

We offer a unique product and brand experience and want to ensure that we continue to stand out in the crowd as leaders.

OUR CHALLENGES

- Because we are challenging an incumbent market, we are often subject to smear or other negative PR tactics.
- Our industry has experienced high-profile cases of dishonest business practices and a history of non-conformance to legislation.
- Our ability to communicate about our products is limited by legislation, and despite being an age-restricted product, we find many younger people want to try our product.

BY DEC 2023

- Develop a supplier code of conduct and set targets for suppliers to have signed up in 2023.
- Formalise our advertising policy and ensure it aligns with our purpose, mission and values.
- Develop a strategy to increase the amount of nicotine-free products within our product mix and set targets for 2024.
- Develop a clear policy and product pathway to assist customers who want to reduce their nicotine intake.
- Engage with our stakeholders on how we can improve the association of VAPO with positive health outcomes for smokers.

BY DEC 2024

- Map our supply chain to gain visibility of all suppliers, identify gaps, and strategize how to fill these. (GMP). Includes completing a supply chain risk assessment for environmental and social risks.
- Review the implementation of the advertising policy, revise as required and set a cadence for regular review.
- Achieve our 2024 nicotine-free targets, and set targets for 2025.
- Review and improve our nicotine reduction product pathway and how we communicate this to customers. Plus, set targets for 2025 on the number of customers using our nicotine reduction product pathway.
- Continue to strategise how we close loopholes for youth to access vaping and continually review our marketing strategy to ensure we are not promoting vaping to underage or non-smoking audiences.

PRODUCT²

Our Business and Governance

OUR GOAL

Be a transparent business with robust governance arrangements that set the foundation for us to scale sustainably and preserve our values.

WHY IS THIS IMPORTANT TO US

We are in this for the long haul. We want to ensure all our stakeholders trust us and are on this journey together as we achieve our growth goals.

OUR CHALLENGES

- We are still a relatively young company and are often targeted by more established players.
- We are growing rapidly, making adopting flexible yet sufficiently robust governance structures difficult.
- Being transparent as a business may expose us to unforeseen risks.

BY DEC 2023

- Deeply understand and communicate our product's benefits/value internally.
- Complete a purpose, mission and values refresh.
- Establish a VAPO advisory board with corresponding reporting and responsibility structures.
- Research and deeply understand modern slavery and related obligations our business may have in future.
- Ensure our privacy policies and processes regarding personal information are robust, with clarity around how we use and store consumer data.

BY DEC 2024

- Review implementation of our purpose, mission and values and strategise how we can better live by these and embed them into our business.
- Investigate our SHE process to inform the development of a SHE policy and regular cadence.
- Ensure that a member of our advisory board has climate and/or sustainability experience and that we have appointed at least two independent directors and a non-executive staff representative.
- Set targets for social and environmental KPI achievement across the business in 2025.
- Investigate obtaining ISO 27701 (Privacy Information Management) or other reputable certifications for our data privacy processes.

PRODUCT³

Our Products

OUR GOAL

Produce the best, safest and highest quality vaping products worldwide.

WHY IS THIS IMPORTANT TO US

We know that superior products are critical to the safety of our customers and the success of our business.

OUR CHALLENGES

- Vaping is a new industry with limited historical data, and its impacts are still largely unproven; therefore, there are instances of negative perceptions about the safety of our products.
- Some people have inherent and learned levels of distrust of vaping products.
- Our ability to communicate about our products is limited by legislation. Despite being an age-restricted product, many younger people want to try our products.

BY DEC 2023

- Continue to undertake regular checks of store processes, including strategies to prevent underage vaping and implement actions accordingly.
- Continue to investigate opportunity of manufacturing our products in Aotearoa.
- Invest in deeply researching the effects of nicotine and vaping and investigate sponsoring research on the effects of vaping and nicotine in Aotearoa.
- Develop and begin to implement a strategy to educate our stakeholders with in-depth, objective information on our product, including product safety, health impacts and addiction support.
- Review our product recall process and policies, including any recall thresholds.

BY DEC 2024

- Launch at least 2 products fully manufactured in Aotearoa and set targets for 2025.
- Publish a comprehensive report on our position around the science of vaping, nicotine and their related impacts.
- Continue to deliver our product education strategy.
- Ensure we proactively obtain and action customer feedback on faulty products.
- Implement a plan to obtain ISO10377 (Consumer Product Safety) certification for our products.

**SDG TARGETS WE HAVE
ALIGNED TO**

SDG TARGETS WE HAVE ALIGNED TO

DIVERSITY, EQUALITY & INCLUSION

5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

8.5 By 2030, achieve full and productive employment, decent work for all women and men, including young people and persons with disabilities, and equal pay for work of equal value.

10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or another status.

10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.

10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality

3 GOOD HEALTH AND WELL-BEING



5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH



10 REDUCED INEQUALITIES



STAFF HEALTH & WELLBEING

3.4 By 2030, reduce by one-third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.

8.5 By 2030, achieve full and productive employment, decent work for all women and men, including young people and persons with disabilities, and equal pay for work of equal value.

SDG TARGETS WE HAVE ALIGNED TO

PLASTICS AND OTHER CONTAMINANTS

12.2 By 2030 achieve the sustainable management and efficient use of natural resources.

12.4 By 2030, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

OUR BUSINESS AND GOVERNANCE

12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and integrate sustainability information into their reporting cycle.



GREENHOUSE GAS EMISSIONS AND ENERGY

13.2 Integrate climate change measures into national policies, strategies and planning.

13.3 Improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

THANK YOU!

We see this as a living document.
Check back to follow our progress!