

2023
Forced Labor
Report

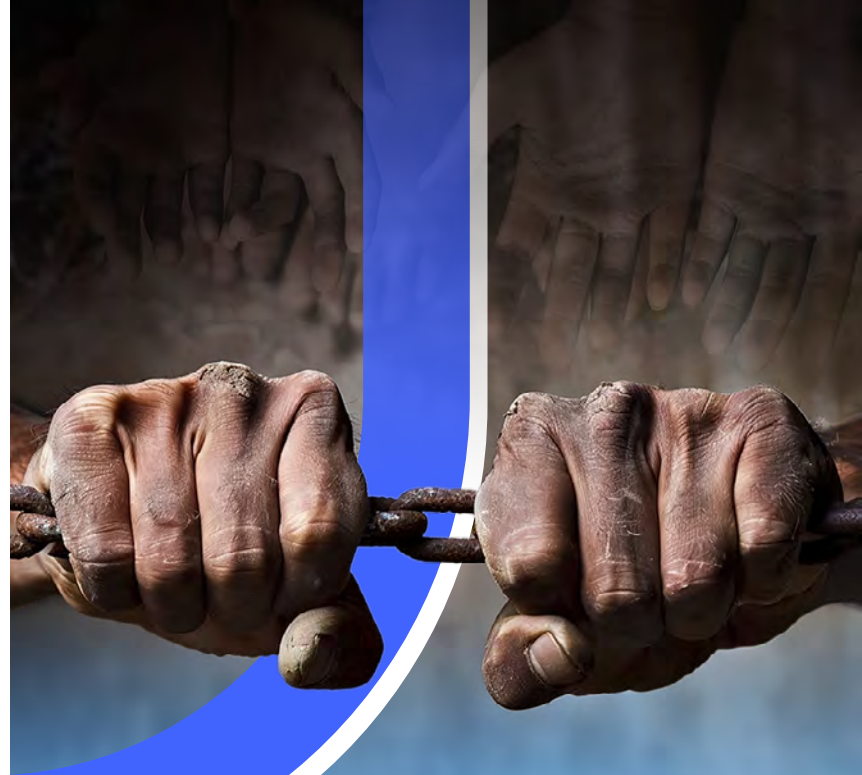




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Introduction

This report (the “**Report**”) is produced by The Lion Electric Company (“**Lion Electric**” or the “**Company**” or “**our**” or “**we**”) for the financial year ended December 31, 2023 (the “**Reporting Period**”) and sets out the steps taken to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods, in Canada or elsewhere, or of goods imported into Canada by the Company.

This Report constitutes the first report prepared by the Company pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act (Canada)* (the “**Act**”) and the *California Transparency in Supply Chains Act*. Note that while Company is the only entity within the Company’s corporate group required to file a report under the Act, the information provided herein generally applies to all entities the Company controls.



Steps to Prevent and Reduce Risks of Forced Labour and Child Labour

As a responsible company and corporate citizen, we are dedicated to acting ethically and conducting our affairs with integrity, honesty, fairness, and professionalism.

In general terms, we took the following steps during the Reporting Period, to prevent and reduce the risk of forced labour or child labour in our activities and supply chains:

- **implemented a Supplier Policy**, which includes, among others, requirements aimed at monitoring and preventing forced labour or child labour risks in our supply chains;
- **updated our model supply agreement**, which now requires our new suppliers, or those entering into new commitments with us, to adhere to our Supplier Policy;
- **conducted due diligence on certain potential suppliers** before entering into contracts, taking into account various criteria including forced labour or child labour risks.

Details of the above actions are set out in this Report.

Structure, Activities and Supply Chains

The Company is incorporated under the *Business Corporations Act* (Quebec). The Company's common shares are listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbol "LEV".

The Company's head and registered office is located at 921 chemin de la Rivière-du-Nord, Saint-Jerome, Quebec, Canada, J7Y 5G2. Lion Electric's business focuses on the design, development, manufacturing, and distribution of all-electric medium and heavy-duty urban vehicles ("EV"). Each Lion Electric vehicle is purpose-built for electric and entirely designed and assembled in-house, with its own chassis, truck cabin or bus body, proprietary battery technology with modular energy capacity and Lion software integration. For certain specialized truck applications, Lion Electric has also established partnerships and other relationships with third-party suppliers to enable it to offer to its clients a variety of vehicle configurations, upfit equipment options and applications which range from classic boxes for box trucks to other specialized applications such as all-electric ambulances and utility trucks. Since 2023, Lion Electric manufactures its own battery modules and packs that integrate battery cells sourced from third-party suppliers. Lion Electric also complements its product offering with various services available on site at Lion Electric's Experience Centers including sales support, full-service training, charging infrastructure assistance and maintenance support.

As of April 18, 2024, the Company had approximately 1,150 employees in Canada and the United States across all functions, including manufacturing, vehicle research & development, sales & marketing, service, corporate and administrative.

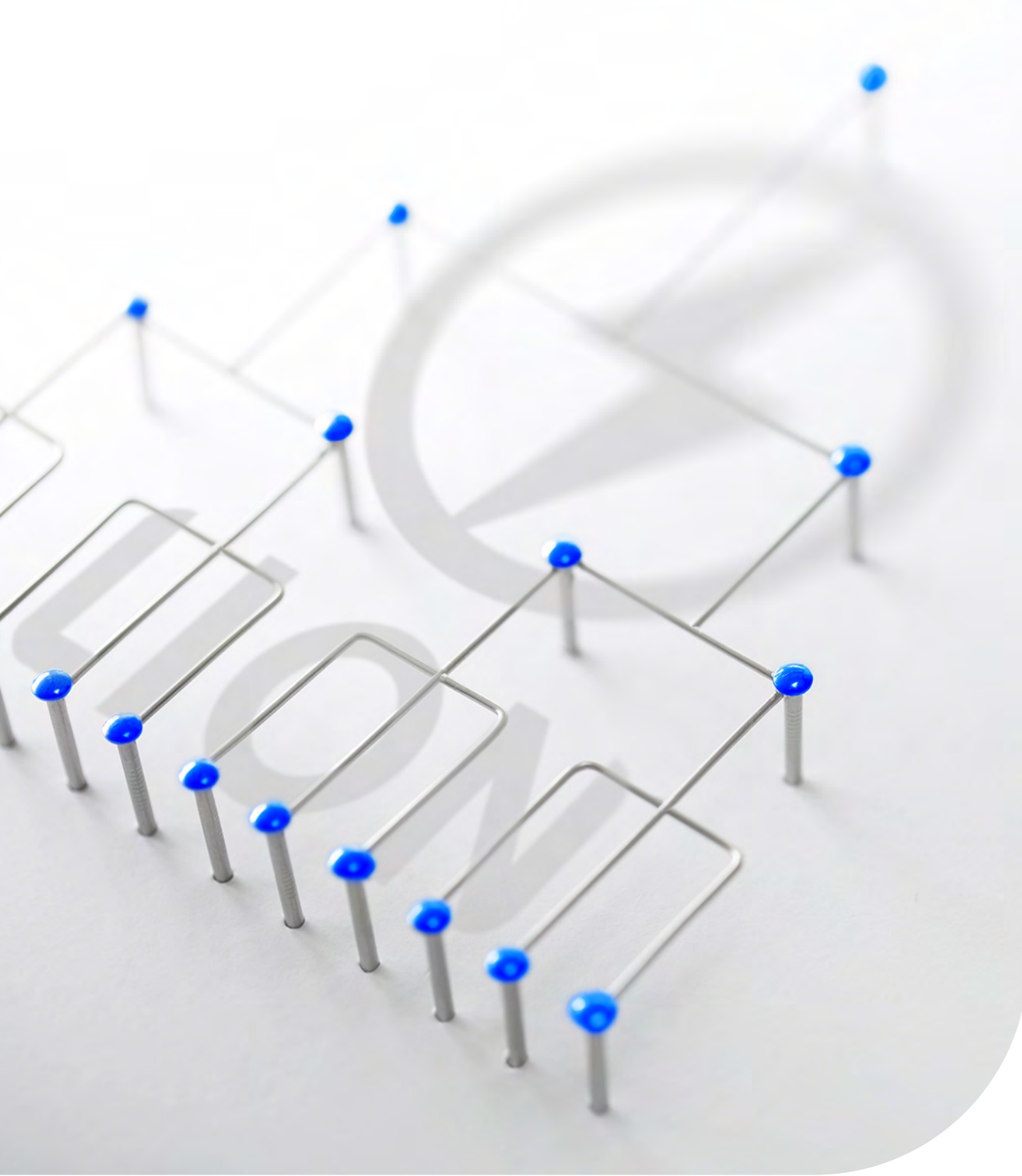
Lion Electric's products are available to purchase in Canada and in the United States and are distributed by truck and rail, either directly to Lion Electric's customers

or to the third-party upfitters Lion Electric partners with. Lion Electric has adopted a sales model that is generally based on direct-to-customer sales tailored for EVs, thereby generally avoiding reliance on third-party dealerships whenever possible.

Lion Electric's products are manufactured in Canada and the United States. The Company has a vehicle manufacturing facility located in Saint-Jerome, Quebec, where a majority of the vehicles sold by the Company are produced, and a manufacturing facility located in Joliet, Illinois to address the increasing demand for "Made in America" zero-emission vehicles. Lion Electric also has a battery plant and Innovation Center situated in Mirabel, Quebec, which is currently being used for various purposes such as a testing and certification center for vehicles and batteries, a pre-delivery inspection site, a showroom and delivery center, and as warehousing space, in order to leverage space available and optimize operational efficiency. Finally, Lion Electric has additional facilities across Canada and the United States which mainly serve as Lion Electric's Experience Centers strategically located in key markets.

Lion Electric's supply chain consists of suppliers providing battery cells, battery packs, modules, vehicle parts and components, and raw materials such as aluminum, steel, composite, non-ferrous metals (such as copper) as well as other materials and minerals used to manufacture lithium-ion batteries and certain other parts and components of Lion Electric's vehicles. In certain cases, Lion Electric has entered into long-term contractual arrangements with suppliers with respect to the supply of certain key components of its vehicles, including, lithium-ion batteries and cells. The Company strives to obtain components from multiple sources whenever possible. However, some of the components used in Lion Electric's vehicles, including key battery systems components, are purchased from a single source supplier or limited source suppliers. Lion Electric currently does business with approximately 1,600 direct suppliers located in 17 countries. The majority of Lion Electric's suppliers are located in Canada and the United States.





Governance, Policies and Due Diligence Processes

Oversight

Lion Electric's board of directors (the "**Board**") is responsible for the overall stewardship of the Company and overseeing the management of the Company's business and affairs. The Board has delegated to its Nominating and Corporate Governance Committee oversight of sustainability and corporate social responsibility, including monitoring of the Company's environmental, social and governance ("**ESG**") plan, practices, related policies, and disclosure with respect to same as well as monitoring and ensuring compliance with the Company's Code of Business Conduct and Ethics (the "**Code**"). The Audit Committee and the Human Resources and Compensation Committee of the Board of Directors also oversee certain elements pertaining to ESG-related matters and disclosures, including assisting the Board with the monitoring of compliance with the Code.

For additional information regarding the Company's governance and ESG matters, PLEASE REFER TO OUR WEBSITE: ir.thelionelectric.com.

Governance, Policies and Due Diligence Processes

Policies

We are committed to responsible business conduct and human rights protection and to acting ethically and with integrity in all our business dealings, and we strive to require the same from our supply chain partners. In support of such commitment, Lion Electric has put in place several codes and policies that address international human rights standards, including the risk of forced and child labour in its supply chain. These codes and policies are reviewed annually by the Company.

Supplier Policy

The Supplier Policy of the Company (the “**Supplier Policy**”) sets standards of ethical conduct which Lion Electric requires of its suppliers when they do business with or on behalf of Lion Electric. The Supplier Policy details our expectations of suppliers in respect of human rights, labour, employment practices, integrity and business ethics, and more. Notably, the Supplier Policy specifically includes provisions prohibiting child labour and forced labour, and requires our suppliers to comply with specific hiring and employment practices that are aimed at promoting fair and ethical work conditions.

The Supplier Policy further requires suppliers to identify risks and actual adverse human rights impacts related to their activities and take appropriate steps to reduce such risks and remedy any impact directly caused, or contributed to, by their activities or through business relationships.

While we require our suppliers to implement the Supplier Policy’s requirements in a manner that is both appropriate and proportional to the nature and scale of their business, as well as the goods and services they provide, we expect them to reflect these requirements in their own supply chains and go beyond legal compliance to advance in social and environmental responsibility and business ethics.

We require our new suppliers, or those or those entering into new commitments with us, to contractually adhere to, and comply with, the Supplier Policy, either

through a standalone certification or through our model supply agreement. Our model supply agreement further includes a right for Lion Electric to perform audits, which may include requests for information, site visits, employee interviews and review of records.

The Supplier Policy includes a mechanism for anyone who believes that a supplier has engaged in illegal, unethical or otherwise improper conduct, or conducted any other activity in violation of the Supplier Policy to report such conduct using Lion Electric’s [Whistleblower Line](#).

Lion Electric strongly encourages anyone witnessing such practices to speak up and demands that suppliers prohibit any retaliation against any person for reporting, in good faith, contraventions of the Supplier Policy or for filing a complaint or testifying, assisting, or participating in any manner in any investigation, proceeding, or hearing conducted by a government enforcement agency.

If the expectations or requirements of the Supplier Policy are not met by our suppliers, the business relationships may be reviewed, and corrective action pursued, or alternatively, terminated.



Governance, Policies and Due Diligence Processes

Policies

Code of Business Conduct and Ethics

The Code applies to all directors, officers, and employees of the Company without exception. All business partners, contractors, consultants, service providers and suppliers of the Company are held, where appropriate, to the standards of this Code to the same extent as employees of the Company and are expected to enforce policies and/or practices that are consistent with the Code, and all new suppliers, or those entering into new commitments with us, are expected to confirm, in writing, through their contract with Lion Electric or otherwise, that they agree to and will comply with the terms of the Code.

Our Code provides a set of ethical standards to guide everyone to whom it applies and constitutes conditions of employment or engagement and continuing relationship with the Company. The Code helps focus the Board and management of the Company on areas of ethical risk, provides guidance to the employees of the Company to help them recognize and deal with ethical issues, provides mechanisms to report unethical conduct through our Whistleblower Policy, and helps to foster a culture of honesty and accountability. The Code details the guidelines of expected conduct in numerous areas including compliance with laws, rules and regulations.

The Code is available on our website at ir.thelionelectric.com.

If the expectations or requirements of the Code are not met by our suppliers, the business relationships may be reviewed, and corrective action pursued, or alternatively, terminated.

Whistleblower Protections

We have established robust whistleblower procedures, through our Whistleblower Policy, our Supplier Policy and our Code, all of which contain provisions encouraging anyone to report wrong-doings or suspected wrong-doings confidentially and anonymously (if so desired) without fear of victimization, subsequent discrimination, or disadvantage.

These policies offer several methods for reporting violations, including our Human Resources and Legal departments, and a confidential [Whistleblower Line](#) available on our website.

Lion Electric is committed to deal with any report expeditiously, investigate thoroughly and if necessary, take remedial measures in a timely manner. Lion Electric will also further examine and implement the means of ensuring that such wrongdoings can be prevented in future.

Additional Due Diligence Measures

To effectively manage risks associated with its supply chain, including risks related to forced labour and child labour, Lion Electric employed the following measures:

- **Completing due diligence on key potential suppliers based on publicly available information and due diligence requests**, including manufacturing plans and country of origin information;
- **Negotiating strong contractual provisions with our suppliers**, including adherence to the Supplier Policy and audit rights (allowing us to perform, as needed, independent or unannounced audits); and
- **Performing site visits of certain of our new and current suppliers** which allow individuals conducting these visits to report on business practices and quality standards.





Assessing and Managing Our Risk

We use a risk-based approach to assess and manage risks of forced labour and child labour in our supply chain. When there are doubts that one of our suppliers or potential suppliers is not respecting our policies or commitments, the supplier will be further investigated in order to clarify any concerns and act where appropriate.

We remain committed to further developing and continuously refining our policies, procedures, and programs as we learn more about the risks in our supply chain and ways to mitigate them. To assess the effectiveness of actions related to ensuring that forced labour and child labour are not being used in our business and supply chains, we commit to:

- **monitor and annually review compliance with the Act and report the results internally to the Lion Electric management team; and**
- **regularly review the content of the Code and Supplier Policy to ensure it is current and fit for purpose.**

Despite our efforts to take actions to ensure our supply chain is free of any forced labour or child labour, there may nonetheless remain a risk of forced labour or child labour within our global supply chain, specifically when it comes to indirect suppliers where Lion Electric has little control or visibility. To address this potential risk, Lion Electric expects its business partners and suppliers to uphold the standards and principals outlined in the Supplier Policy within their operations and within their own supply chain.

During the Reporting Period, we have identified certain countries in which some of our suppliers are located that are considered to be at greater risk of forced labour or child labour being used. Whenever reasonably possible, we make efforts to limit, or reduce, as applicable, our supply chain exposure to these countries, in addition to completing enhanced due diligence on suppliers located in these countries.



Remediation Measures

Lion Electric is committed to providing remediation for any confirmed instances of forced or child labour in its supply chain should such an event arise. During the Reporting Period, Lion Electric did not identify, nor was it alerted to, any instances of forced labour or child labour in its supply chain. Therefore, there has not been any opportunities to provide remediation during the Reporting Period.



Training

Although the Company does not currently provide training to employees on forced labour or child labour, every employee and director of Lion Electric is required to sign a certification that they have read and clearly understood the Code. All employees are further required to review and confirm compliance with the Code at least once per year. Additionally, we intend to offer targeted training sessions addressing forced labour and child labour to relevant employees in the future. Any failure by an employee to respect the Code may result in disciplinary action and sanctions up to and including dismissal, and certain failures to respect the Code may result in legal action.



Assessment of Efficiency

As discussed in this Report, Lion Electric has taken steps during the Reporting Period aimed at reducing the risk that forced labour or child labour will be used in our activities or supply chains. We have not taken any measures yet to assess the efficiency of these steps.

We are committed to continuously improving our approach to human rights including forced labour and child labour issues. In that respect, we intend to identify key performance indicators to help us measure the progress of the actions we are taking.

Approval and Attestation

This Report was approved on May 15, 2024 by the Board of Directors of The Lion Electric Company pursuant to subparagraph 11(4)(a) of the Act.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the Report for the entity listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the Report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Marc Bédard
Chief Executive Officer and Founder
May 15, 2024

I have the authority to bind
The Lion Electric Company.

