

VICINITY MOTOR CORP.
(the “Company”)

Report on Fighting Against Forced Labour and Child Labour in Supply Chain

For the financial year ended December 31, 2023

I. Introduction

This is the first report filed by the Company under Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”). The Act came into force in Canada on January 1, 2024. Its goal is to implement Canada’s international commitment to contribute to the fight against forced labour and child labour through the imposition of reporting obligations on entities producing goods in Canada or elsewhere or importing goods produced outside Canada. The Act is part of a broader global effort to prevent and combat forced and child labour, an effort that the Company is committed to supporting.

This report reflects the Company’s commitment to implementing and endorsing responsible business practices to prevent and reduce the risk of forced or child labour in our supply chains. This report sets out the Company’s plans to develop a robust forced and child labour compliance program, and places that initiative within the broader context of the actions taken by the Company and its subsidiaries, in both Canada and the United States, to prevent human rights abuses within our businesses and supply chains.

This report sets out actions taken by the Company during the financial year ended December 31, 2023. In accordance with the Act, this report is published on the Company’s website: vicinitymotorcorp.com

II. Operational Structure

(a) Structure & Activities

The Company’s focus is on the commercialization of its next-generation electric, CNG and clean-diesel vehicles. It conducts its active operations in Canada through its wholly owned operating subsidiary, Vicinity Motor (Bus) Corp. The Company conducts its active operations in the United States through its wholly owned operating subsidiary, Vicinity Motor (Bus) USA Corp. (“**VMUSA**”). VMUSA has one wholly-owned subsidiary, Vicinity Motor Property LLC. The Company and its subsidiaries employ a total of 59 employees with 51 employees in Canada and 8 employees in the United States.

The Company designs, builds and distributes a full suite of mid-size transit buses for public and commercial use, including electric, compressed natural gas (“**CNG**”) and clean diesel buses and also commercial electric trucks (collectively, the “**Vicinity Vehicles**”). The Company has been successful in supplying Canadian and United States-based municipal transportation agencies and private operators with a full suite of transit buses for public and commercial use, including electric, CNG and clean diesel buses. The Company, with its strong distribution chain in the United States, is actively pursuing opportunities in public and private transit fleet operations that would benefit from the Company’s vehicles.

The Company has worldwide strategic partnerships and supply agreements to manufacture its products in Europe, Asia, Canada, and the United States. In 2023, the Company completed

construction of an assembly plant in Ferndale, Washington State, a cost-effective location in proximity to the border between Canada and the United States. The Washington State facility produces EV truck units and is capable of producing electric, CNG, and clean diesel buses across various sizes and powertrains.

(b) Supply Chains

The Company's supply chains are made up of various suppliers who supplies goods and services that contribute to the design, production, and distribution of the Vicinity Vehicles. These range from the sourcing of raw materials to the delivery of the final product to the Company's customers. The Company utilizes a global supply chain for component parts from established third-party suppliers for the Vicinity Vehicles ensuring high quality products with the highest safety standards. Due to the nature of the Company's business, the Company is highly reliant on its suppliers.

The Company works with a variety of contract manufacturers worldwide, and does final assembly, fit and finish, pre-delivery inspections and repair work in its facilities in North America. In the case of its contract manufacturers, the Company has quality assurance and production inspection ongoing along with quarterly or more often visitation of facilities and operations teams at these locations, ensuring that no forced or child labour is taking place. The nature of the Company's business (automotive manufacturing) does not make a good fit for child labour as the labour is skilled in most cases and requires detailed mechanical and production labour to assemble, program and test our buses and trucks. We will add additional mechanisms and checks for our teams in 2024 to continue to ensure the Company or its partners are not using child or forced labour.

The Company's components are also sourced from all over the world, some of our partners include LionSmart for batteries, Allison transmissions, Cummings engines, Exro powertrain among others. These top tier global providers are vetted and are being used by many of the larger North American vehicle producers and are also subject to child and forced labour reporting. The Company will broaden its policy for disclosure in 2024.

The Company is committed to the objectives of the Act and expresses the requirement that its suppliers and any new supplier that the Company contract with will make the same commitment. If a supplier fails to comply with the clauses, then the Company may terminate the contract with the supplier.

III. Policies and Due Diligence Processes in Relation to Forced and Child Labour

The Vicinity Vehicles that are designed, built and distributed by the Company are the product of a corporate culture dedicated to protecting and improving the human rights of the Company's employees, customers and other stakeholders.

The Company and its subsidiaries have a number of measures in place and is considering additional measures to prevent and lessen the risk of forced and child labour in their supply chains. Such measures include the following:

1. **United Nations Guiding Principles on Business and Human Rights:** The Company refers to and respects the United Nations Guiding Principles on Business and Human Rights (UNGPR), and promotes activities related to human rights based on these guidelines.

2. **Prevention of Child Labour:** The Company has undertaken an initiative to enhance due diligence activity in the high-risk sector of child labour in our business operations and supply chain.
3. **Code of Business Conduct and Ethics:** The Company's Code of Business Conduct and Ethics specifically emphasizes compliance with applicable laws, rules, regulations and other legal requirements applicable wherever the Company is carrying on business. These include, implicitly, laws prohibiting the use of forced and child labour. The Company's Code of Business Conduct and Ethics further encourages employees to promote ethical behavior, and specifically prohibits management retaliation in respect of the reporting of the same. As with the Whistleblower Policy, the Company's Code of Business Conduct and Ethics provides the ability to report concerns directly to the Company's Chair of the Audit Committee.
4. **Whistleblower Policy:** All Company employees and contractors have access to the Company's Whistleblower Policy. The Company's Whistleblower Policy instructs participants to report problematic operational practices directly to the Company's Chair of the Audit Committee for consideration.

During the fiscal year ended December 31, 2023, the Company has taken the following actions to prevent and reduce the risk that forced or child labour is used in its supply chains:

1. **List of Current Suppliers:** The Company has created a list of all current suppliers.
2. **Employee Training:** The Company has scheduled training regarding forced labour and child labour for its employees. The training is scheduled to take place by December 31, 2024.
3. **Initiate Planning for Further Actions:** The Company has initiated development of a strategy to further prevent and reduce the risk that forced labour or child labour is used in our supply chains. In the coming fiscal years, we will focus on further refining and implementing our strategy.

Although suppliers have their own approach and responsibility towards running their businesses ethically, the Company will not tolerate forced labour or child labour, of any kind and in any form, in its business or supply chains. The Company endeavors to ensure its suppliers are equally committed to preventing forced labour or child labour and encourages them to have suitable measures in place to prevent and detect such situations.

IV. Risk Assessment

The Company can reasonably be considered at low risk for forced labour and child labour. This is largely because there is no particular vulnerability to these risks in its business activities of designing, building and distributing the Vicinity Vehicles. Furthermore, the remainder of its business activities are professional and administrative in nature. Where applicable, these sectors may be highly regulated in Canada and the United States. The Company's key functions where outsourced labour is used are also subject to close scrutiny by employee organizations and industry laws and regulations.

The risk of forced and child labour in the Company's Canadian and American supply chains has been assessed as being low for the reasons above, together with the fact that the bulk of its local

procurement is to acquire corporate services from large, reputable and well-run Canadian and American businesses. However, a part of the Company's supply chain is based overseas. Accordingly, the Company has sought to understand the inherent risks of forced or child labour in the Company's supply chains, by assessing factors such as the sectors and industries in which the Company's suppliers operated during the reporting period, as well as their geographic locations. There are some aspects of the Company's business that carry some risk of forced labour or child labour, primarily among third-party suppliers of manufactured goods such as automotive parts, automotive accessories, and other goods procured directly by the Company, and service providers that provide physical services to the Company such as catering services and janitorial services. These risks will be addressed in the Company's forced and child labour compliance strategy as described above in Part III of this report.

V. Risk Management and Mitigation

The Company's compliance strategy is being designed to allow it to identify those activities and supply chain elements that carry a risk of forced or child labour, and to specify the appropriate steps to assess and manage those risks. To date the Company has not identified any instances of forced or child labour in its supply chains, and so the Company has not undertaken any measures to remediate any forced or child labour, nor has the Company undertaken any measures to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced or child labour in our supply chains. As the Company continue to develop and implement its compliance strategy, the Company will have greater visibility into these issues and any remediation measures they may necessitate.

VI. Assessing the Effectiveness of our Actions

During this reporting period, the Company's focus was to solidify its understanding of the Act and the forced and child labour risks and how they may appear in business and supply chains. The Company also focused on how best to develop and implement controls to address these risks. The Company has commenced its planning and work on developing frameworks and processes to ensure it can review the effectiveness of the actions the Company is taking to assess and address risks in its business and supply chain.

The Company is committed to ensuring that actions that it takes to prevent and reduce the risk of forced and child labour in its supply chains are effective. In the coming fiscal year, it will closely monitor the development and implementation of its compliance strategy.

VII. Approval

This report has been approved by the board of directors of the Company.

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