

Child and Forced Labour

Introduction

Canyon and its affiliated companies have a zero-tolerance policy towards any form of forced labor and child labor. This policy reflects Canyon's commitment to act ethically, respectfully and with integrity concerning human rights and the prevention, mitigation and remediation of violation in any form. The Canyon policy governance rules apply.

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Definitions and requirements

Modern slavery

An estimated 49.6 million people were victims of modern slavery in 2021 with approximately 27.6 million people forced to work (Global Estimates of Modern Slavery; International Labour Organization (ILO), Walk Free Foundation and International Organization for Migration 2022).

Modern slavery is an umbrella term for specific legal concepts including forced labor, debt bondage, forced marriage, slavery and slavery-like practices and human trafficking. It is linked to situations of exploitation that a person cannot refuse or leave because of threats, violence, coercion, deception, and/or abuse of power.

Forced labor is defined by the ILO Forced Labour Convention, 1930 (No. 29) as:

"...all work or service that is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily."

No forced labor or any other type of compulsory work shall be permitted in any company involved in the production of our goods.

Child labour

The ILO estimates that 160 million children aged 5 to 17 were engaged in child labor in 2020, and that approximately 79 million of them performed hazardous work that placed their health, safety, or moral development at risk (Child Labour; ILO and United Nations Children's Fund 2021).

- A child is anyone under the age of 18 (UN Convention on the Rights of the Child 1989)
- The minimum age for young workers which are employed full time is 15 years of age (see ILO Convention 138)

Based on the ILO definition, child labor can be defined as work that deprives children of their childhood, their potential, and their dignity, and that is harmful to physical and mental development. It refers to work that:

- a. Is mentally, physically, socially, or morally dangerous and harmful to children; and

- b. interferes with their schooling by depriving them of the opportunity to attend school; obliging them to leave school prematurely; or requiring them to attempt to combine school attendance with excessively long and heavy work.

Not all work done by children should be classified as child labor. Child or adolescent participation in work that does not affect their health and personal development or interfere with their schooling, is deemed as being something positive. This kind of work might include children helping their parents, assisting in a family business, and earning pocket money outside school hours and during holidays. Whether or not particular forms of work can be called "child labor" depends on the age of the child, the type of work, the hours worked, the working conditions and the objectives pursued by individual countries.

In any case, Canyon believes that access to education is critical and is supporting the implementation of dedicated (potentially on-site) education programs for children at work.

Children under the age of 15 (14 in limited circumstances where national law allows) and under the age of completing compulsory schooling shall not be hired by any company involved in the production of our goods.

Young workers between 15 and 18 years of age shall not be employed at night, or in conditions which could jeopardize their health, their safety, or their moral integrity, and/or could harm their physical, mental, spiritual, moral, or social development.

Prevention of child labour and protection of young workers

We request our partners to have the following measures in place:

- A written policy on workers' minimum age in line with applicable national laws or ILO, whichever standard is higher.
- A system to check the age of all workers particularly at the point of recruitment.
- Clear rules regarding activities that are allowed to be performed by young workers in line with ILO (they must not perform work at night or in hazardous conditions) if young workers are allowed in the premises.

Prevention of forced labour

We request our partners to have the following measures in place:

- A clear statement against modern slavery.
- Clear rules and monitoring procedures to ensure that:
 - a. employees/candidates are not required to pay fees, deposits, or bonds to ensure employment
 - b. employees are not required to lodge their identity papers with the company
 - c. all workers are free to leave employment after reasonable notice and at the end of their shift
 - d. all workers are free to refuse overtime
 - e. no deposits are taken from workers for workplace essentials.

Special attention is necessary when recruitment agencies, labor broker or any other intermediaries are involved in recruitment, selection or hiring processes. Monitoring the performance of recruiters plays a crucial role in preventing modern slavery. These can include:

- Screening of labor recruiter candidates against fair recruitment practices. These should include at minimum the following:
 - Recruitment agencies operating under a valid business license/ permit according to local law,
 - No recruitment fees or costs are borne in whole or in part by workers or jobseekers,
 - Terms of employment outlined at the time of recruitment do not differ from what is provided at the company (including type of work stated),
 - Workers are informed prior to employment (including, if applicable, before they leave their home country/region) of the key employment terms and conditions preferably in writing via an employment letter/agreement/contract as required by law in their local language.
- Managing and monitoring labor recruiters against this same set of requirements and own processes.
- Implementing a grievance mechanism, procedures for investigation and reporting as well as protection for whistleblowers.

Where migrant workforce is present and regarded as a vulnerable group prone to being subjected to forced labor and/or bonded labor, we expect our partners to uphold the principles for the responsible recruitment and employment of migrant workers as spelled out in the Dhaka Principles for Migration with Dignity.

Enhanced due diligence requirement for suppliers at risk of operating in areas of state imposed forced labour (SIFL)

Considering the growing concerns on state-imposed forced labor (SIFL), the Canyon Group requires business partners that have been identified by our regular due diligence process to have an increased risk of SIFL in their supply chain to:

- Improve transparency of the supply chain at risk
 - Map the supply chain at risk and gain traceability.
- Implement risk management system for forced labor
 - Identify actual and potential risks of forced labor in own operations and along their supply chains
 - Where possible, prevent or mitigate those risks of forced labor in their own operations and throughout their supply chains
 - If prevention or mitigation of risks of forced labor is not possible or feasible, end or put on hold the business relationship until safeguards are provided.
- Implement monitoring actions
 - Regularly conduct third party social compliance audits in most risky suppliers
 - Ensure continuous monitoring of the risk related to the supply chain through news reports
 - Engage with actors such as peers, industry initiatives to address the challenges faced by all actors working in the same sector
 - Ensure that they do not source from factories and plantations mentioned in the U.S. Customs and Border Protection (CBP) Withhold Release Orders.

- Communicate progress to Canyon Bicycles
 - Annually and upon request disclose information about the source of the raw materials, semi-finished products, and finished products to Canyon Bicycles
 - Report on their efforts to eliminate SIFL in their supply chains, when requested by Canyon Bicycles.

When non-compliances with this policy are suspected or detected in the Canyon supply chain

- If forced labor or slavery like practices, child labor or the employment of young workers under hazardous conditions are suspected or detected, priority is to remove the potentially affected person from the workplace. Potentially affected persons must be kept safe, and always protected from victimisation or further vulnerability. The wellbeing of the potentially affected person is key, including the protection of the economic and social status.
- Inform the relevant local authorities, the primary caretaker (if applicable) and the designated Canyon contact immediately.
- Support the local authorities where required with full transparency.
- Wishes and needs of the potentially affected person and the family in case of a minor need to be considered in line with local laws.
- The investigation- and remediation process shall be accompanied by appropriate modern slavery, child labor/young worker expertise.

Remedy

The company involved in modern slavery practices, hiring a child, or employing a young worker under hazardous conditions shall take full responsibility for the remediation of the damages caused, may they be related to financial, physical, or mental health matters. The Remedy can take a range of forms such as apologies, restitution, rehabilitation, financial or non-financial compensation, punitive sanctions (whether criminal or administrative), as well as the prevention of harm.

As an example, remedy concerning child labour/employment of young workers under hazardous conditions shall include, but is not limited to:

- Enabling the child to attend school, including the payment of fees related to schooling.
- The family shall receive compensation for their financial losses due to the ending of the employment of the child, covering at least minimum wage till the child can be employed under conditions that do no longer relate to the definition of child labor or are jeopardizing the wellbeing of a young worker. Compensation can also be given by offering the child's job to a qualified adult member of the family.
- Offer the child an equivalent job after schooling and reaching the minimum working age. Wages shall cover at least the minimum wage.
- Wishes and needs of the potentially affected person and the family in case of a minor need to be considered in line with local laws.
- The investigation and remediation process shall be accompanied by appropriate modern slavery, child labor/young worker expertise.

Canyon is committed to follow up on any breaches of this policy, including the investigation and remediation process till non-compliance is fully remediated. This includes also conducting a root cause analysis together with the affected company, designed to prevent further cases of non-compliances.