

Supply Chain Code of Conduct

Introduction

Business should always take place under safe and appropriate circumstances, with unified respect for human rights and environmental protection as well as fair and forthright relationships with our ecosystems.

We are committed to corporate sustainability and ethical business practices. The safety and wellbeing of our employees, partners and ecosystems across the global supply chain, the protection of the environment, and responsible production are of paramount importance to Canyon and are the keys for holistic company success. As such, we require all employees, suppliers, business partners and their subcontractors to comply with the principles reflected in this Code of Conduct.

Our policies are based on internationally recognised laws, standards, and documents, which provide a clear and transparent framework on how business can be done in a responsible way and are outlined in our governance framework. These include, at a minimum, the International Bill of Human Rights, the Declaration of Fundamental Principles and Rights at Work of the International Labour Organisation and its fundamental Conventions. The UN Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct are the main frameworks that guide our due diligence processes.

We have defined key responsibilities related to the development, approval, implementation, and enforcement of the ESG policies in our company governance framework. We educate and inform all staff on ESG policies and sustainable commitment at Canyon. We also ask our partners to appoint someone in their own organisation who shall be responsible for the implementation of the requirements outlined in our policies, including making their content available to all workers and to make sure that training is provided where needed to facilitate compliance with all legal, human rights and environmental requirements. Additionally, we expect our partners to monitor such implementation and upon request, report on their progress.

Further, we encourage our partners to map their own supply chain and to share this code with partners who are involved in the production of our goods, including the deeper supply chain.

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Legal compliance

- Our partners and their suppliers must operate in full compliance with national and local laws, rules, and regulations relevant to their business.
- Our partners and their suppliers must not gain any illegal earnings by contracting with each other.
- The abuse of power for private gain shall not be tolerated. This includes any action, direct or indirect, monetary or otherwise, aimed at influencing in any way an individual or an organisation for private gain.
- Our partners must ensure through the implementation of policies and procedures that their transactions are not likely to violate the law of international sanctions.
- Canyon's products, processes, order volume and order details, employees, information systems, shall be kept confidential. Partners are strictly subject to professional secrecy and may not disclose confidential information to third parties.

Working conditions and respect for human rights

Local industry standards should prevail when higher than the local legal requirements. In countries where the legal requirements fall short of internationally recognised standards, partner companies and their suppliers should apply the following minimum criteria:

Employment must be freely chosen

Any form of modern slavery and slavery-like practices including human trafficking, forced labor, debt bondage, descent-based slavery and any other form of oppression or inadequate control at the workplace through extreme economic or sexual exploitation and humiliation shall be prohibited. No employee can be compelled to work through force, the threat of force or intimidation of any form.

Please refer to the Canyon Child and Forced Labor Policy for further guidance.

Child labour shall not be used, and young workers must be protected

Children under the age of 15 (14 in limited circumstances where national law allows) and under the age of completion of 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 jeopardise their health, their safety, or their moral integrity, and/or which could harm their physical, mental, spiritual, moral or social development.

We also call upon our partners to support the elimination of the worst forms of child labor: child slavery, forced or compulsory labor, child prostitution, pornography, drug trafficking or other work which is likely to harm the health, safety, or morals of children.

Please refer to the Canyon Child and Forced Labor Policy for further guidance.

Health and safety measures to protect workers shall be implemented

The workplace shall have safety and health policies and procedures. All policies and procedures must be clearly communicated, understood, and applied by all employees. Health and safety trainings shall be conducted on regular base, at least every six months as well as for new employees.

A safe and hygienic working environment shall be provided, and occupational health and safety practices preventing accidents and injuries shall be promoted. This includes safe buildings, fire protection, electrical safety, machine safety, safe use of hazardous substances and correct use of adequate personal protective equipment, which shall be provided for free. Lighting, heating, and ventilation systems should be adequate.

The employer shall take appropriate measures to provide adequate protection of the health of the workers, by avoiding excessive heat and thus taking measures to adapt to climate change risks.

All above standards shall apply to employee residential facilities as well, where provided by employers.

Harassment and abuse shall not be tolerated nor supported

Every employee shall be treated with respect and dignity. There shall be no physical, sexual, psychological, or verbal harassment or abuse at the workplace. Any such behaviour shall not be tolerated nor supported, including corporal punishment or any other form of physical or psychological coercion or intimidation against employees. Gestures, language, and physical contact, that is sexually coercive, threatening, abusive or exploitative is prohibited.

No person shall be discriminated against

No person shall be subject to any discrimination in employment, included in hiring, salary, benefits, advancement, discipline, termination, or retirement, based on gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social or ethnic origin. Foreign or domestic migrant rights shall be protected by applying the Dhaka Principles of Migration with Dignity and labor shall be treated on an equal basis with local employees.

The right of freedom of association and collective bargaining shall be respected

The rights of workers to join organisations and associations of their own choice without fearing any penalty, discrimination, and interference, and to bargain collectively shall be recognised and respected. Unions should be free to actuate, in accordance with local laws, collective bargaining agreements and strikes.

Where the right to freedom of association and collective bargaining is restricted by law, the employer shall consider the development of parallel means for independent and free association and bargaining.

Wages and benefits thresholds shall be respected

Employees shall be fully and legally compensated for all hours worked. In all cases, wages must equal or exceed the minimum wage or the industry wage and/or collective agreements, whichever is higher. Employees shall receive written and understandable information about wages. All legally mandated benefits including social insurances, holidays and leave shall be provided. Deductions from wages as a disciplinary measure shall not be permitted.

Paying the legal minimum wage should not be considered as the final goal, but as a mere threshold to be exceeded, the goal sought being that the remuneration should be able to cover all basic needs whilst guaranteeing a discretionary income.

Regular working hours and overtime thresholds shall be respected

Regular working hours, excluding overtime, shall be defined by contracts, and shall not exceed 48 hours per week.

Overtime must be voluntary and shall be used responsibly, considering the extent, frequency and hours worked by individual workers and the workforce. It shall not be used to replace regular employment. Employees shall be compensated for overtime hours at the rate legally required in the country of operation or, in those countries where such laws do not exist, at a rate exceeding their regular hourly compensation rate.

The total hours worked (regular working hours and overtime) in any seven-day period shall not exceed 60 hours or the maximum allowed by the law of the country of manufacture, whichever is less.

Employers shall allow workers at least 24 consecutive hours of rest in every seven-day period.

Regular employment rules shall be followed

Employees shall be employed based on a recognised employment relationship established through national law and practice. Obligations of employers linked to labor and social security laws shall not be avoided through excessive use of temporary contracts, subcontracting, homeworking, or apprenticeship schemes. All employment relationships are documented in accordance with national laws, customs, practices, and international employment standards from the time of recruitment until the end of the employment.

Access to grievance shall be provided

Factory-based grievance mechanism

We call upon our partners to define and implement a factory-based grievance mechanism for workers and for community members which could be potentially impacted in a negative way by business operations. In line with international recognised requirements, the mechanism shall include:

- a defined process for receiving, assessing, investigating and resolving grievances;
- a mechanism that is objectively legitimate, accessible, predictable, equitable, transparent, rights-compatible and supports anonymous complaints;
- a mechanism made available by the company that provides information for continuous learning;
- a commitment to engagement and dialogue with the affected persons/groups.

Canyon grievance mechanism

Canyon has implemented a grievance mechanism for its own employees and will make this mechanism accessible also for external partners in 2023. All employees must be made familiar with the possibility to address any grievance directly to Canyon as soon as the mechanisms has been made accessible to 3rd parties.

Subcontracting must be authorised

All business partners, manufacturing units and homeworkers need to be approved by us before starting to be involved in the production of our goods.

Business partners, approved factories and homeworkers, may not subcontract, even partially, the performance of tasks or services assigned to them or be replaced by a third party for the same purpose, without express prior authorisation from us.

Hired public or private security forces shall be made familiar with this code

When hiring public or private security forces, security staff shall be made familiar with this code of conduct. Specifically, but not only, they shall not interfere in actions related to freedom of association and collective bargaining, do no physical nor psychological harm to employees, refrain from any form of discrimination and harassment.

Changes to soil, emissions to air, noise, wastewater, usage of water shall do no harm

Harmful changes to soil, emissions to air, noise pollution, water pollution and excessive usage of water shall be avoided. A negative impact of these actions on resources needed for the preservation and production of food as well as actions that hinder a person to get access to potable water, sanitary facilities or harm the health of an individual shall be prohibited.

Where applicable, we also expect our partners to observe the prohibitions related to the use and manufacture of mercury and treatment of mercury waste set out in the Minamata Convention; the prohibition of the production and use of chemicals and the handling, collection, storage and disposal of waste in a manner that is not environmentally sound as enshrined in the Stockholm Convention, and finally, the prohibition of exports and import of hazardous wastes pursuant to the Basel Convention.

The livelihood of persons shall be protected when acquiring, developing or using land

When acquiring, developing, or using land otherwise, the unlawful eviction, and/or deprivation of land, forests and waters shall be prohibited, especially when their usage is securing the livelihood of a person. Respect for local communities, including Indigenous Peoples must be ensured.

Crisis situations arising from conflicts and disasters

In the case of a crisis arising from armed conflicts or disasters which could affect our or the activities of our partners, this code and with it the commitment of respecting human rights shall remain applicable, for us as well as for our partners.

Application of the code

Canyon Bicycles reserves the right to terminate business relationships with their partners and suppliers that are not able, or willing to, adhere with the requirements outlined in this Code. This is particularly in cases where the implementation of an action plan with measures does not remedy the situation, or where despite our efforts to use our leverage and cooperate with the supplier, no mitigation or remediation appear possible, and violations of this Code persist.

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.