

Advancing Responsible Procurement

Stronger ties with suppliers in procurement activities



At the core of the CITIZEN Group's corporate activities is the manufacturing of watches and other products. In an effort to achieve the objective of becoming a "solid global company" set in the medium term management plan "CITIZEN Global Plan 2018," the Group has taken charge of all CSR procurement initiatives that were previously being undertaken separately by Group companies, based on the idea that we must take responsibility as a manufacturer not just for the price of our products themselves but for the entire supply chain including suppliers of raw materials and subcontracted manufacturers. Following the publication of the "Citizen Watch CSR Procurement Guideline" in March 2016, "Citizen Group CSR Procurement Guideline" in April 2017 which cover the whole Group in order to strengthen cooperation with suppliers in procurement activities. A Group CSR Procurement Meeting was then held, where the participants discussed the details of the Guideline in addition to learning about the social background where CSR procurement is emphasized and trends in other companies and industries. This meeting brought together 29 representatives of procurement and CSR departments from 11 Group companies. The CITIZEN Group intends to continue this initiative in the form of seminars and information exchange.

Since the publication of the CSR Procurement Guideline for the entire Group, each CITIZEN Group company has promoted the Guideline to suppliers. CITIZEN WATCH, which was the first company of the Group to publish CSR procurement guidelines, procures parts used in watch exteriors from a production base in southern China. In 2017, it released the CSR Procurement Guideline to 40 suppliers of cases, wristbands and watch faces, and received written consent from these companies. CITIZEN WATCH MANUFACTURING, which produces watch movements, promoted the Guideline to

suppliers mainly of materials and parts directly used in watches as well as suppliers of important indirect materials throughout fiscal years 2016 and 2017, and received replies from 142 companies. With regard to the content related to the environment, among other details stipulated in the guidelines, monitoring of suppliers is conducted as part of the "Green Procurement" effort in collaboration with the Environmental Management Department. In addition, when new products are developed, the Development Department will visit the supplier to check the situation, as required.

The CSR Procurement Guideline will continue to be rolled out to the rest of the suppliers. In addition, at the current time, introduction of evaluation based on the CSR Procurement Guideline and checks to assess the status of compliance with the Guideline are being considered for new transactions and in monthly and annual supplier evaluations.

Moreover, CITIZEN MACHINERY, which is responsible for manufacturing machine tools, briefed its suppliers on the CSR Procurement Guideline at a strategy meeting in June 2017 and developed a year plan for rolling out the guidelines to suppliers. This year, replies have been received from 70.8% of the companies identified to receive the Guideline, mostly production parts suppliers. In 2018, it is planning to expand the range of suppliers to be covered by the Guideline. As the number of companies adopting the Guidelines increases, the company plans to build an internal structure that takes highly effective measures using a limited number of staff.

The CITIZEN Group companies are also dealing with the conflict mineral issue. CITIZEN FINEDEVICE recognizes the importance of responding to the issue by identifying materials and parts that require investigation and making requests for investigation every year to the suppliers involved.