

## Collaboration with suppliers to promote Sustainable Management

In an effort to achieve the objective of becoming a "Solid Global Company" set forth in the previous Medium-term Management Plan, CITIZEN Global Plan 2018, the Group released the Citizen Group CSR Procurement Guideline in 2017, following the publication of the Citizen Watch CSR Procurement Guideline in 2016. With the release of the Group guideline, the CITIZEN Group started promoting group-wide CSR procurement activities and has tried to strengthen cooperation with our suppliers based on the recognition of our corporate responsibility for both products and procurement activities.

The organization for promoting the CITIZEN Group's CSR procurement is led by Officers of CITIZEN WATCH in charge of CSR, while the CSR Department and the Environmental Management Department fulfill the function of secretariat in promoting CSR procurement at Group companies.

At the Group company level, a CSR department and a purchasing department jointly collect information on the supply chain and report it to the secretariat.

As part of initiatives to promote CSR procurement in FY2018, we held a CSR Procurement Liaison Conference among Group companies to share the progress of each company's efforts, and hosted lecture meetings and workshops on the significance of CSR procurement with the goal of deepening the understanding about and to encourage widespread implementation of CSR procurement. A total of 21 employees in charge of CSR and procurement at operating companies attended the Liaison Conference and learned about the significance of CSR procurement and the latest trends.

In FY2019, to drive our efforts for CSR procurement even further, supplier questionnaires will be conducted by business headquarter companies. The CITIZEN Group takes part in the Supply Chain subcommittee of the UN Global Compact Network Japan (GCNJ) and cooperated in the production of books about supply chain management and CSR procurement, which include such topics as "An Introduction to Sustainable Procurement—Promoting CSR in the Supply Chain –" and "CSR/Sustainable Procurement Self-Assessment Tool Set," that were published by the subcommittee.\* We will use GCNJ's CSR Procurement Self-Assessment Tool Set for our own supplier questionnaires. Prior to the survey, seminars took place at seven companies, consisting mainly of business headquarter companies. A total of 108 participants reconfirmed the importance of CSR procurement and received guidance on the questionnaire. There was also a seminar given by experts, to which a total of 99 members of the group participated, including personnel in charge of purchasing and procurement, Presidents and Officers of the business headquarter companies and those from the Corporate



Planning Department. By raising awareness of CSR procurement at the senior management level, we will pursue and rigorously implement CSR procurement activities group-wide with due consideration paid to the environment and society via a top-down approach.

CITIZEN ELECTRONICS was the first CITIZEN Group company to introduce the CSR procurement concept on a full scale. In 2010, the company distributed the Citizen Electronics Group CSR Procurement Guideline to its suppliers and requested their understanding of CSR procurement. The same procedure is conducted also at the time of opening a new account. In annual supplier evaluations, the company confirms suppliers' compliance with such items as employee health management, prohibition of corruption and bribery, and responsible minerals procurement in line with the CSR Procurement Guideline. CITIZEN ELECTRONICS also supplies mainstay products, such as compact chip LEDs and tactile switches for mobile devices, to electronic companies. As a supplier, it has cooperated in CSR procurement activities by its corporate customers. Requirements set by its customers, for which CITIZEN ELECTRONICS undergoes 25 to 30 self-checks and audits annually, are becoming increasingly stringent in line with the code of conduct of each company. As for its own supply chain, the company continues to focus on disseminating and introducing the Citizen Group CSR Procurement Guideline in order to reinforce related efforts together with its supply chain. The company receives about 130 inquiries annually regarding the use of conflict minerals\* in its products.

CITIZEN ELECTRONICS also responds as needed to customer inquiries regarding the use of conflict minerals by its suppliers based on the results of the previously conducted surveys. In view of this operational environment surrounding the Group companies, the CITIZEN Group developed a Conflict Minerals Policy in April 2019 to clarify the Group's stance against the use of conflict minerals.

\* Conflict minerals: Minerals originated in conflict-affected areas, such as the Democratic Republic of the Congo and any adjoining country, including tantalum, tin, gold, and tungsten, which are associated with human rights abuses and environmental destruction by armed groups