

## CITIZEN GROUP's CSR Procurement Guidelines

CITIZEN GROUP (CITIZEN Watch Co., Ltd. and its group companies) aims to contribute to the living of the population of the world widely through “manufacturing activities well-loved by and friendly to citizens”, by hoisting the corporate philosophy of being “well-loved by and contributing to citizens”. With such corporate philosophy as a slogan, Citizen Group intends to create strong partnerships with its business partners who give due consideration to social issues and actively promote CSR, based on the spirit of the “United Nations Global Compact” concerning the human rights, labor issues, the environment and corruption prevention, and by strictly abiding by the “Code of Behavior Charter of Citizen Group”.

While we have been soliciting our business partners to be involved in CSR initiatives, we revised here our “Citizen Group's CSR Procurement Guidelines” in order to further develop the relationships of mutual trust with our business partners and to proceed with responsible procurement activities, towards the realization of sustainable society.

We sincerely would like all of you to understand and agree to the aims of the Guidelines and cooperate with us in promoting CSR procurement activities, including further propagation of the initiatives in your supply chains.

### **Corporate Governance**

#### **1. Establishment of a CSR promotion system**

We endeavor to conduct business activities to achieve a sustainable society while observing the law as a responsible company, abiding by social norms, meeting society's expectations, and taking care not to have a negative impact on society and the environment. Toward that end, we establish a system for risk management of ESG (environment, social and governance) related to CSR and for implementing the PDCA (plan, do, check and act) cycle.

#### **2. Healthy business activities**

With a view to establishing an organizational structure for sound corporate management, we establish management systems and schemes within our company to ensure compliance with laws and regulations related to our business activities, effectiveness and efficiency of our operations as a company, and reliability of financial reporting and asset protection, and secure proper and effective business execution, transparency of management, and multifaceted management monitoring system.

### 3. Risk management

Toward the enhancement of our corporate governance and product quality compliance, we secure and establish schemes to verify the progress of the state of our addressing risks and our response status against important risks and to respond to new risks including ESG risks such as those related to compliance and BCP (business continuity plan), trade secret, intellectual property, information security, labor practice, and environmental problems, in addition to financial risks.

### 4. Establishment of a whistle-blower system

For prevention, early detection, and improvement in the self-cleaning functions of compliance-related problems in our company's business activities, such as legal violation or wrongful act or an act that could be a compliance problem, or for our employees who themselves have suffered human rights or labor abuses, we secure a system for our employees to directly report to or consult with a dedicated department or outside contact, even anonymously. We also secure a system to ensure confidentiality and that the whistleblower or the persons who have consulted will not be treated unfavorably.

### 5. Disclosure of information

We place importance on the relationships with society and stakeholders in our business activities, we promptly and accurately disclose financial information and non-financial information in response to requests for transparency and accountability.

## **Human rights**

### 1. Respect for human rights and prohibition of discrimination

We support and respect protection of internationally declared human rights\*, and strongly deny any kind of discrimination (including but not limited to any discrimination based on gender, sexual orientation, sexual expression, age, existence of a disability, nationality, race, skin color, religion, and marital history).

\* Universal Declaration of Human Rights, International Labor Organization's Declaration on Fundamental Principles and Rights at Work, Ten Principles of the UN Global Compact, UN "Guiding Principles on Business and Human Rights", OECD Guidelines for Multinational Enterprises, and UK Modern Slavery Act, etc.

### 2. Avoidance of complicity in human rights abuses

We take due care so that none of our business activities, products nor services will ever

cause human rights abuses or lead to complicity in human rights abuses. Should it become clear, however, that we happened to be involved in any of such issues, we properly deal with corrections and remedies of the situation by taking appropriate procedures.

### 3. Prohibition of inhumane treatment

We respect human rights of our employees and prohibit any kind of inhumane treatment such as abuse, physical punishment and harassment.

## **Labor**

### 1. Basic attitude toward labor practices

We recognize that the labor principles presented in international norms\* as universal values and adopt them as our basic workplace principles.

\* Universal Declaration of Human Rights, International Labor Organization's Declaration on Fundamental Principles and Rights at Work, Ten Principles of the UN Global Compact, UN "Guiding Principles on Business and Human Rights", OECD Guidelines for Multinational Enterprises, UK Modern Slavery Act, etc.

### 2. Provision of equal opportunities

We respect each of our employees, provide them with equal opportunities for promotion and training, establish a proper system where everyone can fully demonstrate his or her abilities, and endeavor to provide them with a place for their career advancement and human resources development. During recruitment process, we place emphasis on the abilities, aptitude and willingness/motivation of the applicants, and endeavor to ensure/maintain equal opportunities and diversity among them.

### 3. Payment of fair wages

We abide by the legal minimum wage of the country and region where our business activities are conducted, and will not reduce wages unreasonably. We abide by the laws and regulations of the country and region where our business activities are conducted regarding overtime work, payroll deduction, piecework wage, other benefits, etc. At the time of paying wages, we deliver pay slips that can confirm the accurate rewards corresponding to the work performed, at the appropriate time.

### 4. Fair application of working hours, time off, and paid time, etc.

We abide by working hours agreed to with employees in advance and ensure that employees' working hours are managed appropriately so that they do not exceed the statutory limit in

the country and region where our business activities are conducted, and seek for prevention of excessive overtime work. All of our employees are given the right to take paid time off and also given at least one day off per week.

5. Prohibition of forced labor

We avoid making people work against their will and making people do work that restricts their freedom to leave their jobs. We ensure that work coercion using unjustified means of restraint, compulsion of overtime work and bonded labor, slave labor, prison labor, etc. are not practiced and also that unjustified retention of identification documents and unjustified collection of deposits are not practiced.

6. Prohibition of child labor

We avoid employing children under the legal working age in the country and region where our business activities are conducted. We ensure that children are not made to perform night work, dangerous work, etc. that could harm their health, development, safety, or morals.

7. Recognition of freedom of association and the right to collective bargaining

We respect basic labor rights of our employees such as their freedom of association, freedom to join a labor union, and their right to collective bargaining.

8. Proper management of employees' safety and health

We secure safety of the work environment and perform inspections and proper maintenance of our facilities thoroughly so as to prevent unforeseen accidents and disasters. We grasp the risks of harmful chemical substances, noise, odors, etc. on the human body, and secure sanitary, safe and healthy work environment. We promote creation of a workplace considerate of employees' mental and physical health.

**Environment**

1. Basic attitude toward environmental initiatives

We should be aware of environmental issues in business processes and establish systems to resolve them. We also identify factors that have an impact on the environment and properly manage them.

2. Management of chemical substances

We manage chemical substances indicated in laws and regulations of the country and region

where our business activities are conducted, and ascertain and report the amount of handled chemical substances to the government properly.

3. Reduction of environmental burden

We endeavor to prevent occurrence of pollution, monitor and control waste water, sludge and air emission, etc., and to reduce outflow. We also set our independent reduction targets for reduction of environmental burden at the level prescribed by law in the country or region where our business activities are conducted or even more rigorous voluntary environmental impact reduction targets, and make further improvements thereof.

4. Sustainable and efficient utilization of resources (energy, water, raw materials, etc.)

We set our independent reduction targets for implementing resource conservation and energy savings, and make efforts to use resources and energies effectively and continuously.

5. Reduction of GHG (greenhouse gases) emissions

As a means to combat climate change, we set our independent reduction targets for greenhouse gases such as carbon dioxide, methane and fluorocarbons, and endeavor to reduce them continuously.

6. Reduction of waste

We set our independent reduction targets for waste, and endeavor to conduct responsible disposal or recycling of waste.

7. Protection of biodiversity

We conduct investigations into the direct and indirect impacts of our business on the ecosystem, and endeavor to protect biodiversity and ensure its sustainable utilization.

**Fair business practices**

1. Corruption prevention

We maintain healthy relationships with national/local governments and public officials in the country and region where our business activities are conducted, by establishing appropriate relationships with them.

2. Prevention of the giving and receiving of improper advantages

We maintain healthy relationships with our customers and trade partners, etc. in sales and purchasing activities, etc., by preventing the giving and receiving of improper advantages

between ourselves.

3. Prevention of competition law violations

We prevent unfair business practices such as bid rigging, cartels, abuse of dominant bargaining position, and other unfair trading practices from occurring.

4. Rejection of relationships with antisocial forces

We prohibit our employees to make contact with and any benefit-giving to antisocial forces.

5. Respect of a third party's intellectual property

We respect intellectual property rights including patent rights, copyrights, and trademark rights, and do not infringe others' intellectual property rights.

6. Prohibition of insider trading

We prohibit persons involved with a listed company, etc. from using undisclosed company information to trade that company's stocks, etc.

7. Prohibition of acts with conflicting interests

We prohibit our employees from enjoying personal benefits at the expense of the company's benefits. Any act that may be interpreted as such must be avoided and appropriate trading must be pursued.

8. Services for responding to complaints from outside the company and for consultations

Our trade partners or customers who have knowledge of important risk information can directly report or consult with a dedicated outside contact department of our company. We establish a system to ensure confidentiality and to ensure that the informant will not be treated unfavorably.

9. Establishment of a BCP (Business Continuity Plan) system

We establish a system where quick restoration is realized while our continuing important duties and businesses even in the event of occurrence of a state of emergency such as disasters.

10. Management of confidential information and protection of private information

We perform proper management so that any of confidential information of our customers, business partners, our own company, etc. is never leaked. We also properly manage and

protect private information of our customers, trade partners, our employees, etc.

## **Quality and safety**

### 1. Ensuring product and service quality and safety

We provide products and services that meet the quality standards required, and the safety standards stipulated in laws and regulations of the country and region where our business activities are conducted.

### 2. Appropriate response to product and service accidents

In order to prepare for situations where any accident relating to our product or service has occurred or where any defective goods of our company have been circulated, we establish a system by which we disclose information promptly, notify the relevant authorities of the situation, recall the product in question and take safety measures for our supply destinations, and strive to prevent recurrence.

### 3. Response to our customers' needs

We provide environment-friendly and socially beneficial goods and services that pursue quality and costs acceptable to our customers, by correctly grasping the social needs.

## **Information security**

### 1. Basic attitude toward information security

We properly manage and protect information obtained through our business activities and to take defensive measures against threats on our computer networks.

### 2. Defense against attacks on computer networks

We take defensive measures against attacks on our computer networks, and manage so as to not cause damage to our company and to any other companies.

## **Supply chain**

### 1. Basic attitude toward the supply chain

In order to fulfill social responsibility not only of our company but also throughout the supply chain, we endeavor to make the importance of sustainable procurement policy widely known and spread among our trade partners.

### 2. Responsible procurement of minerals

We make it our company's policy not to purchase nor use raw materials using tantalum (Ta),

tin (Sn), tungsten (W) and gold (Au), which are conflict minerals connected to inhumane acts committed by local armed groups in the Democratic Republic of the Congo and its surrounding regions.

### **Harmonious coexistence with local communities**

#### **1. Contribution to local communities**

We respect the culture and customs in the country and region where our business activities are conducted and carry out initiatives which can contribute to the sustainable development of local communities.

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