



# Frontage Holdings Corporation

方達控股公司 \*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1521

# 2019

## Environmental, Social and Governance Report



\* For identification purpose only

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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Frontage Holdings Corporation (hereinafter the “**Company**” or “**Frontage**”) and its subsidiaries (collectively the “**Group**”, “**We**” or “**our**”) are pleased to publish the environmental, social and governance (“**ESG**”) report (the “**Report**”). This is our first report to summarize our performance and effort in sustainability issues and we endeavour to make effort and seek continuous improvement in future.

## SCOPE OF REPORT

The Report covers the ESG management approaches, environmental and social performance of the Group during the period from 1 January 2019 to 31 December 2019 (the “**Reporting Period**”, “**2019**” or “**FY2019**”) with the scope of our operations covering the laboratories and offices in the United States (“**US**”) and mainland China (“**China**” or the “**PRC**”).

## REPORTING STANDARD

The Report has been prepared in accordance with the “Comply or Explain” provisions as well as the social key performance indicators (“**KPIs**”) under the “Recommended Disclosures” of the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEx ESG Reporting Guide**”). The Report has been reviewed and approved by the board of directors (the “**Board**”).

## CONTACT & FEEDBACK

The Group values your feedback and opinion on the Report. Please feel free to contact us using the below contact information:

Address: Building 2, No. 1227 Zhangheng Road, Pudong, Shanghai, China

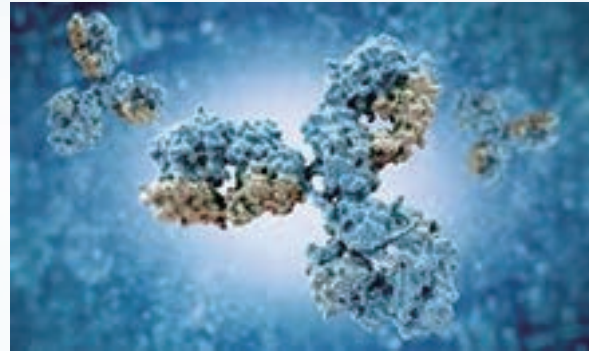
Phone: +86 021 50796268 ext. 826

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Our Group is engaged in scientific research, analytical and development services for the drug invention and development process. We hold the belief of driving excellence in our services with the consideration of the expectations from our stakeholders. Our core values of improving quality, maintaining business integrity, providing innovative solutions and balancing the need of different stakeholders are key components in governing our management approach and formulating sustainability strategies. In light of the potential risks to our business, we strive to be the preferred partner in the life science industry to contribute to attain a higher quality of life.



### OUR MISSION

To improve quality of life.

### OUR VISION

To be the preferred partner of life science leaders in product development.

## Our Values

### Quality

We are committed to excellence in the results we achieve, and how we achieve them.

### Integrity

We believe in honesty, reliability and accountability in our words and behaviour.

### Innovation

We employ new scientific approaches, technologies and processes to provide innovative solutions to challenging problems.

### Caring

We care for our patients, customers, employees, stakeholders, communities and environment.



## OUR RESPONSE TO CORONAVIRUS

The outbreak of the novel coronavirus (“**COVID-19**”) placed an unprecedented challenge on the global environment and heavily affected the economy. In order to minimize the impact to our business, we have swiftly established a management committee to enhance our resilience in tackling the challenges and to allocate sufficient resources in response to the COVID-19 crisis. We endeavour to protect the health and safety of our employees and the society, and actively participate in research projects in easing the current COVID-19 situation.

### ❖ **SUPPORTING COVID-19-RELATED RESEARCH PROJECTS**

As a contract research organization, we leverage our strength in providing innovative, flexible and cost-effective bioanalytical services in speeding up the development process and combating COVID-19. One of our research projects is to provide integrated and science-driven product development services in inventing potential cocktail PK assay for hydroxy-chloroquine, chloroquine and azithromycin in human plasma. This novel 3-in-1 multiplex assay allows rapid and efficient clinical trials in evaluating the potential medical treatments with lower cost implications and sample volume requirements. We also support research projects including the development of the assay kit to detect COVID-19 within 15 minutes, late-stage clinical program, and provision of biomarker testing to numerous pharmaceutical companies and universities for developing COVID-19-related studies.

### ❖ **DEDICATION TO IMPROVING THE SAFETY AND HEALTH OF OUR EMPLOYEES**

We have implemented internal procedures such as restriction of business travel, disinfection and cleaning of our facilities and implementing working from home alternatives to minimize the risk of infection. None of our employees has been infected with COVID-19.



### ❖ **BUSINESS CONTINUITY**

We spare no effort in continuing normal business operations as much as possible to maintain our quality and efficient output. Although it is a difficult period to conduct laboratory tests, we strive to overcome the challenges and find innovative ways to work. Our on-going and new projects are currently unaffected. With our Business Continuity Plan in place and proven information technology support, we have been able to provide both hardwares and softwares for our employees to work from home efficiently, without undermining data and internet security, which are of the utmost importance to our business and customers.

### ❖ **DONATION OF PERSONAL PROTECTIVE EQUIPMENT (“PPE”)**

It is our responsibility to contribute to the society in these difficult times, and in particular, we would like to support frontline healthcare workers who risk their safety in protecting others. Therefore, we donated RMB1 million to the medical efforts in Wuhan via the Red Cross Society of Shanghai to support the provision of medical supplies (e.g. protective clothing, respirators, goggles and disinfectants) and construction of hospitals for treating patients infected by COVID-19. In the United States, we also donated PPE to 11 hospitals in the community where we operate, including 100,000 surgical masks, 50,000 face shields, 5,000 N95 masks, 4,000 goggles, and 6,500 coveralls.

We are confident in our ability to conquer challenges and protect our business, employees, clients and business partners stemming from COVID-19. The Group is committed to being attentive and alert to the dynamic conditions arising from COVID-19, and implementing additional measures whenever necessary so that we can successfully combat COVID-19.



# OUR RESPONSE TO CORONAVIRUS *(Continued)*

## OUR SUSTAINABILITY APPROACH

Frontage supports sustainable initiatives to preserve our core values and maintain long-term development of our business. Going beyond the compliance with regulatory requirements, we strive to create positive value for our employees, customers, society and all key stakeholders by adopting a strategic approach in managing sustainability issues. We formulated our sustainability policy that outlines our objectives in four areas: (i) Environmental Health and Safety (“EHS”), (ii) Business Continuity Plans (“BCP”) & Crisis and Information Management, (iii) Corporate Social Responsibility and (iv) Operational Excellence.



As a leading Contract Research Organization, we uphold the highest business integrity to enhance the reliability of our services in order to maintain our relationship with our customers. Information management, one of the key issues, underpins the integrity of the external and internal information to support our daily operations and research outcomes. As such, we set a policy to protect these valuable assets by way of management, disclosure, storage and dismantling.

These policies have been devised with the engagement of the Board in the process. The Board is committed to investing resources in considering ESG issues and regularly reviewed the progress and effectiveness of the sustainability strategies.



## SUSTAINABILITY STRATEGIES

With our business spread across the US and China, we aim to drive globalization and adopt the “Two Countries, One System” approach to systematically manage and assure our high quality service under different regulatory standards and systems. In this regard, we formulated the Sustainability Policy to guide our company to create greater capacity and flexibility, which is the key enabler for growth in our business. This is our first year to report our ESG performance and we endeavor to drive excellence in our business. With clear objectives and strategies merging sustainability considerations in our daily operation, we will continue to improve and make progress in our sustainability journey. In 2020, we will focus on these areas:

- Regularly monitoring and reviewing KPIs
- Establishing global policies for sustainability in both the US and China
- Building capability of our systems including bench strength and functional SMEs for lab systems
- Full operation of the lab information technology programs
- Enhancement of operational efficiency through simplifying and streamlining processes (including project funnel such as sample management and project management)
- Strengthening client communication, study ownership and project management process
- Execution of infrastructure projects within the scheduled time and budget and in excellent quality
- Driving supply chain & procurement excellence
- Globalizing key processes including project management, planning, quality control and quality assurance

## RISK MANAGEMENT

Frontage fully understands the potential ESG risk and its impact to the long-term development of the Company. Hence, in our internal Standard Operating Procedures (“SOPs”), we regularly conduct holistic risk assessments in determining the potential risks in our business operations. ESG-related risks including severe weather, data privacy, occupational safety and business ethnics are considered. By evaluating the respective probability and impact of the risks, we implement plans and procedures to minimize high-risk events in an effort to opt for business continuity and rapid response to potential business disruptions.





## STAKEHOLDER ENGAGEMENT

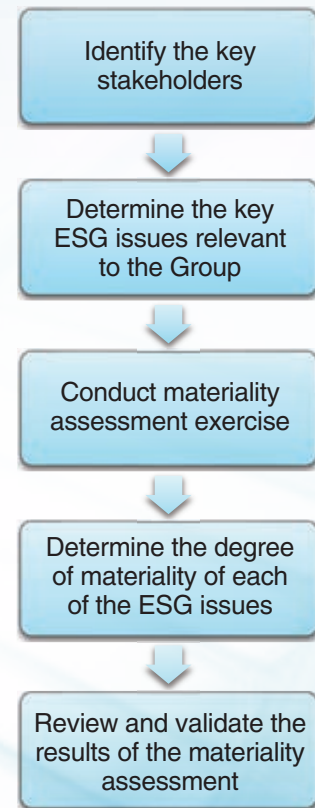
On our journey to sustainability, the opinions of our stakeholders can provide us with insight and direction to work better. To maintain an effective and regular communication with them, we provide the following communication channels:

Types of stakeholder group	Communication channels
Investors and shareholders	<ul style="list-style-type: none"> <li>• Company website</li> <li>• Company's announcements</li> <li>• Annual general meeting</li> <li>• Annual and interim reports</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Company website</li> <li>• Customer direct communication</li> <li>• Customer feedback and complaints</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Training and orientation</li> <li>• Emails and opinion box</li> <li>• Regular meetings</li> <li>• Employee performance evaluation</li> <li>• Employee activities</li> </ul>
Suppliers and business partners	<ul style="list-style-type: none"> <li>• Selection assessment</li> <li>• Procurement process</li> <li>• Performance assessment</li> <li>• Regular communication with business partners (e.g. emails, meetings, on-site visits etc.)</li> </ul>
Government authorities and regulators	<ul style="list-style-type: none"> <li>• Documented information submission</li> <li>• Compliance inspections and checks</li> <li>• Regular meetings with local government representatives</li> <li>• Forums, conferences and workshops</li> </ul>
Non-governmental organizations	<ul style="list-style-type: none"> <li>• Emails</li> <li>• Phone calls</li> <li>• Charity donations and voluntary services</li> </ul>
Communities	<ul style="list-style-type: none"> <li>• Company website</li> <li>• Social media</li> <li>• Community activities</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Company website</li> <li>• Company's announcements</li> <li>• Social networking platforms</li> </ul>

## MATERIALITY ASSESSMENT

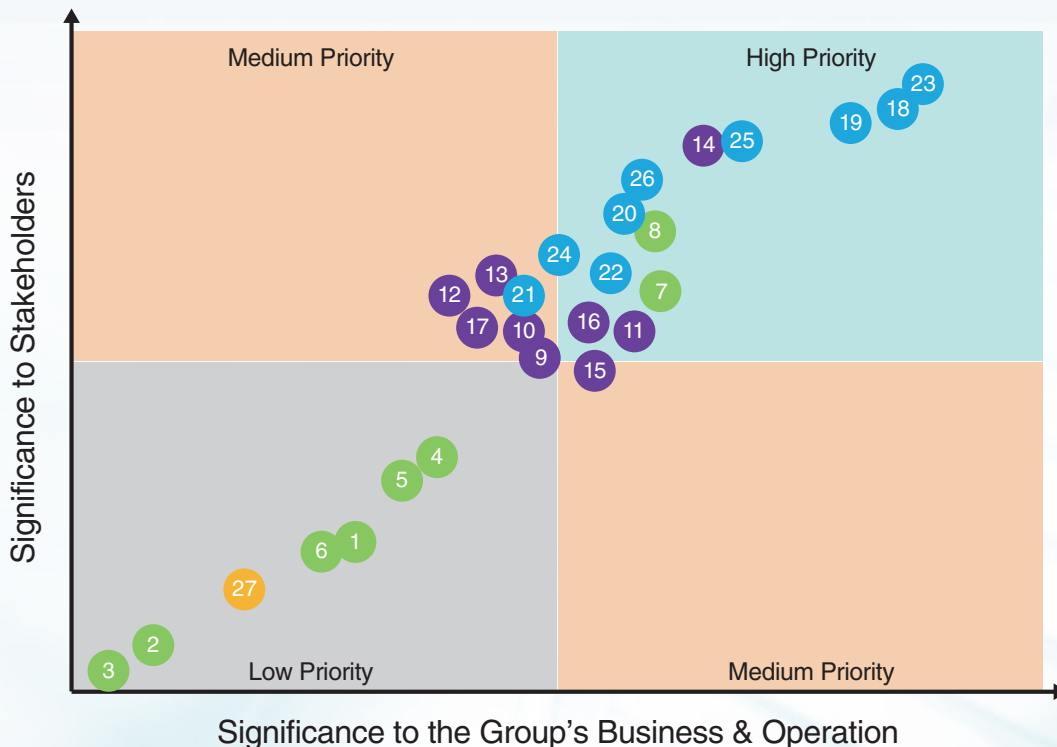
In order to identify the ESG issues that are material to the Group in formulating appropriate ESG strategies on ESG management, the Group has commissioned an independent consultant to conduct a materiality assessment in the form of an online questionnaire. We have published the questionnaire in our social media pages and invited both our internal and external stakeholders (e.g. employees and suppliers) to fill in the questionnaire. 27 ESG issues are rated in accordance with their relevance and importance to the business operation and the stakeholders themselves respectively. Based on the materiality of each of the ESG issues expressed by the stakeholders, the ESG issues are prioritized and shown in the materiality matrix below.

We classified the ESG issues into three main categories in determining the priority of the issues: high, medium and low, for better resource allocation and appropriate strategies formation. The issues which fell in the upper right corner of the matrix were defined as the areas that matter the most to the Group's business operation and the concerns of our stakeholders.





# MATERIALITY ASSESSMENT *(Continued)*



**Environment**

- 1 Air emission
- 2 Greenhouse gas emission
- 3 Climate change
- 4 Energy efficiency
- 5 Water & effluents
- 6 Use of materials
- 7 Waste management
- 8 Environmental compliance

**Employment**

- 9 Labour rights
- 10 Labour-management relations
- 11 Employee retention
- 12 Diversity and equal opportunity
- 13 Non-discrimination
- 14 Occupational health and safety
- 15 Employee training
- 16 Employee development
- 17 Prevention of child labour & forced labour

**Community**

- 27 Community support

**Operation**

- 18 Customer satisfaction
- 19 Customer service quality & complaints handling
- 20 Customer health and safety
- 21 Marketing and product and service labelling compliance
- 22 Intellectual property
- 23 Customer privacy and data protection
- 24 Responsible supply chain management
- 25 Business ethics
- 26 Socio-economic compliance

According to the results of the materiality matrix, the areas that matter the most to the Group’s business operations and concerns of our stakeholders include customer privacy and data protection, customer satisfaction, customer service quality & complaints handling, business ethics and occupational health and safety. In general, operation area is of high priority, followed by employment in medium priority, whereas environment and community are of relatively low importance (with the exception of waste management and environmental compliance, which are of high priority). Hence, the Group will focus on the respective areas according to their rated significance. With the understanding of the significance of these areas to the Group and stakeholders, the Group will continue to review and develop corresponding ESG policies and targets, as well as optimizing the ESG reporting disclosure in order to pursue continuous improvement in our ESG performance in future.

# SERVICE AND PRODUCT RESPONSIBILITY



## SERVICE EXCELLENCE

Frontage is committed to offering the greatest value to its customers by building our capability and increasing flexibility at work to ensure excellent service quality and reliable solutions and results. We offer customized and integrated services in product development from discovery, pre-clinical development, clinical trials and post-approval in a timely manner and in compliance with all relevant laws and regulations. To deliver the best experience to our customers, we optimize our processes and drive continuous improvement, as well as offer quality assurance and upgrades to our services facilities.

To uphold high-quality standards, we conform to Good Laboratory Practices (“GLP”) in the US and China, the Organisation for Economic Co-operation and Development Series on Principles of GLP and Compliance Monitoring, as well as compliance with our SOPs. We have set the policies and procedures in sample receipt, study methodology, auditing approach and compliance check. We also implemented the quality management system certified with ISO 9001:2015 in China to ensure the systematic and manageable approach in providing our services.

### Quality Assurance

To ensure strict compliance with our high-quality standards, our Quality Assurance Department will formulate and conduct auditing programs based on the nature of the study to check for compliance of relevant statutory requirements, study protocol, guidelines, procedures and methods. We conduct comprehensive auditing works on the elements involved in the service scope such as sample receipt, foundation testing procedures, testing equipment, laboratory condition, documentation and data records. With appropriate assessment on the operational function of our laboratories, we can attain better performance by identifying deficiencies or deviations of the processes and formulating a corrective action plan to remedy the findings.

### Facility Enhancement

The Group also focuses on improving the overall efficiency of our operations and adding extra capability to our existing facilities by upgrading our hardware. In FY2019, we increased our lab space by approximately 10,000 ft<sup>2</sup> in one of our laboratory facilities. The upgraded facilities include refurbishment of the soil and sample preparation building, upgrade of the environmental monitoring system to control and monitor the environmentally sensitive areas, installation of new animal kennel housing units and a walk-in freezer. In addition, we upgraded the access control system to improve the building security and safety. The interior of our building at the rooftop, lobby, facade, dock area and entry were also renovated to improve the working environment and the appearance of our buildings.



## SERVICE AND PRODUCT RESPONSIBILITY *(Continued)*

### PRIVACY PROTECTION AND SECURITY

Information management is one of our prime concerns in preventing the misuse, unintended disclosure or loss of company information. To ensure the integrity of our business information and to minimize the business risk, we have established an Information Management Policy Statement to protect internal and external information. As it is the first year for the Group to report sustainability issues, the Group will continue to improve the enforcement of the policy by monitoring the effectiveness of the implementation and efficiently handling the reported cases of potential information and security breaches. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations related to privacy matters of products and services, such as Health Insurance Portability and Accountability Act and regulations to protect the identity of human subjects.

#### Client Information Control

Frontage understands the importance of the accomplishment of the test results which are valuable assets to us and our clients. To protect confidential information, we set procedures in handling the information. All the information such as study reports, study procedures and data are not allowed to be disclosed unless prior approval from the client is obtained. Documentation is required to be stored for a certain duration in the archive room with security measures in place for protection. A filled form is required in order to retrieve the information from the archive room and only authorized personnel are allowed to enter the archive room. In addition, the facilities are protected by a fireproof door lock and gas fire extinguisher to secure the documentation under emergency situations. Back-up power is also in place to protect the sample freezers and critical server system in safeguarding the essential information.

Furthermore, we treasure the confidentiality of the tested subjects and data, particularly when it involves any human subjects. Working guidelines are formulated to promote the quality and validation of the test data. To protect the full identity of any individuals, such information is not allowed to be disclosed as any breaches can affect their rights, integrity and safety. We are also aware of the potential leakage of sensitive information during the disposal process, hence liaison of the ways of handling will be carried out with the clients.

#### Cyber Security

In fast-paced cyber networks, we always highlight the risk of any virus attacks, which may undermine the security of our system and affect our daily operations. We therefore have encrypted our computers and servers with passwords and protected them with a firewall system and anti-virus software to secure personal information as well as company information. The access of information is restricted and defined according to the job position of the employees to prevent unauthorized use of the sensitive information. Any confidential information is shared using our internal security system. In addition, regular back-up of the information will be conducted on a daily and monthly basis to protect the information and can be restored when necessary.

### **ANIMAL WELFARE**

While highlighting the merits in product development, we do not underrate the concern of the tested animals. We devote resources to protect animal welfare by implementing an animal care and use program. We are committed to conducting experiments in a moral and humane way. Strictly abiding by the Guide of the Care and Use of Laboratory Animals and our SOPs, we have procedures in animal facility control, monitoring, transferring, housing, sanitation of the lab equipment and emergency preparedness. Hence, their rights are guaranteed and harm to the animal is minimized. Training is also provided to the appropriate staff in animal management. During the Reporting Period, we did not receive any non-compliance reports from the United States Department of Agriculture.

### **ANTI-CORRUPTION**

Business ethics is important in business operation and credibility. Frontage continues to work on improving ethical standards among our stakeholders and does not tolerate any corruption issues including receiving benefits from our vendors, suppliers or representatives who conduct business with Frontage. Violations in any form such as fraud, bribery, extortion, or money laundering are strictly forbidden and can result in disciplinary actions including termination, which are clearly illustrated in our Employee Handbook. Apart from instilling a strong sense of discipline, we also encourage our employees to report unethical or illegal business practices through a highly confidential reporting channel, so that we can eliminate malpractices in workplace.

During the Reporting Period, the Group was not aware of any non-compliance with all laws and regulations such as the US Foreign Corrupt Practices Act, Anti-money Laundering Law of the PRC and the Anti-unfair Competition Law of the PRC and other laws and regulations relating to bribery, extortion, fraud and money laundering.



## SUPPLY CHAIN MANAGEMENT

Committed to providing high quality services, we developed a robust system guided by our Procurement Policy in selecting our suppliers or vendors. For new suppliers or vendors, we must obtain at least three quotations to maintain fair competition. Furthermore, vendor performance assessments are performed every year to ensure the quality of the offered products or services in terms of after-sale services, the time of delivery, reputation and business risk.

To ensure business integrity, all trade secrets such as quotation prices are not allowed to be disclosed to third parties. Any forms of benefits received from the suppliers or vendors are forbidden and our employees are required to report any conflict of interest.



## PROVIDING A SAFE WORKING ENVIRONMENT

We endeavour to sustain our business without putting our employees at risk. To provide a safe and healthy environment, we have established a team of safety committees to coordinate the safety program and regularly review the safety status during management meetings. We disseminate safety messages to our employees via different types of media, including internal meetings, memos and emails to raise their awareness on safety issues.

During the Reporting Period, the facilities in the US have fulfilled all the statutory requirements and obtained safety committee certifications. The Group was not aware of any non-compliance regarding the occupational health and safety issues during the Reporting Period.

### Safety Training

Induction training prior to working and regular training are provided to promote the ideas of working safely and to ensure that our employees are fully aware of the SOPs, EHS policy, emergency action plan and other standards. In FY 2019, we have conducted training to appropriate staff in relation to biological safety in laboratories, fire safety, emergency preparedness procedures and standard procedures handling.



#### Biological emergency preparedness training

In the laboratory environment, we place a high priority on our employees' safety. To remind our employees to pay attention to the potential hazards, we organized training to refresh their knowledge and develop practical skills in dealing with emergency situations so that they can get prepared for and respond rapidly and safely in such conditions.





## OUR EMPLOYEES *(Continued)*

### PROVIDING A SAFE WORKING ENVIRONMENT *(Continued)*

#### Safety Precaution Measures

In addition, we actively carry out safety inspections on our operational facilities, identifying the potential hazards and monitoring the implementation of the remediation measures in order to safeguard our employees. Sufficient safety emergency equipment is provided on-site including eyewash stations, fire extinguishers, personal protection equipment (such as safety glasses, lab coat, gloves and foot protection), disposable lab-wares and first aid boxes. The materials are regularly checked for expiry and deficiency to maximize the effectiveness of the safety protection. In addition, we have also encouraged our staff to participate in first aid courses to enhance their basic knowledge when facing any emergency situations. In 2019, we had a total of 37 First Aid/CPR/AED trained staff in the US.

For substances with chemical and biological hazards, we lay out clear procedures for their handling, storage and disposal. The containers are required to be stored in designated areas with appropriate safety precaution signage and leak-proof provision. Disposal of such waste is carried out by licensed contractors according to the relevant laws and regulations. When necessary, vaccinations are also provided to staff exposed to biological agents to reduce any associated risks.



#### Response Mechanism of Safety Issues

We have established a response mechanism, illustrating the procedures and defining the responsibility of personnel (e.g. site management, top management and human resources department) in dealing with safety incidents. We will investigate the incident and carry out root cause analysis in terms of the process and sequence of work, human factors, functioning of the equipment and communication issues to evaluate the existing procedures and seek room for improvement. Apart from our actions in enhancing the safety of the work environment, we always encourage our employees to share their ideas and concerns so that we can develop a safer workplace together. They can either communicate directly to the supervisors or report anonymously to the Company in a way that they feel comfortable.

The Group was not aware of any non-compliance with laws and regulations in relation to occupational health and safety issues in the US and China, including the Work Safety Law of the PRC and Emergency Response Law of the PRC.



### **EMPLOYMENT CONDITIONS AND LABOUR STANDARDS**

We aim to provide a respectful workplace for all our employees and protect them from any form of harassment or discrimination. We believe it is an obligation of our management and employees to report any suspicious cases and hence we have formulated a complaint mechanism. Any reported cases are handled appropriately and thoroughly by our Human Resources Department and the entire investigation process is kept highly confidential. Employees who are identified as having committed actions amounting to misconduct are subject to disciplinary actions including suspension and termination.

Furthermore, all employees are fairly treated regardless of their race, sex, marital status, pregnancy, disability status or other forms of difference. Our decisions about recruitment, promotion or salary adjustment are solely based on the job requirements, the qualification, experience and abilities of the respective employees and job candidates to avoid discrimination during the employment process whenever the candidates are qualified to perform the essential job functions.

In order to maintain business integrity, we clearly outline in our Employee Handbook inappropriate behaviours and acts such as dishonesty and violation of the business conduct, which our employees should strictly follow. Disciplinary actions may also arise due to breach of the handbook.

Our employees are entitled to holidays, compensation and leaves such as personal days, family medical leave, funeral/bereavement leave, military leave and jury duty leave. Other benefits such as life insurance, prescription benefits and vision care insurance are provided to eligible employees to protect their health. We will also adjust the salary based on annual performance reviews and appraisals to recognize our employees' effort over the past year.



## OUR EMPLOYEES *(Continued)*

### STAFF DEVELOPMENT AND TRAINING

To nurture our employees and reinforce their competitive edge in the industry, we established a comprehensive training program to develop their skills and support the personal development. Below are some examples of the types and focus areas of the training:

Types of Training	Focused Areas of Training
<ul style="list-style-type: none"><li>• Orientation training</li><li>• Technical training</li><li>• SOP training</li><li>• Job specific training</li><li>• Safety training</li></ul>	<ul style="list-style-type: none"><li>• Safety (fire drill, laboratory and biological hazard)</li><li>• Emergency preparedness</li><li>• Laboratory testing and analytical skills</li><li>• Management techniques</li><li>• Quality assurance training</li></ul>

Diversified training activities are organized for our employees. We offer SOP training, technical training and any additional training that suit the job's needs such as method-specific skills and laboratory test knowledge. By providing these training opportunities, we can foster a workforce with better capability and competence as well as increasing employees' morale to the company. In addition, to warmly welcome our new recruits, we provide orientation training regarding the corporate culture, technical knowledge, privacy and security and occupational health and safety requirements of our company.



#### Management training and team building

The Group believes that a team with higher team coherence which shares common goals and supports each other can increase work productivity which will in turn drive the Group's success. To enhance team spirit and techniques in team collaboration, we offered management training and team building activities during the Reporting Period.

### STAFF DEVELOPMENT AND TRAINING *(Continued)*

Through the annual performance review, our employees can freely express their ideas and opinions on their career development. We try our best to satisfy their training needs and promote their strengths by setting appropriate objectives and goals.

Trainings were conducted in 2019, covering various topics such as site safety, quality assurance, animal care and handling techniques, information technology software applications, SOP trainings, laboratory testing methods and latest technological advancements for our employees in the US and China.

### RELATIONSHIP WITH EMPLOYEES

Adhering to the core values of our company, we care about the well-being of our employees. By organizing various recreational activities, we are dedicated to providing a relaxed and coherent working atmosphere for our employees, with an aim to relieve their stress from work and to strengthen their team bond, which is also beneficial to increase their work productivity. We have held social activities frequently during the Reporting Period such as holiday parties, birthday celebrations, picnics, fun food sharing day and photography contests to promote work-life balance.

### Celebration of Our Enormous Success



To celebrate the success and one of the key milestones of the Company, the Initial Public Offering (“IPO”), we organized parties and events in many cities and invited our employees to share the joy with us.



# ENVIRONMENTAL PROTECTION

## CONSERVATION OF RESOURCES

### Energy Management

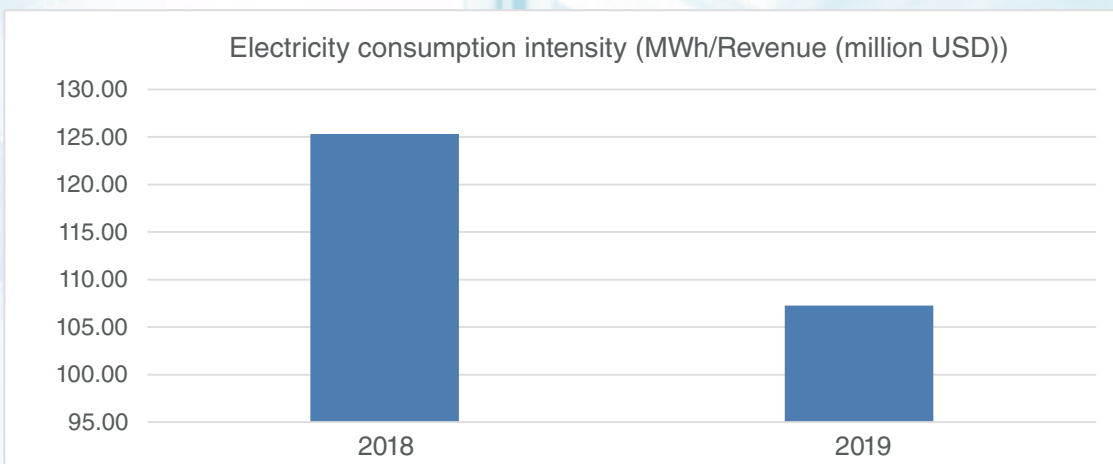
Frontage recognizes that climate change can pose a significant environmental and economic risk to a business and actions should be taken to minimize carbon emissions. Energy consumption and their subsequent carbon emissions are major concerns in climate change. Therefore, we focused on improving the energy efficiency of our systems in the Reporting Period.

#### Upgrading the boiler system and chilled water system

With an effort to improve the reliability of our system in preventing failure of the system and conserve energy by replacing the aging equipment, we invested in upgrading the boiler and chiller in our facilities. During the Reporting Period, we replaced the traditional boiler system with the hot water and steam boiler system which has enhanced efficiency and reliability.



During the Reporting Period, the major energy consumption sources were electricity and natural gas. As an environmentally-conscious enterprise, we have monitored electricity consumption in 2018 and electricity consumption intensity decreased by 14% in 2019.



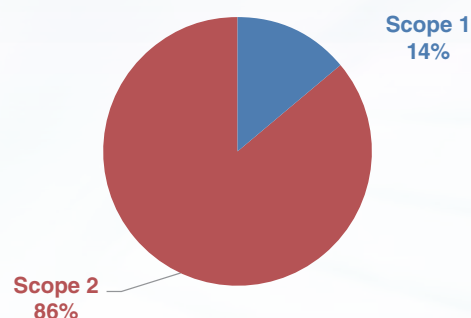


## EMISSIONS FROM OUR BUSINESS OPERATIONS

### Greenhouse Gas (GHG) Emissions

In our business, a major contribution of GHG emissions comes from electricity generation (Scope 2), accounting for about 86% of total emission, followed by the emission from the consumption of natural gas and gasoline (Scope 1). Our Group will continue to look for solutions to minimize the environmental impact of our business operations.

GHG EMISSION (TONNES CO<sub>2</sub>e)



Total amount	Unit	FY2019
Total GHG Emission	Tonnes carbon dioxide equivalent emission (“Tonnes CO <sub>2</sub> e”)	6,053.26
Scope 1 Emission	Tonnes CO <sub>2</sub> e	866.07
Scope 2 Emission	Tonnes CO <sub>2</sub> e	5,187.19
Total GHG Emission Intensity	Tonnes CO <sub>2</sub> e/Revenue (million USD)	60.28

### Air Emissions

Our prime operations are conducted within the laboratory and office environment. Limited biological and organic gas is generated during the laboratory operation. To enhance collection of the exhaust, we have installed a sampling platform to closely monitor the concentration of the air pollutants to comply with environmental standards and to minimize the impact to the nearby environment.



## **ENVIRONMENTAL PROTECTION** *(Continued)*

### **EMISSIONS FROM OUR BUSINESS OPERATIONS** *(Continued)*

#### **Wastewater Generation**

Little amount of wastewater is generated from the laboratory process. We have installed wastewater treatment facilities on-site and appropriately treated the wastewater prior to discharge, such as dilution and collection of any wastewater with high concentration of pollutants for third party processing.

#### **WASTE MANAGEMENT**

As a responsible producer, we dispose of hazardous wastes such as chemicals, laboratory waste liquids and waste test-tubes, in accordance with the environmental laws and regulations to prevent environmental pollution caused by contamination of these wastes. Site safety officers and chemical waste coordinators are dedicated to managing and monitoring the waste handling and disposal procedures. To prevent spillage of the hazardous wastes, we provide secondary containment and segregate the chemicals in designated chemical waste storage areas with clear chemical labels. All the hazardous waste is collected by licensed collectors for disposal and treatment.

To promote preserving valuable materials, we encourage our employees to recycle paper, cardboards, aluminium cans and plastic bottles by providing recycling bins on-site and hiring licensed contractors for their collection.

## COMMUNITY PARTICIPATION

Frontage understands the importance of social responsibility and highly supports social development and community projects in the local community. To express our concern and to contribute to our society, we participated in various community activities and organized charity work in 2019, including food waste donations, blood drives and running for charity.

### FOOD WASTE DONATION



In 2019, our employees donated 173 pounds of food to an organization called FoodBank to support their hunger relief program to provide food to the needy. The activity was successful, which encouraged our employees to be more socially responsible.



### FUNDRAISING RUNNING CAMPAIGN

We participated in a fundraising running activity in May 2019, with an aim to support an organization which assists young children in need by providing them with food, education, safety protection and community engagement.



### RED CROSS BLOOD DRIVE



In 2019, we held a total of four voluntary blood campaigns in collaboration with the American Red Cross to contribute to local blood demand and life-saving and we successfully collected 19 pints of blood.





## SUSTAINABILITY PERFORMANCE DATA

### ENVIRONMENTAL DATA <sup>(Note 1)</sup>

The below table shows the environmental data of the Group during the Reporting Period in both the US and China, unless otherwise stated:

Energy Consumption	Unit	FY2019
Total Energy	giga Joules (“GJ”)	54,188.33
Direct Energy		
Stationary combustion source		
Natural gas	GJ	15,245.02
Mobile combustion source		
Gasoline	GJ	113.78
Indirect Energy		
Electricity	GJ	38,829.54
Total Energy Intensity	GJ/Revenue (million USD)	539.64
<b>Greenhouse Gases (GHG) Emission</b> <sup>(Note 2)</sup>		
Total GHG Emission	Tonnes CO <sub>2</sub> e	6,053.26
Scope 1 Emission <sup>(Note 3)</sup>	Tonnes CO <sub>2</sub> e	866.07
Scope 2 Emission <sup>(Note 4)</sup>	Tonnes CO <sub>2</sub> e	5,187.19
Total GHG Emission Intensity	Tonnes CO <sub>2</sub> e/Revenue (million USD)	60.28
<b>Waste Management</b>		
Disposal		
Non-hazardous Waste <sup>(Note 5)</sup>	Tonnes	87.34
Non-hazardous Waste Intensity	Tonnes/Revenue (million USD)	0.87
Hazardous Waste	Tonnes	53.41
Hazardous Waste Intensity	Tonnes/Revenue (million USD)	0.53

# SUSTAINABILITY PERFORMANCE DATA *(Continued)*



## ENVIRONMENTAL DATA <sup>(Note 1)</sup> *(Continued)*

Water Resources	Unit	FY2019
Water Consumption	m <sup>3</sup>	49,423.46
Water Consumption Intensity	m <sup>3</sup> /Revenue (million USD)	492.19

Note 1: The air emission in our laboratory operation is insignificant and thus not material to our business.

Note 2: The GHG emission is calculated based on the “How to prepare an ESG Report? Appendix 2: Reporting Guidance on Environmental KPIs” published by the HKEx and international standards such as GHG Protocol Corporate Accounting and Reporting Standard issued by the World Resources Institute and the World Business Council for Sustainable Development.

Note 3: The direct emission (Scope 1) covers the emission from the mobile and stationary combustion sources. The calculation makes reference to the emission factors from 2006 IPCC Guidelines for National Greenhouse Gas Inventories and the guidance worksheets of World Resources Institute’s GHG Protocol Tool for Mobile Combustion and the GHG Protocol Tool for Stationary Combustion.

Note 4: The indirect emission (Scope 2) represents the use of electricity only. The emission factors adopted for the US and China were based on the Emission Factors for Greenhouse Gas Inventories published by the US Environmental Protection Agency and the 2017 Emission Factors for purchased electricity within Mainland China, published by Climate Change Info-Net respectively.

Note 5: The non-hazardous waste generated from the facilities in China is consigned to the building management company for recycling and handling. Actual weight of the non-hazardous waste is not available and hence not included in the data.



## CONTENT INDEX

The table below presents a summary of the explanation or reference section in this ESG Report which complies with the HKEx ESG Reporting Guide General Disclosures & KPIs in 2 aspects, namely environmental and social.

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect A: Environmental		
<b>A1 Emissions</b>	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.</p>	Environmental Protection – Emission from our Business
KPI A1.1	The types of emissions and respective emissions data.	(i) Environmental Protection – Emission from our Business (ii) Sustainability Performance Data – Environmental Data
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Sustainability Performance Data – Environmental Data
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Sustainability Performance Data – Environmental Data
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Sustainability Performance Data – Environmental Data
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental Protection – Emission from our Business
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Protection – Waste Management



HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
<b>A2 Use of Resources</b>	<p>Policies on efficient use of resources including energy, water and other raw materials.</p> <p>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>	Environmental Protection
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Sustainability Performance Data – Environmental Data
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Sustainability Performance Data – Environmental Data
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Protection – Conservation of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	There is no issue in sourcing water for the business in the Reporting Period.
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	The Group primarily conduct business in research facilities and offices. The packaging material is insignificant in our business operation.
<b>A3 The Environment and Natural Resources</b>	Policies on minimising the issuer's significant impact on the environment and natural resources.	<p>(i) Our Sustainability Approach (ii) Environmental Protection – Waste Management</p> <p>It is the first year of reporting and the Group will continue to enhance the sustainability approach in identifying our impact on the environment and natural resources.</p>
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	<p>(i) Our Sustainability Approach (ii) Sustainability Strategies (iii) Risk Assessment (iv) Environmental Protection – Waste Management</p> <p>It is the first year of reporting and the Group will continue to enhance the sustainability approach in identifying our impact on the environment and natural resources.</p>



## CONTENT INDEX *(Continued)*

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B: Social		
<b>B1 Employment</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our Employees – Employment Conditions and Labour Standard
<b>B2 Health and Safety</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our Employees – Provide a Safe Working Environment
<b>B3 Development and Training</b>	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.  Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Our Employees – Staff Development and Training
<b>B4 Labour Standards</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	Our Employees – Employment Conditions and Labour Standard



HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
<b>B5 Supply Chain Management</b>	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
<b>B6 Product Responsibility</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	(i) Service and Product Responsibility – Service Excellence (ii) Our business operations do not involve any issues regarding advertising, labelling and intelligence properties in the Reporting Period.
<b>B7 Anti-corruption</b>	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Ethical Business – Anti-corruption
<b>B8 Community Investment</b>	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Participation